

## DN Sales Agent Workgroup Meeting 3

6 February 2004

### Minutes

#### Attendees

Iain Osborne	Ofgem (chair)
Nigel Nash	Ofgem
Roger Morgan	Ofgem
Steve Adcock	NGT
Kim Salmon	NGT
Sharon McLaughlin	NGT
Alan Raper	NGT
Heidi Martin	npower
Duncan Jack	Elexon
Richard Street	Statoil
Martin Brandt	SSE
David Thorne	Centrica
Paul Davis	PA Consulting
Alex Travell	Powergen
David Crossman	Sohn Associates
Victoria Leitch	Gemserv
Steve Ladle	Total Gas Power
Andrew Pearce	BP
Paul Edwards	GTC/AIGT

#### **1. Apologies**

Angela Love	Scottish Power
Bill Gunshon	npower
Steve Briggs	BGT

Ofgem discussed recent organisational changes and its impacts on the DN Sales process. Ofgem informed the workgroup that Sonia Brown will assume responsibility for the DN Sales project.

#### **2. Minutes and actions from previous meeting.**

##### **Action Update -**

1 - Ofgem explained that a table which sets out roles of workgroup representatives will be circulated to the workgroup when all replies from workgroup members have been received. **ACTION:CARRIED FORWARD**

2 – NGT meeting on agent took place on 4<sup>th</sup> February 04 in Solihull. **ACTION:CLOSED**

3 – Amendments to terms of reference have been completed. **ACTION:CLOSED**

4 – Sharon McLaughlin and Alan Raper (NGT) presented to the group NGT's governance arrangements proposals. **ACTION:CLOSED**

5 – Divergence of network codes was covered by NGT's presentation (see section 3 of minutes). **ACTION:CLOSED**

6 – NGT discussed escalation of agent failures. The workgroup supported NGT's proposals. **ACTION:CLOSED**

7 – Workgroup matrix circulated to shippers 30 January 04. **ACTION:CLOSED**

8 - Ofgem to receive further matrix updates. **ACTION:CLOSED**

### **3. Governance Arrangements – NGT presentation**

NGT discussed its proposals for UNC governance and set out a number of principles:

- avoid divergence of UNC;
- facilitate DN's to differentiate services;
- arrangements should not inhibit further reform.

NGT explained that each GT is obliged by its licence to provide a network code. The short form code will refer to the terms and conditions set out in the UNC. NGT suggested that the governance arrangements should allow some flexibility to allow DNs to diverge and provide additional services. NGT explained that the short form network code facilitates such changes.

NGT recognised concerns expressed about divergence of short form codes and explained that a core activity governed by the UNC should continue to be provided centrally. A substantial change, for example, DN proposes to provide SPA services would ultimately require Ofgem's consent. NGT suggested that a DN which tables better ways to provide core services should consider whether such changes would benefit all DNs and seek to make such changes in the UNC rather than its short form code.

It was suggested that codes and the UNC would have to be drafted carefully to restrict divergence and that managing codes may be an administrative burden on the shippers.

Ofgem was asked whether divergence would be prevented through licence. Ofgem explained that such issues should be considered by the RIWG. Ofgem explained that it is not sensible for both groups to develop network code arrangements and concluded that the network code will prescribe some of the agent services, however, services that are not covered by the code will need to be governed.

Ofgem asked the workgroup to consider Ofgem's role in this respect. If the governance rules are not robust it will require closer regulatory scrutiny.

NGT set out current developments in governance arrangements. For example, the SPAA and appraised the workgroup about developments to place mod rules in NGT's network code.

NGT set out its proposals for UNC governance from day one (see below):

- No changes required to process modification proposals, however, there will be a need to allow for DNs to raise their views;
- ownership of UNC mod rules and secretariat will be established as an NGT NTS activity;
- composition of mod panel – will require DN involvement and development of voting rights;
- changes will be facilitated at UNC level – without prohibiting ‘short form’ code development – prevents multiple consultation;

NGT was asked to explain whether signing the short form codes will mean a shipper has no contractual relationship with the UNC. NGT explained that the UNC is not a contract. The framework agreement shippers accede to will refer to short form network codes and the UNC. The UNC and short form code arrangements will be a condition of a network sale. That is, each DN owner will accept these arrangements as part of the network sale process. On day one all short form codes will be the same and refer to the UNC terms and rules. NGT explained that the alternative approach would be for each short form code to contain rules and not have a UNC.

NGT was asked whether the UNC will refer to geographical regions. NGT explained that its proposal does not reference regional splits and suggested that this approach would require more changes to the licence regime. NGT was asked to explain in more detail why it chose not to develop a UNC with geographical references. **(ACTION:NGT)**

Ofgem to circulate NGT’s governance presentation to the workgroup.  
**(ACTION:OFGEM)**

### **3. Work Programme**

- **Matrix feedback**

Ofgem tabled a revised work programme timetable and thanked members for returning the workgroup matrix. Ofgem explained that the matrix responses had been categorised in the following way:

- 1 Operational/Data Matrix.
- 2 Reporting.
- 3 Energy/Settlements.

NGT suggested that the matrix should identify who is responsible for each service line, whether a standard of service exists for each service and how services will be delivered. NGT agreed to analyse matrix responses and provide feedback on the operational matrix to the next workgroup meeting. **(ACTION:NGT)**

It was suggested that shippers and suppliers face risks if they do not understand how services will develop, maintained and governed. NGT explained that these services will continue to be provided because they support licence and network code activities.

The group considered in more detail a service line from each matrix.

### Ad Hoc Billing

NGT was asked whether DNs would provide information to enable the production of ad hoc invoices. NGT explained that DNs would provide information to the agent who would produce ad hoc bills on behalf of network owners. NGT clarified that each DN would be responsible for producing miscellaneous bills.

It was suggested that Transco's services and procedures that have been developed through custom and practice are crucial to shippers and support shipper activities a number of shippers/suppliers questioned whether these services will be maintained. In particular, would invoicing guidelines be maintained and what would prevent these from being withdrawn.

NGT suggested that these would still apply and that all services currently provided will be maintained. NGT suggested that shippers concerns are primarily about the preservation of rules and procedures that support custom and practice as well as the services provided.

#### RbD Verification

NGT explained that verification work is crucial to the accuracy of RbD and therefore this activity would continue and will be an agency function. NGT explained that the verification work currently sits under the RbD Audit sub committee which is a network code committee. NGT suggested that this sub-committee may be chaired by the agent rather than the Transmission business.

#### Interruption Forecasts

NGT suggested that interruption forecasts will be provided centrally by the Transmission business. Each DN will not circulate interruption notifications. The offtake code which obliges DNs to communicate with NTS describes the process for interruptions forecasts.

The group discussed shipper/supplier defaults on networks and whether sanctions will exist in the UNC. NGT concluded that the agent under instruction from the DN will restrict shipper/supplier activity i.e confirmations etc if credit thresholds were surpassed and not resolved.

- **Assessment of Risks Arising From Agent Model**

Ofgem referred to stage two of the work programme – assessment of risks arising from the agent model. Ofgem asked the group to consider risks and opportunities. NGT asked the group to focus on the risks associated with the agent proposal rather risks arising from other aspects of the DN Sales which were not being considered by this group. Ofgem agreed to tabulate the risks and opportunities and circulate to the workgroup (see attached). **(ACTION:OFGEM)**

Ofgem requested that workgroup participants:

1. Add any additional risks/opportunities.
2. Consider whether they agree or disagree with comments against those risks listed – add comments where needed.
3. Complete the risk/opportunity assessment boxes. **(ACTION:WORKGROUP)**

## **6. A.O.B**

No issues were raised.

## **7. Date of Next Meeting**

13 February 2004 at 10am, Ofgem Offices, 9 Millbank.