

User Pays User Group Minutes
Monday 18 August 2008
Elxon, 350 Euston Road, London NW1 3AW

Attendees

Tim Davis (Chair)	TD	Joint Office
Lorna Dupont (Secretary)	LD	Joint Office
Andy Miller	AM	xoserve
Christiane Sykes	CS	Statoil
Colette Baldwin	CB	E.ON Energy
Dave Addison	DA	xoserve
Debbie Naisbitt	DN	RWE Npower
Graham Frankland	GF	xoserve
Helen Barratt	HB	xoserve
Jemma Woolston	JW	Shell
Joel Martin	JM	Scotia Gas Networks
Kevin Woollard	KW	British Gas
Lorna Gibb	LG	Scottish Power
Richard Phillips	RP	RWE Npower
Richard Street	RS	Corona Energy
Robert Cameron-Higgs	RCH	Northern Gas Networks
Rosie McGlynn	RM	EDF Energy
Sally Harling	SH	Corona Energy
Tim Mutton	TM	Statoil

Apologies

Shelley Rouse	SR	Statoil
Adam Frak	AF	SSE
Simon Trivella	ST	Wales and West Utilities

1.0 Introduction and Status Review

TD welcomed attendees to the meeting.

1.1. Minutes from the previous Meeting (14 July 2008)

The minutes of the previous meeting were approved.

1.2. Review of Actions from previous meetings

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

Update: The Transporters had reconsidered. JM confirmed that SGN would did not intend signing as there was already a contract in place that provided the Transporters with IAD services and, as such, signing was unnecessary and added nothing. RCH confirmed that NGN held a similar view. ST provided the following by email: "Internet Access to Data (IAD) appears in the Agency Service Agreement as a service provided by xoserve to the Transporters (Schedule 2 Part 3 Service Line 66). For IAD access and IAD charges the ASA makes direct reference to Schedule 4 of the Framework Contract for the Provision of Non-Code User Pays Services and the Agency Charging Statement. As we are an 'IAD user' through the ASA there is no requirement for us to sign the Non-Code Services Framework Contract.

We (WWU) do not utilise any other Non-Code Service defined in the ACS and therefore, currently, have no need to sign the Non-Code Services Framework Contract. However, we would certainly sign the Framework Contract if any new Non-Code Services were developed, introduced into the ACS and were of benefit to us.”

Shippers pointed out that the Transporters should not have an influence on the contract if they were not parties to it, and that they expected this to be of concern to Transporters should a proposal be raised that effects a change to the IAD service; RS wondered if perhaps, conversely, Shippers should therefore be parties to the ASA if changes were made to IAD.

TD reiterated that, given the governance proposals put forward to date, Transporters would play no part in the contract change process without signing the contract.

RM wanted to understand how the services and contracts fit together; was it possible to remove the IAD element from the ASA so that it would solely be covered within the User Pays contract – this would enable the Transporters to sign the contract and have the right to participate, otherwise they should not be a part of any contractual discussions. CB commented that xoserve can provide two sets of services if this was what was required and these would be protected under two contracts – this was currently by default - and perhaps the Transporters needed to think about this.

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

As neither National Grid Distribution nor National Grid NTS were present and no communication of views had been received it was agreed to leave the action open. RCH also indicated that NGN would wish to review its position in light of the points made. **Action carried forward.**

Action UPUG 0022: All to consider the constituency voting concept and return with a view and any alternative suggestions.

Update: It was agreed that views would be put forward during discussion of agenda items. **Action closed.**

Action UPUG 0023: Suggestions/responses on constituencies by 08 August to Andy Miller (xoserve.userpays@xoserve.com) and Tim Davis (enquiries@gasgovernance.com).

Update: A response had been received from Shell in support of the proposed constituency voting structure. No further responses had been received. **Action closed.**

Action UPUG 0024: xoserve to draft a document for further consideration and development at the next meeting.

Update: Proposals presented at this meeting. **Action closed.**

Action UPUG 0025: Shippers to respond to xoserve with a view on the potential customer impact of making the proposed IAD changes in October.

Update: Covered under this meeting. **Action closed.**

Action UPUG 0026: Shippers to provide to xoserve by Friday 18 July 2008 updated views on their likely demand for IAD accounts.

Update: xoserve confirmed that demand for IAD accounts was not envisaged to change substantially from the current position. **Action closed.**

Action UPUG 0027: Password Resets - LG to provide 'before/after' information where not all application accesses had been properly reset following a password reset request, to xoserve for further investigation.

Update: Completed. **Action closed.**

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

Update: Under review. **Action carried forward.**

2.0 ACS Review

GF gave a presentation demonstrating how xoserve had addressed the points raised by Ofgem and summarising the ACS Review Report, which is available on the Joint Office web site. In response to a question from RM, GF confirmed that xoserve had remained in dialogue with Ofgem regarding the review and that Ofgem was comfortable with the approach taken and the consultation period suggested.

There was a brief discussion clarifying the forecast cost of User Pays service provision, which xoserve advised was to be reduced by £0.3 million to £3.2 million.

An updated demand forecast table was to be published as Appendix 2 of the ACS.

GF then displayed a table showing the profile of IAD demand (actual figures were incorporated up to July). HB commented that xoserve had seen some increases and so had gone with a higher number as this was a key assumption. RM observed that, because of delays, some parties may have found it quicker to request new account creation rather than wait for password resets.

Users were encouraged to contact xoserve as soon as possible if they had reason to believe that demand would change in the latter half of the year; this data was needed by 27 August 2008 to enable it be incorporated into the calculations.

The timeline was explained. Formal comments on the Review Report and revised ACS were requested by 17:00 on 27 August 2008 and should be sent to: xoserve.userpays@xoserve.com.

Ofgem will receive the report on 01 September 2008 and, assuming no decision to veto, the new prices would be effective from 01 October 2008.

CS observed that there was not much time allowed for industry comment. GF responded that accuracy and the inclusion of the most recent figures had taken precedence in xoserve's thinking; HB added that Ofgem was aware of the brevity

of the consultation period but was still keen for this to go ahead. In the future, consultation periods were likely to be of longer duration.

A discussion then ensued relating to the description of the charging methodology in the ACS and whether it provided sufficient transparency and clarity. Regarding fixed costs associated with the provision of IAD, RM said that EDF remained interested in this area and wondered whether the costs of the technical provision of IAD would be included in the revised ACS. Given that IAD was the key contributor to User Pays costs and revenue, she would expect more detail on this to be included but, if this was not the case, it would be helpful to understand why not. HB confirmed that this level of detail would not be included, for reasons of commercial sensitivity. However, a full breakdown had been provided to Ofgem. CB commented that in the absence of information, it was difficult for users to compare services and value for money if looking for alternative service provision. Responding to further questions from RM, HB confirmed that no costs for hardware or depreciation had been included, only those associated with the running and the supporting infrastructure. In terms of electricity comparisons, her understanding was that the IAD service included additional costs relating to maintenance of the underlying data which, unlike the gas situation, is directly funded by the electricity networks.

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

3.0 Contractual Change

3.1. Feedback from Contract Expert Group

TD reported that the Contract Expert Group had met on 31 July 2008 with a view to reviewing a revised version of the contract and the change process. However, no contract was available.

For changes to contract Terms and Conditions, the dual stage governance process was reconsidered and it was concluded that this was overly complicated and that it would be better to follow the approach of having 100% in favour of any change to the Terms and Conditions.

In terms of the governance process to follow when change is proposed, splitting the contract between Terms and Conditions and Service Schedules had been considered by xoserve's lawyers and it was reported that this would be problematic – the schedules are terms and conditions and restructuring the contract to keep terms and conditions outside the schedules would leave the schedules blank. xoserve therefore proposed to retain the existing contract structure and that a single governance process be used for all change, as in 3.2 below.

3.2. xoserve presentation on Contract

AM (xoserve) gave a presentation summarising the current position in respect of governance and setting out alternatives and a discussion took place which identified two main areas of concern: inclusion of a fixed termination date and the separation of change governance for the Service Schedules.

RM questioned whether a termination date should be applied to the whole contract, as suggested by xoserve, or to specific services. AM confirmed that it would apply to the whole contract; services could still be withdrawn from on an individual basis. Users can give 28 days' notice to xoserve; terminating the contract does not replace the Licence obligations, and a new contract would be renegotiated to replace it. xoserve was obliged to run the services and operate the contract even if there were no customers.

RS recognised that xoserve was reacting to advice received from its lawyers, but had concerns relating to a short term fixed termination date such as March 2010; to potentially find that the industry was in a 'no contract' position was not acceptable. Some Shippers were similarly uncomfortable with the inclusion of any fixed termination date when there was no alternative provider.

CB remarked that the presented information was totally different to the expectations she had formed at the Contract Expert Group (CEG) meetings, and pointed out that it was not clear why it was impossible to separate the Terms and Conditions and Service Schedules when this is done in other contracts, eg the MRA.

RM said that separating out the Services from the Terms and Conditions would make it easier to look at any changes, and felt that a fixed termination date cutting off services would lead to difficulties with Ofgem. RS suggested there might also be an issue where one party could block a major change.

RM had concerns that, with a right of veto, xoserve may be able to prevent a change happening if it was not favoured by xoserve despite having widespread industry support. At a previous CEG meeting it had been understood that xoserve was not required to have a vote and that provision could be made for no party to be put at regulatory risk through this approach – however xoserve had now identified an unacceptable level of business risk under this approach. In discussion, xoserve's perception of exposure was questioned and Shippers requested that xoserve provide details of the risks to which it thought that it was exposed and the legal advice upon which this was based.

CB reiterated that the Terms and Conditions should be sufficient to protect xoserve's business but that users of the service(s) want to determine what that service should look like; it was not in a user's interest to propose anything that would put xoserve in jeopardy, but the service provider role needed to be acknowledged and embraced by xoserve. Shippers expressed disappointment with xoserve's position as it was their perception that, up to this point, good progress had been made towards a rational and reasonable model which gave appropriate and sufficient protection for xoserve and Shippers.

RS suggested that additional inclusions, such as giving a set period for development and an option to reject, into the Terms and Conditions might help. LG cited some examples of contracts in the electricity industry where costs are provided by a service provider without a vote. RM argued that it was the service provider's role to offer services that users want and that it was in its gift to make the offerings attractive or not; it was a commercial world with potentially contestable services and xoserve may need to review its mindset in respect of customers, including using electricity service providers as examples.

HB commented that xoserve was obliged to provide services on a cost reflective basis. CB responded that the as pricing was upfront she was unable to see where the financial risk lay. GF was concerned that a spurious change process could be delivered which no one wanted at the end, which would be a waste of time and resources. RM countered that users would not want such a position to arise as this would go against their interests – only changes that were signed on to by users would be progressed. CB said that the change process could be constructed so as to allow for flexibility for certain events, such as implementation dates.

RCH observed that a veto over change may be needed in extreme circumstances. For example if GTs were found to be in breach of its Licence obligations as a result of xoserve processes, a situation may arise where it would have to stop all further activity until it had rectified the position. RM pointed out that agreed periods of freezes on change are quite common.

Despite further discussion, Shippers were still unclear as to why xoserve should require a vote. TD suggested that perhaps lawyers from either side could identify an agreed way forward.

RM pointed to the experience of the MRA, SPAA and also MAP, and thought that the separation issue was more a conceptual rather than legal point; it related to commercial risk and was fundamentally a lack of understanding in how this could operate as a model. 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 reiterated that users should be the only parties able to propose changes to Schedules because they are paying for the service. It should be possible to have a change process for the Framework and another for the Schedules; if they are linked together, changes will never get through because they will be vetoed given the need for 100% support. CB added that if the User Pays contract was incapable of change or evolution then the industry will increasingly look for alternative service providers and it will become redundant. RM said that it was sensible for a service provider to be included in the discussions, and that would happen during the change process for operational Schedules, but it remained appropriate for the parties who actually pay for the service possess to vote for and approve change to operational Schedules. As the change process administrator, xoserve would have visibility of, and involvement with, any proposed change from its inception, but the principle should remain that 'those who sign the cheques have the final say'. RM also mentioned that she would not expect third party charges associated with Impact Assessments to be automatically passed through.

3.3. Next Steps

TD summed up the issues discussed. RS repeated that there was still a need for members to understand the risks to which xoserve was believed to be exposed and see how these could perhaps be mitigated.

TD said that xoserve would welcome assistance from Shippers in drafting a two tier document, with separately governed Schedules.

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

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

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

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

It was agreed that parties responsible for producing all draft documents should aim to make these available for publication on the Joint Office website by 03 September 2008 at the latest so that there was sufficient time for members to review before the next meeting. Dependent on this would be the decision to continue with or cancel the next meeting currently scheduled for Monday 08 September 2008.

4.0 xoserve Update

4.1. IAD Update

DA provided an update on the planned IAD enhancements, including Single User Forced Log Outs, User Password Resets, and Idle Time and confirmed that, as no representations had been received, xoserve had finalised the design.

A discussion developed centred on Password Resets and a number of organisation specific questions were directed and responded to by DA.

DA explained that users will need to actively provide specific information to xoserve during September and outlined a timetable to facilitate these requirements.

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).

A number of concerns were then raised. DN was concerned that existing accounts do not currently match with xoserve's view and CB also observed that the current information was not 100% accurate and there was a risk that accounts could be shut down or be given user managed access incorrectly. There were particular concerns relating to 'in flight' requests/accounts and how these would be managed successfully.

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.

RS noted that the current passwords were held in an encrypted format and in the new design would be held in an unencrypted format and this was potentially a system security risk.

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

DA then highlighted that when deciding whether to be an LSO or User Managed Organisation parties would need to give consideration to a number of important points.

Finally DA summarised the next steps towards implementing the proposed enhancements.

4.2. Operational Update

GF provided an operational update, covering May, June and July, on the performance of the Telephone Service, IAD, Email Reports, M No DVD, Portfolio Reports, AQ Enquiries and October Portfolio Reports.

Regarding IAD, RS noted that there had been failure on the part of xoserve's service provider and asked whether xoserve was likely to receive any failure payments. GF confirmed that xoserve was not receiving any failure payments and therefore there would be no payments to the industry. RS commented that perhaps the service provider needed reincentivising to better performance. LG said that individual password resets were still a problem and she would continue to provide further examples to xoserve (AM).

The provision of October Portfolio Reports was discussed and members were asked if they required the reports to be provided prior to or after the AQ process is complete.

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

5.0 Any Other Business

None.

6.0 Diary Planning for User Pays User Group

6.1 Contract Expert Group

No further meeting has been arranged.

6.2 User Pays User Committee

The next meeting is currently scheduled to take place at 10:00 on Monday 08 September 2008, at Elexon, 350 Euston Road, London NW1 3AW, (subject to the provision of draft documents to the Joint Office for publication by 03 September 2008).

Future Meetings

Monday 13 October 2008, 10:00, Elexon, 350 Euston Road, London NW1 3AW.

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	Carried forward
UPUG 0022	14/07/08	2.3	Strawman: All to consider the constituency voting concept and return with a view and any alternative suggestions.	All	Closed
UPUG 0023	14/07/06	2.3	Suggestions/responses on constituencies by 08 August 2008 to Andy Miller (xoserve.userpays@xoserve.com) and Tim Davis (enquiries@gasgovernance.com)	All	Closed
UPUG 0024	14/07/08	2.3	Terms of Reference: xoserve to draft a document for further consideration and development at the next meeting.	xoserve (AM)	Closed
UPUG 0025	14/07/08	3.1	IAD: Shippers to respond to xoserve with a view on the potential customer impact of making the proposed changes in October.	Shippers	Closed
UPUG 0026	14/07/08	3.2	Shippers to provide to xoserve by Friday 18 July 2008 updated views on their likely demand for IAD accounts.	Shippers	Closed
UPUG 0027	14/07/08	3.2	Password resets - LG to provide 'before/after' information where not all application accesses had been properly reset following a password reset request, to xoserve for further investigation.	Scottish Power (LG)	Closed
UPUG 0028	14/07/08	3.2	Password resets: xoserve to review the file/form functionality.	xoserve (AM)	Carried Forward
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	
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)	

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
UPUG 0031	18/08/08	3.3	xoserve to provide an articulation of its perceived risks.	xoserve (AM)	
UPUG 0032	18/08/08	3.3	xoserve to provide a draft Change Process for discussion.	xoserve (AM)	
UPUG 0033	18/08/08	3.3	Shippers to liaise and produce an example of a separately governed Schedule.	Shippers (All)	
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)	
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)	
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)	
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)	
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	