

# User Pays User Group Minutes

## Monday 08 September 2008

### Elexon, 350 Euston Road, London NW1 3AW

#### Attendees

Tim Davis (Chair)	TD	Joint Office
Lorna Dupont (Secretary)	LD	Joint Office
Alan Raper	AR	National Grid Distribution
Andy Miller	AM	xoserve
Colette Baldwin	CB	E.ON Energy
Dave Ackers	DA1	xoserve
David Hayton	DH	RWE npower
Graham Frankland	GF	xoserve
Helen Barratt	HB	xoserve
James Crosland	JC	Corona Energy
Jemma Woolston	JW	Shell
Joel Martin	JM	Scotia Gas Networks
Kevin Woollard	KW	British Gas
Lorna Gibb	LG	Scottish Power
Rosie McGlynn	RM	EDF Energy

#### 1.0 Introduction and Status Review

TD welcomed attendees to the meeting.

##### 1.1. Minutes from the previous Meeting (18 August 2008)

The minutes were amended as follows to reflect comments made by RM:

At Section 3.2 xoserve presentation on Contract, paragraph 12:

“RM pointed to the experience of the MRA, and SPAA and also MAP, and ~~thought~~ stated that the issues around separation issue was more a were conceptual rather than legal point; in origin. ~~it~~ The issues related to commercial risk and ~~was~~ fundamentally a demonstrates the lack of understanding in of how this ~~could~~ operate as a model should work. RS respected the fact that a legal view had been provided to xoserve on which they had to act, but still felt that Shippers needed to understand more clearly what were the risks that xoserve believed itself exposed to, before any further progress was likely to be made. CB thought that xoserve were seeking to protect regulated activity rather than viewing it from the perspective of a commercial contract and this would require a mindset change. RCH said that there was a risk that the consequences of a new unregulated activity could affect a regulated activity. GF indicated he was open to looking at examples of different contract structures. RM offered to set up a meeting between xoserve and Gemserv Ltd to explain how the contract for the provision of ECOES is managed under the MRA arrangements.”

The minutes of the previous meeting were then approved.

## 1.2. Review of Actions from previous meetings

The outstanding actions from previous meetings were reviewed.

**Action UPUG 0021:** Transporters to reconsider signing the User Pays contract and return to next meeting with reasons for their decisions.

**Update:** Alex Thomason on behalf of National Grid Transmission provided the following response by email: "... National Grid Transmission currently has a unique position among the Transporters in that we do not receive any of the Non-Code User Pays Services and therefore there is definitely no requirement for us to sign the User Pays contract at the present time."

JM reported that SGN's lawyers were looking at the contract and consequently requested that the item be carried forward. AR confirmed that National Grid Distribution were yet to be convinced of the case for signing a contract simply for governance purposes.

The Transporters agreed to update the Group with a final position at the next meeting. **Action carried forward.**

**Related Action UPUG 0029:** Transporters to consider contracting separately for the IAD service to give legitimacy to their participation in related contract discussions.

It was agreed that this was covered by the previous action and could be closed. **Action closed.**

**Action UPUG 0028:** xoserve to review the file/form functionality.

**Update:** xoserve confirmed this was under review. **Action carried forward.**

**Action UPUG 0030:** xoserve to issue a note to Contract Managers inviting formal comments on the Review Report and revised ACS.

**Update:** Completed. **Action closed.**

**Action UPUG 0031:** xoserve to provide an articulation of its perceived risks.

**Update:** Covered in xoserve's presentation. **Action closed.**

**Action UPUG 0032:** xoserve to provide a draft Change Process for discussion.

**Update:** Covered in xoserve's presentation. **Action closed.**

**Action UPUG 0033:** Shippers to liaise and produce an example of a separately governed Schedule

**Action agreed closed.**

**Action UPUG 0034:** EDF Energy (RM) to arrange a meeting between Gemserv (as MRA administrator) and xoserve to discuss perspectives on commercial contracts.

**Update:** Completed. **Action closed.**

**Action UPUG 0035:** xoserve (DA) to provide a template to capture the information required and write to Contract Managers to ascertain whether any specifically

tailored arrangements may be required to accommodate communication of information (read receipts to be attached).

**Update:** Completed. **Action closed.**

**Action UPUG 0036:** xoserve (DA) to ascertain a sensible approach to managing 'in flight' requests and include this in the advisory note to Contract Managers.

**Update:** Covered in xoserve's presentation. **Action closed.**

**Action UPUG 0037:** xoserve (DA) to determine the level of system security risk and provide appropriate assurance.

**Update:** Passwords held on the spreadsheet will be destroyed. **Action closed.**

**Action UPUG 0038:** Shippers to confirm to xoserve the preferred time of provision of the October Portfolio Reports (prior to or after AQ Review).

**Update:** Agreed as 06 October 2008. **Action closed.**

## 2.0 Contractual Change

### 2.1 xoserve presentation

GF gave a presentation demonstrating a proposed contractual approach, articulating xoserve's perceived potential risks and proposed mitigations. Comparisons were made between electricity and gas models and key differences identified.

The xoserve proposal was based on a two tier approach whereby UPUC would manage the service lines and UPCEG would manage the terms and Conditions, with defined change processes within the Contract. Using this model, xoserve acknowledged it would have a voice but that it did not require a vote in respect of the service lines.

The proposed Service Line change model was explained and discussed. RM suggested that it would be more prudent to assess as early as possible whether any changes would be required to the Terms and Conditions and to refer such changes directly to the UPCEG at an earlier stage than identified in the xoserve presentation, ie at (2). GF agreed, and AM added that this could also remain under review at (4) to take account of any developments as progress was made to define a change. KW pointed out that, once the contract was set up, there should not be any real need for the UPCEG to meet on a frequent basis.

Shippers and Transporters agreed that significant and positive progress had been made since the previous meeting and were unanimously happy with xoserve's proposed approach.

### Changes to the Contract – Terms and Conditions

The issue of representation on the proposed groups was broached. For the proposed UPCEG, RM argued that representation should be by parties who were expert in the contract, and trusted and respected by the industry to fulfil this responsible role, with no more than 4 or 5 members of the group. CB was concerned that this might then become a 'contract procurement' group, and if there was a material impact on everyone then it may be hard to get agreement; for what was a relatively simple contract it would be better to avoid a complex governance structure; for a commercial contract every individual signatory party needed to have a vote.

There was discussion of varying ways of representation and voting, none of which appeared to be wholly satisfactory for all parties. For variations to the Terms and Conditions a way needed to be found whereby each party's view could be trusted to be taken forward and acted upon, individually assessed with full transparency and accountability, and opportunities provided to feed back into the process.

Postal voting was discussed together with various combinations of advance voting, proxy voting, and voting in person. It was suggested that objections could only be lodged by personal attendance at a meeting at which the proposed change was to be discussed. Submitting an indicative vote in advance may save time and allow the likelihood of support (or not) to be assessed.

The proposed change process as developed by the UPCEG was considered to be fit for purpose but the voting arrangements required more thought and development.

### **Changes to Service Schedules**

JC and KW pointed out that adding a new service and changing an existing service may require different treatment. Different scenarios were discussed, including the possibility of a non-User of the service or a prospective User raising a change before signing the contract or before making use of a particular service.

There was some support for voting rights being limited to contract signatories for changes to existing services. Confidential voting was not seen to be sensible as the documents and services were in the public domain, and process transparency was important.

Further discussion led to the conclusion that the previously proposed constituency model needed reconsideration and there would be strong concerns over whose interests were represented. JW, CB and RM said that they would be happy to drop this model if an 80% majority for change was agreed as this would avoid the risk of any one User being able to block a proposed change to the detriment of the industry.

Returning to the premise of 'One Contract Manager = One Vote', Domestic Shippers evinced concerns that, since they paid the majority of costs for the services, they could be disadvantaged by the exercise of votes by I&C Shippers who proportionately paid far less, yet the votes were deemed of equal influence; AM pointed out that outcomes could also be affected by the exercise of votes by large energy users that also contracted for services. In response to a question from JC, GF confirmed that in principle there was potential for development of separate Service Lines for I&C and Domestic Shippers. AM said that an ad hoc additional service could be requested at any time by any party which could then be publicised and proposed as a change, or a one to one request could be made which would be an individual ad hoc service and remain confidential. There should be no voting rights associated with ad hoc services since they were effectively one-off arrangements between specific parties.

Costs of new service lines were discussed. It was suggested that a possible model would be that development costs be socialised across all Users because all have the opportunity to take up the service if desired. A number of Shippers expressed disquiet with this concept. AM said that ad hoc services were priced by quotation. The discussion moved on to how ad hoc services were publicised, the degrees of transparency or confidentiality that should be expected, and how changes should be made to the contract. Only non-confidential services are made visible to new entrants. It would only go into the Schedules if the change process was followed. xoserve could (through the Transporters) put appropriate references to charges into the ACS, or services could be provided through a bi-lateral agreement.

Discussion then returned to voting requirements. For the Terms and Conditions, it was suggested that for acceptance of the change: 100% of the votes received should be in favour. If a UPCEG meeting was arranged to discuss and potentially agree a change proposal, postal votes could only be submitted if they were in favour; objections should be lodged by personal appearance or by telephone conference participation. For Service Lines it was similarly suggested that for acceptance of the change: 80% of the votes should be in favour; postal votes could only be submitted if they were in favour; objections should be lodged by personal appearance or by telephone conference participation at UPUC meetings. If there was no expression of interest by a party then it would not be considered to be a vote by default, and would not be taken into account. Proxy voting should also be allowed for under both governance processes.

KW remained concerned that a disproportionate influence may be exerted by some parties – a vote by a party who was a major User of a particular Service Line would appear to carry the same weight as the vote by a party who was a light User, and a major User would therefore be in some circumstances be potentially more at risk of being adversely financially impacted by a change. There were suggestions that xoserve might administer a weighted voting process such as was carried out in SPAA, and that votes could be service line specific and weighted by usage. JW and JC opposed this. Each party was concerned that adverse change could be imposed on different market segments by others. No consensus was reached and it was clear that what could be perceived as a fairer approach, that was more acceptable to all parties present, required further development.

TD suggested a possible way forward would be to have a dual hurdle such that of the votes received, 80% had to be in favour both in terms of numbers (one Contract Manager, one Vote) and in terms of service share (based on the proportion of costs of the relevant service borne by each party). AM agreed to organise some models with different scenarios, and would also provide some information on market segmentation to give a better indication of how a balance may be struck.

RM questioned how the two Groups would be funded. TD responded that the costs sat with xoserve and were already referenced within the ACS through the costs of running the User Pays regime. Monthly meetings were agreed, with teleconferences used as appropriate. RM thought there may be some crossover issues between this forum and business carried out by the UK Link Committee - clarity may be needed in deciding which forum would be better placed for certain discussions and how visibility may be maintained in each arena. TD responded that IAD changes fell within the UPUC arena but xoserve would still take system changes to UK Link Committee and liaise between both meetings; there should be no loss of visibility.

### **Next Steps**

The following actions were identified for progression:

**Action UPUG 0039: Voting models - xoserve (AM) to organise some models with different scenarios, and provide some information on market segmentation to give a better indication of how a balance may be struck.**

**Action UPUG 0040: xoserve (GF) to produce Terms of Reference for both UPUC and UPCEG.**

**Action UPUG 0041: xoserve process - All to feed back comments on process to xoserve within the next 2 weeks to inform redevelopment of the main contract.**

**Action 0042: xoserve to define UPUC SLD change process in main contract.**

### 3.0 xoserve Update

#### 3.1. IAD Update

DA1 gave an update on the planned IAD enhancements, explaining the timeline and the status of the changes. All project activities were progressing well and the project was at Green status. Examples of log in screens were presented and reviewed. The focus of the third security question (slide 21) was queried and discussed. TD suggested that the statement at Note 3 (Create Profile screen) be rephrased to add clarity, to read "At least one special character (i.e. \$, #, and \_) must be included" (other screens may also need to be reviewed and amended if they include the same statement).

**Action 0043: xoserve (DA1) to establish whether changes can be made to the log in screens, and if so, arrange for the statement at Note 3 (Create Profile screen and any other screens identified as including this statement) to be rephrased to read "At least one special character (i.e. \$, #, and \_) must be included.**

In response to questions DA1 advised that there was no specific environment set up for Shippers for testing and that all user testing had been within xoserve. CB felt Shipper testing was important and agreed to liaise with DA1 to see if it would be possible for EON to be involved in testing.

Parties confirmed that the IAD communication updates sent out by xoserve had been very helpful.

#### 3.2. Operational Update

DA1 provided an operational update, covering June, July and August on the performance of the Telephone Service Line, the IAD Service Line, the Email Report Service Line, Portfolio Reports, AQ Enquiries, IAD Account Transaction Volumes, and Portfolio Reports.

CB commented that, although she receives acknowledgements following submissions of requests for new account creation, she did not appear to be receiving any notifications to advise that they had been set up.

**Action UPUG 0044: CB to forward examples of 'incomplete' new account creation requests to GF for investigation and response.**

### 4.0 Any Other Business

None raised.

### 5.0 Diary Planning for User Pays User Group

#### 5.1 Contract Expert Group

No further meeting has been arranged.

#### 5.2 User Pays User Committee

It was agreed to reschedule the next meeting as the planned date (13 October 2008) conflicted with the IAD implementation date.

The next meeting has therefore been arranged to take place in Room 4 at 10:00 on Friday 17 October 2008, at the Energy Networks Association, 6th Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF.

**Future Meetings**

Monday 10 November 2008, 10:00, Elexon, 350 Euston Road, London NW1 3AW.

Monday 08 December 2008, 10:00, Elexon, 350 Euston Road, London NW1 3AW.

## Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
UPUG 0021	14/07/08	2.2	Transporters to reconsider signing the User Pays contract and return to next meeting with reasons for their decisions.	All Transporters	See 1.2 above. <b>Carried forward to 17/10/08</b>
UPUG 0028	14/07/08	3.2	Password resets: xoserve to review the file/form functionality.	xoserve (AM)	<b>Carried forward</b>
UPUG 0029	18/08/08	1.2	Transporters to consider contracting separately for the IAD service to give legitimacy to their participation in related contract discussions.	All Transporters	See 1.2 above. <b>Closed</b>
UPUG 0030	18/08/08	2.0	xoserve to issue a note to Contract Managers requesting formal comments on the Review Report and revised ACS.	xoserve (GF)	Completed. <b>Closed</b>
UPUG 0031	18/08/08	3.3	xoserve to provide an articulation of its perceived risks.	xoserve (AM)	See 2.0 above. <b>Closed</b>
UPUG 0032	18/08/08	3.3	xoserve to provide a draft Change Process for discussion.	xoserve (AM)	See 2.0 above. <b>Closed</b>
UPUG 0033	18/08/08	3.3	Shippers to liaise and produce an example of a separately governed Schedule.	Shippers (All)	<b>Closed</b>
UPUG 0034	18/08/08	3.3	Arrange a meeting between Gemserv (as MRA administrator) and xoserve to discuss perspectives on commercial contracts.	EDF Energy (RM)	Completed. <b>Closed</b>
UPUG 0035	18/08/08	4.1	xoserve (DA) to provide a template to capture the information required and write to the Contract Managers to ascertain whether any specifically tailored arrangements may be required to accommodate communication of information (read receipts to be attached).	xoserve (DA)	Completed. <b>Closed</b>
UPUG 0036	18/08/08	4.1	xoserve (DA) to ascertain a sensible approach to managing 'in flight' requests and include this in the advisory note to Contract Managers.	xoserve (DA)	See 3.1 above. <b>Closed</b>
UPUG 0037	18/08/08	4.1	Password unencryption: xoserve (DA) to determine the level of system security risk and provide appropriate assurance.	xoserve (DA)	See 1.2 above. <b>Closed</b>



Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
UPUG 0038	18/08/08	4.2	October Portfolio Reports: Confirm to xoserve the preferred time of provision (prior to or after AQ Review).	Shippers	See 1.2 above. <b>Closed</b>
UPUG 0039	08/09/08	2.1	Voting models - xoserve (AM) to organise some models with different scenarios, and provide some information on market segmentation to give a better indication of how a balance may be struck.	xoserve (AM)	
UPUG 0040	08/09/08	2.1	xoserve (GF) to produce Terms of Reference for both UPUC and UPCEG.	xoserve (GF)	
UPUG 0041	08/09/08	2.1	xoserve process - All to feed back comments on proposed process to xoserve within the next 2 weeks to inform redevelopment of the main contract.	ALL	By 19/09/08
UPUG 0042	08/09/08	2.1	xoserve to define UPUC SLD change process in main contract.	xoserve (GF)	
UPUG 0043	08/09/08	3.1	xoserve (DA1) to establish whether changes can be made to the log in screens, and if so, arrange for the statement at Note 3 (Create Profile screen and any other screens identified as including this statement) to be rephrased to read "At least one special character (i.e. \$, #, and _) must be included.	xoserve (DA1)	
UPUG 0044	08/09/08	3.2	CB to forward examples of 'incomplete' new account creation requests to GF for investigation and response.	E.ON (CB) and xoserve (GF)	