

Review Group Report
Review Proposal Reference Number 0131
LDZ RbD Reconciliation Notification Process
Version 1.0

This Review Group Report is presented for the UNC Modification Panel's consideration. The consensus of attendees at the Review Group was that the UNC should be modified to introduce a new UNC Related Document, which would be subject to the governance provisions set out in Section V.12 of the Transportation Principal Document. This document would set-out the processes for notification to Users of "faults" or "Measurement Errors" identified in Measurement Equipment. In addition, the UNC should be modified to adjust the role of the Offtake Committee, so that it provides authority to the forum where the Relevant Transporter(s) discuss Measurement Equipment Errors with Users prior to the finalisation of Significant Measurement Error Evaluations. In instances when it is felt by either a Transporter or 2 Users that the discussions should take place outside of the Offtake Committee then a sub-committee should be formed to facilitate these discussions under the authority of the Offtake Committee. This sub-committee would be quorate when at least two Transporters and two Users were present. The Review Group discussions centred around the concept of a "Significant Meter Error Report" for measurement errors from systematic biases over 50 GWh. It was agreed that this would be a binding technical assessment, compiled by an agreed independent technical expert, of the magnitude of the measurement error which would not be open to dispute. This was to ensure that the process was efficient, removing the need to go to expert determination on the technical assessment.

1 Review Proposal

EDF Energy raised Review Proposal 0131, for which the Terms of Reference are in Appendix 1.

2 Review Process

In accordance with the Modification Rules, at its meeting on 15 February 2007, the Modification Panel determined that this Review Proposal should be referred to a Review Group for progression. This Review Report was subsequently compiled by the Joint Office of Gas Transporters, and approved by Review Group attendees.

3 Areas Reviewed

The Review Group discussions focussed on the following areas:

a) Governance of the Notification Process

i) Current 0643 Process

Currently the process followed is known as the "LDZ RbD Reconciliation Notification Process". This was the output from the Transco Network Code Review Group 0643 *"To Review the Network Code rule on withholding of Energy payments under dispute and to consider circumstances where Withholding of Energy Charge is appropriate."* Whilst no Code Modification

resulted from this Review, an agreed procedure was established for identification and reporting of Measurement Equipment errors and for consultation with RbD Shippers, when specific thresholds were crossed.

The forum for discussion was the Billing Operations Forum, which despite DN Sales, still exists, but is now chaired by xoserve on behalf of the Transporters. As there is no reference to this process within the UNC it can be thought of as informal but the original commitment by National Grid Transco to operate the process has been adopted by the current UNC Transporters.

One weakness of this process identified by the Review Group is that it is initiated by the publication of a final Meter Error Report – it was agreed that discussions on specific Measurement Equipment errors prior to completion of the Meter Error Report would be valuable. It was also agreed that for Measurement Errors that were defined as significant this Meter Error Report should be compiled by an independent technical expert to provide assurance to the industry of the accuracy of this Meter Error Report.

ii) Principles of Governance

The Review Group agreed that the 0643 process should be replaced with a more transparent process facilitating greater discussion prior to the completion of the Meter Error Report. This would initially revolve around transparency of all measurement errors and extend to the processes to be adopted when a significant measurement error greater than the threshold value of 50GWh was identified. The principles underlying these stages would be:

- Under UNC Governance
- Written guidelines.
- The Significant Meter Error Report to be compiled by an independent expert selected by the Offtake Committee
- Consultation with affected Users prior to the finalisation of the Significant Meter Error Report
- Routine reporting of Measurement Equipment errors at NTS to LDZ Offtakes and at LDZ to LDZ Transfer Meters
- Defined thresholds for initiating Significant Meter Error Reports
- Rights of Transporters and affected Users to initiate/request consultation of Significant Measurement Errors

iii) Governance

The Review Group considered two means by which the agreed principles could be codified as guidelines and integrated into the UNC.

(1) Incorporating guidelines into the UNC. The guidelines would form part of the legal text of a Modification Proposal, which would be subject to the usual consultation process under the Modification Rules prior to implementation and consequent incorporation of the guidelines into the UNC. Subsequent amendments would require implementation of separate UNC Modification Proposals.

(2) Draw up guidelines as a UNC Related Document. This would involve a much simpler UNC Modification Proposal seeking to require the production and publication of an ancillary document which would contain the guidelines. As for other documents, the UNC Committee would be responsible for agreeing any amendments to the guidelines which may be proposed by Users or Transporters.

The Review Group agreed that option (2) provided appropriate governance.

It was recognised that a number of Measurement Equipment errors should not trigger formal consultation and this principle lay behind the thresholds that had been set as part of the 0643 considerations. However, Group Members saw the value of the Transporters instituting a summary spreadsheet for all Measurement Equipment errors to be located on the Joint Office of Transporters website. This would give details of location, estimated duration of the error, brief description of error cause, key dates and estimated impacts. This was agreed in principle by the Transporter Members.

The Review Group agreed that a committee constituted under the UNC would be the appropriate forum for the Transporters to discuss, with affected Users who may be interested, Measurement Equipment errors with a greater impact than the agreed threshold. As the Offtake Committee is already constituted under UNC and has a responsibility for approving the Validation Procedures, it was agreed that this Committee be approached to ask whether it would take on this role.

The Joint Office convened a meeting of the Offtake Arrangements Workstream to discuss this aspect and, after discussion, agreed to recommend this extension of the Offtake Committee role. This was subsequently agreed by the Offtake Committee that met immediately afterwards and a verbal report to this effect was given to the May 2007 Uniform Network Code Committee.

Transporter members of the Review Group emphasised that, under the UNC, the membership of the Offtake Committee is limited to the five Transporters but in practice the Offtake Workstream which is governed by the Modification Panel has met openly. It was agreed that, as the purpose of any meetings would be information sharing with Users, there was no need to modify the rules of membership. It was also agreed that whilst the meeting would formally be under the governance of the Offtake Committee, a sub-committee meeting of relevant experts would often be the best way of progressing matters. It was agreed that a sub-committee would only be quorate where at least two Transporters (one upstream and one downstream) and two Shippers were present.

The Review Group agreed that the current Chairman's Guidelines operated by the Joint Office would provide sufficient governance for the meetings themselves including:

- Notification of meetings at least ten Business Days in advance.
- Agenda publication at least five Business Days in advance.
- Meetings chaired by the Joint Office

- Minutes, other relevant papers and presentations published within five Business Days of the meeting.
- General principles of consensus.

The Review Group agreed that for measurement errors over the agreed threshold and hence deemed as “Significant “, an independent technical expert should be employed to calculate the Significant Meter Error Report upon which the reconciliation would be based. It was agreed that this could simplify the process of compiling a Significant Meter Error Report and avoid the requirement for expert determination on this report, thereby reducing costs for Transporters. It was also agreed that to ensure the independence of the technical expert and so the Significant Meter Error Report, the Offtake Committee should be responsible for compiling a list of appropriate independent technical experts. and should also be responsible for appointing the expert to conduct the Significant Meter Error Report.

b) Trigger Values

Transporter Members outlined to the Review Group the potential difficulties of adopting a strict trigger for the Notification Process. Precise financial impacts are not known until the Meter Error Report has been finalised and the RbD process run.

Shipper members of the Review Group explained that they would be prepared to accept the principle of convening a meeting of the Offtake Committee if Transporters’ estimates indicated that the energy threshold was likely to be approached or crossed. On the basis of these assurances, the Transporters agreed to this principle.

The original notification of the Measurement Equipment Error to the Joint Office will occur as soon as a Transporter becomes aware that corrected meter readings may be required. The Significant Measurement Equipment Error notification process would commence as soon as a Transporter believed that in their opinion the 50GWh threshold would be breached.

In addition, it was recognised that there could be circumstances where a meeting should take place even where the threshold was not approached. It was therefore agreed that one or more of the relevant Transporters, or two or more affected Shippers, could request that a meeting takes place.

4 Implementation

- The Review Group considers that, on the basis of the consensus already achieved, the Transporters can implement the publication of a Measurement Error spreadsheet on the Joint Office website without the need of a Modification Proposal

In terms of the UNC process, the Transporters wished for the Business Rules to be approved by the Offtake Workstream prior to raising the Modification Proposal however Shippers were concerned and requested that this must be completed by 15 November 2007. Shippers reminded the workgroup that a Shipper Modification Proposal could be raised for the November Panel Meeting.

A draft of potential guidelines and process flow diagrams as developed so far and available on the Joint Office Website to aid the development of the Business Rules)

5 Recommendations

The Modification Panel is invited to accept this report and the recommendations that:

1. No further work is required in respect of the Review Proposal
2. A Modification Proposal should be raised to institute “Meter Error Notification Guidelines” as a UNC Related Document and to adjust the role of the Offtake Committee so that it can oversee the operation of these guidelines. . The guidelines will form part of the Modification Proposal Consultation Process.
3. It is also recommended that the UNC Committee be asked to consider and approve the Guidelines which would form the UNC Related Document. Formal implementation of the Proposal could then be either immediately following direction by the Authority if the guidelines had been agreed at the UNC Committee, or immediately after the date of a subsequent UNC Committee meeting at which the document was approved.

Appendix 1 Terms of Reference

Purpose

A Uniform Network Code Review Group is required to review the current UNC arrangements in respect of the LDZ RbD Reconciliation Notification Process.

Background

There has been a number of very large adjustments applied through LDZ Reconciliation in recent years. The notification process for large reconciliations has been followed on at least two occasions and a review is proposed to consider if this process could be more equitable and flexible.

Under the current arrangements when an LDZ RbD Reconciliation is proposed that is the greater of 50 GWh or £1m then the LDZ RbD Reconciliation Notification Process identified in the Transco Network Code Modification Proposal 0643 is followed. However this process was not incorporated into either Transco's Network Code or the Uniform Network Code, and so therefore has no legal authority or requirements. Further the process has not been updated to reflect the industry post DN sales, and so there is no concept of Transporters other than National Grid Transco.

It is further clear from recent experiences that the notification process is designed for specific circumstances and provides no flexibility to accommodate complex issues that require significant amounts of analysis and appraisal. It is therefore proposed that the Review identifies the appropriateness of this notification process, the issues that need resolving and the appropriate Governance arrangements for the notification process. It is envisaged that the results of the Review should be to identify a notification process that is acceptable to all of the industry.

Scope

Identifying and considering high level options for regime change which could better meet the aspirations of the industry.

Deliverables

The Group is asked to consider:

1. What the Governance of any notification process should be.
2. What the trigger for the start of the notification process should be, including what event should start the notification process and what the threshold for the notification process should be.
3. Who the participants in a notification process should be, and what their rights/obligations should be.
4. Who should be responsible for facilitating and co-ordinating the notification process.
5. What form the notification process should take including duration, information provision, discussion and resolution.
6. Any other issues not identified that relate directly to the LDZ RbD Notification Process.

A Review Group Report will be produced containing the findings of the Review Group in respect of the work identified above.

Limits

The Review Group will consider potential changes to the Uniform Network Code. The Review Group will not concern itself with:

- Detailed changes required to processes and procedures
- Detailed changes required to existing systems
- Development of detailed business rules

Composition

The Review Group will comprise the following representation

Name	Organisation
Julian Majdanski (Chair)	Joint Office
Helen Cuin (Secretary)	Joint Office
Stefan Leedham (Proposer)	EDF Energy
Alan Raper	National Grid Distribution
Alex Travell	E.ON UK
Alison Jennings	National Grid Distribution
Brian Durber (alternate to Alex Travell)	E.ON UK
Christian Hill	RWE npower
Claire Thorneywork	National Grid NTS
Denis Aitchison	Scotia Gas Networks
Graham Wood	British Gas Trading
Joel Martin	Scotia Gas Networks
Jon Dixon (alternate to Ndidi Njoku)	Ofgem
Marie Clark	Scottish Power
Ndidi Njoku	Ofgem
Richard Wilson	NTS Shrinkage Provider
Rob Cameron-Higgs	Northern Gas Networks
Simon Trivella	Wales & West Utilities
Steve Pownall	National Grid Transmission
Tim Davis	Joint Office

A Review Group meeting will be quorate provided at least 2 Transporter and 2 User representatives are present.

Timetable

It is proposed that a total period of 6 months be allowed to conclude this review.

Note:

- Frequency of meetings – monthly. The frequency of meetings will be subject to review and potential change by the Review Group.
- Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.