

## UNC Workgroup 0647 Minutes

### Opening Class 1 reads to Competition (including IGT Modification 119 – Opening Class 1 read services on IGT Meter Supply Points to Competition)

Thursday 28 March 2019

at Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA

#### Attendees

Chris Shanley (Chair)	(CS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Andy Clasper	(AC)	Cadent
Chris Warner	(CW)	Cadent
Dave Addison	(DA)	Xoserve
David Mitchell	(DM)	SGN
Ellie Rogers	(ER)	Xoserve
Guv Dosanjh	(GD)	Cadent
John Cooper*	(JC)	BUUK
Kate Mulvany	(KM)	British Gas
Kirsty Dudley*	(KD)	E.ON
Mark Jones	(MJ)	SSE
Megan Coventry*	(MC)	SSE
Rachel Clarke*	(RC)	Gemserve
Richard Pomroy	(RP)	Wales & West Utilities
Shardul Pandit*	(SP)	Wales & West Utilities
Steve Mulinganie*	(SM)	Gazprom
Tracey Saunders	(TS)	Northern Gas Networks

\*via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0647/280319>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 June 2019.

#### 1. Introduction and Status Review

Chris Shanley (CS) welcomed everyone to the meeting.

##### 1.1. Approval of Minutes (28 February 2019)

The minutes from the previous meeting were approved.

#### 2. Review of Amended Modification

Richard Pomroy (RP) confirmed that there have been no amendments to the Modification since the last meeting.

#### 3. Review of Business Rules

Discussion on this agenda item was deferred to the next meeting.

#### 4. Review of Impacts and Costs

RP provided a short presentation for the meeting in relation to the implementation costs and potential options for next steps.

He reminded Workgroup of the costs reiterating that the majority of the costs are in relation to the cost of Transition (approximately £250,000 - £377,000). The enduring solution costs are estimated between £125,000 - £226,000. He added that there are 427 Class 1 Supply Meter Points and that this was significantly less than seen historically.

RP informed Workgroup that there was an action on Xoserve to explore options for reducing the transition costs and invited Ellie Rogers (ER) to provide an update. ER explained that having provided the Rough Order of Magnitude (ROM) the next step was to obtain further detail on what effort would be required through a high-level cost estimate. She added that this has been delayed due to other priorities such as a possible implementation of Modification 0665 on 01 October 2019. An update would be provided at the next meeting.

RP then explained that the current service is largely driven by a liability regime on DNs and delivers  $\geq 98\%$  D+1 read performance. He stated that a robust system is in place with effectively 2 systems working in parallel with one acting as a back-up system. The service also includes a number of other activities including monitoring of zero consumption and identifying corrector or meter faults.

RP then provided feedback from his discussion with National Grid Metering (NGM) highlighting that NGM's service offering for DM is specifically configured to undertake the service (with a direct interface into Xoserve) for WWU, NGN and Cadent only, across 300 sites. NGM are not in a position to provide a commercially variable offering for this service, via a direct relationship with the Shippers. However, they do have a 'Commercial AMR' service offering which many Shippers can access but this service is not a direct comparison with the DM service. The impact of the NGM position is that Shippers may need to manage Class 1 reads in house.

A brief discussion took place following a question from Steve Mulinganie (SM) seeking clarification of what service NGM would not be able to provide. RP indicated that NGM would provide a read service i.e. the data logger but not the back-office functionality and liaison. RP added that WWU would be willing to put in place arrangements to transfer the service to Shippers as they don't own the assets but other DNs do.

SM expressed concern about the uncertainty of the implications of this in terms of access to sites, the potential administration burden and health and safety issues for example different site access rules.

RP sought Workgroup views on transition if there was the ability to have continuity of a data logger rather than continuity of service. Mark Jones (MJ) expressed concern about the high costs. RP reiterated that the majority of the costs are related to transition, in addition there would be some Xoserve costs to make the service Shipper facing. If the transition costs were not needed, then the implementation costs would reduce significantly.

MJ highlighted that the costs are not viable for Shippers with a smaller number of sites such as SSE who only have 2/3 and this change would effectively take them out of the market.

SM suggested that it would be helpful if existing equipment can be transitioned but Shippers would still need to put in place commercial arrangements and reiterated earlier concerns about the high costs involved. SM confirmed that although Gazprom have a reasonable number of DMs they may struggle to make the service cost effective.

Dave Addison (DA) provided more information about the ROM costs, indicating that Xoserve were also surprised about the level of costs. He indicated that the main impact was the assumptions around the timing/period of the transition and levels of Post Implementation Support (PIS) provided. DA expected the further work on costs, to challenge these assumptions,

RP then provided 4 options for Workgroup to consider and discuss:

1. Withdraw Modification 0647
2. Continue with Modification 0647 as it stands
3. CDSP provides central service to Transporters
4. CDSP provides central service to Shippers.

He suggested that on the basis of the cost and impact on small Shipper portfolios highlighted earlier on in the meeting, Modification 0647 could be withdrawn but this does not address the issue of remaining meter reading services still provided by Transporters over the last 20 years or so after meter reading was opened to competition. DM must-reads are still provided by Transporters as well.

With option 2, if Shippers have to provide Class 1 service in house then there might there be an impact on competition and a risk of impact on unidentified gas as well as the issue of high implementation costs.

Option 3 he suggested was still not a complete solution as it does not address the issue of Transporters still providing service. He explained that under this arrangement each DN has a contract with DM Service Provider (DMSP), meaning the Transporters would still provide the service but CDSP would act as an agent or under a contract. He highlighted that the number of Class 1 sites has reduced significantly (approximately 75%) since Transco and questioned whether it made sense to have multiple service providers.

Option 4 would mean that the obligation for Class 1 reads is transferred from Transporters to Shippers with one central service to Shippers, which would give Shippers collective control over the service but does not open the service to competition. He also suggested that the implementation risk could be lower than for Option 1. SM stated that this assumes the existing arrangements can be transferred on a like for like basis. RP said that he had not explore this option fully at this stage. Kate Mulvany (KM) suggested that the Class 1 read market is not attractive to Shippers and expressed surprise if this was the case.

A brief discussion took place on performance and the current liability regime. CS asked if CDSP was the service provider would they be required to achieve the 98% D+1 read performance as CDSP doesn't normally pay out liabilities for services provided. Workgroup participants agreed that in addition to Xoserve providing more information on implementation costs, more information on the viability for the CDSP to act as the service provider should be provided at the next meeting. In this assessment the CDSP should also talk to UIG colleagues who are also looking at Class 1 issues since Nexus go-live, as there was an option for CDSP to undertake actions with regards to Class 1 reads in certain circumstances. Control over the overall service provision, may make the CDSP interventions more appropriate.

RP confirmed that Modification 0647 does not include a Shipper liability regime. It was suggested that this could be developed by the Performance Assurance Committee (PAC) for all metering. MJ reminded Workgroup that Xoserve performance standards exist under the DSC Contract arrangements and could be amended if required.

RP also reported that he has had an initial discussion with Ofgem in relation to a central service provided by CDSP indicating that Ofgem have not raised any initial concerns. Workgroup were also supportive of a central service approach and agreed that this should be developed further.

DA suggested that although economies of scale need to be factored in, option 1 should remain an option as there were still benefits that could be achieved if Class 1 works more like Class 2.

**New Action 0301:** WWU and Xoserve to develop the proposal for a central service to be provided by the CDSP (option 3 or 4).

**5. Consideration of Legal Text**

This agenda item was deferred to the next meeting.

**6. Development of Workgroup Report**

This agenda item was deferred to the next meeting.

**7. Review of Outstanding Actions**

**Action 0101:** Wales & West Utilities (RP) to explore options for reducing transition costs and/or complexity with Xoserve and provide an update at the next meeting.

**Update:** RP and ER provided an update as part of the presentation covered under agenda item 4.0 confirming that an update will be provided at the next meeting. This action was therefore carried forward. **Carried Forward**

**New Action 0102:** DNOs to provide details of DM service contracts and confirmation of which contracts could be transferred/novated to Shippers.

**Update:** RP reiterated his previous comments that WWU, Cadent and NGN would be willing to put in place arrangements to transfer the service to Shippers and sought views on SGN's position. David Mitchell (DM) indicated that there was little appetite because of the difficulties in relation to transferring assets to Shippers as some of the assets are aged and also because of the systems issues. SM asked if SGN would be amenable to continuity of the arrangements? Tracey Saunders (TS) indicated that NGN's position was slightly different as they own the assets but they remain open to exploring all options. Workgroup agreed to close this action and noted that further discussion on this topic was still possible. **Closed**

**8. Next Steps**

CS concluded the Workgroup discussion by confirming that an extension had been agreed by the Modification Panel to 20 June 2019. MJ commented that the process was now akin to a review. RP asked for workgroup views on whether he should withdraw the modification and raise a review or amend the existing Modification, the workgroup had no strong views either way.

**9. Any Other Business**

None.

**10. Diary Planning**

Further details of planned meetings are available at:

<https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
10:30, Thursday 25 April 2019	Elexon - Orange room 350 Euston Road London NW1 3AW	<ul style="list-style-type: none"> <li>Review of Amended Modification (if appropriate)</li> <li>Review of the Business Rules</li> </ul>

		<ul style="list-style-type: none"> <li>• Review of Impacts and Costs</li> <li>• Development of Workgroup Report.</li> </ul>
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**Action Table (as at 28 March 2019)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	24/01/19	4.0	Wales & West Utilities (RP) to explore options for reducing transition costs and/or complexity with Xoserve and provide an update at the next meeting.	WWU (RP)	<b>Carried Forward</b>
0102	24/01/19	4.0	DNOs to provide details of DM service contracts and confirmation of which contracts could be transferred/novated to Shippers.	DNOs	<b>Closed</b>
0301	28/03/19	4.0	WWU and Xoserve to develop the proposal for a central service to be provided by the CDSP (option 3 or 4).	WWU (RP)/CDSP (DA)	<b>Pending</b>

RP indicated that he was keen to continue with the development of the Modification in an exploratory way more aligned to a Review Workgroup, but he was not intending to withdraw the Modification.

Please could we amend this to:

MJ commented that the process was now akin to a review. RP asked for workgroup views on whether he should withdraw the modification and raise a review or amend the existing modification, the workgroup had no strong views either way.