

## DN Sales Agent Workgroup Meeting 4

13 February 2004

### Minutes

#### Attendees

Nigel Nash	Ofgem (Chair)
Roger Morgan	Ofgem
Farook Khan	Ofgem
Steve Adcock	NGT
Kim Salmon	NGT
Lee Foster	NGT
Alan Raper	NGT
Francis Blackwell	npower
Duncan Jack	Elexon
Richard Street	Statoil
Martin Brandt	SSE
Steven Briggs	Centrica
Paul Davis	PA Consulting
Alex Travell	Powergen
Gail Collins	Cornwall Consulting
Victoria Leitch	Gemserv
Steve Ladle	Total Gas Power
Andrew Pearce	BP
Jenny Rawlinson	GTC/AIGT
Angela Love	Scottish Power
Jonathan Jones	Burges - Salmon

#### **1. Apologies**

Iain Osborne	Ofgem
Sebastian Eyre	energywatch
David Crossman	SOHN Associates

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

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

1 - Ofgem advised that a table setting out the roles of workgroup representatives will be circulated to the workgroup. **ACTION:OPEN**

2 – NGT slides circulated to workgroup 10<sup>th</sup> February 04. **ACTION:CLOSED**

3 – NGT slides on UNC governance circulated to workgroup on 10<sup>th</sup> February 04. **ACTION:CLOSED**

4 – Action on NGT to explain why it chose not to develop a UNC model which identified geographical areas is to be carried forward as NGT is discussing this issue with its lawyers. **ACTION:OPEN**

5 – NGT presented its analysis of the operational/data matrix. **ACTION:CLOSED**

6 – Table setting out risks and opportunities arising from agent model circulated to workgroup on 9<sup>th</sup> February. **ACTION:CLOSED**

7 – Responses to risks tables received from majority of shippers/suppliers. Further submission welcomed. **ACTION:OPEN**

Ofgem was asked to circulate the revised terms of reference. **(ACTION:OFGEM)**

### **3. Work Programme**

Ofgem thanked the workgroup for completing the risks and opportunities tables (stage two of work programme) and invited Transco to provide its feedback on the operational/data service line matrix (stage one of the work programme).

#### Matrix feedback

NGT discussed its analysis of the operational/data matrix. Its analysis considered:

- the responsibility/obligation to provide a service;
- whether the service lines is governed by the code;
- whether a standard of service exists;
- whether or not the agent is the provider of the service.

NGT discussed its findings for the following service lines.

#### Modify AQs

DNs will be obliged to ensure that AQs are updated, however, this obligation will be discharged through the agent. The agent's role will be to calculate, monitor, process amendments/appeals and chair the AQ sub-group. Chair of the group will be determined by the NWC committee. NGT explained that the AQ process is currently governed by section G of the network code and the agent proposal will not change the current approach to modifying AQs.

#### Ad Hoc Billing

NGT discussed invoicing and ad hoc billing service lines. Transco's transmission business and all DN's will be obliged to bill shippers. Invoicing will be an agent activity delivered by IX. The network code section S2.4 sets out standards of performance on NGT in respect of invoicing.

Ad hoc billing is not governed by the code a set of reference guidelines have been developed by the industry through NGT's billing operations forum which is a sub-group of the Supply Point Billing Workstream. NGT explained that these guidelines are appended in the network code.

NGT was asked to explain the difference between references and appendices to the code. NGT explained that appended terms require a network code modification if changes are to be made.

NGT was asked whether the agent will rely on DNs and NT to provide information for billing purposes. NGT suggested that this would be the case. For example, some billing attributes/data may not be held by the agent. NGT concluded that in the majority of cases data items required for billing purposes will be held on systems run by the agency.

NGT was asked to clarify how siteworks will be invoiced. The assumption being that siteworks will be a separate DN activity. NGT explained that siteworks will be a miscellaneous billing issue for all DNs.

### RFI Bureau

NGT explained that DN sales will not affect the RFI bureau. That is, the service will be maintained in its current form.

DNs will be obliged to provide this service discharged through the agency. NGT suggested that a standard of service does exist for RFI calls – 90% of calls to be answered in 30 seconds. This standard is an operationally agreed standard and is not set out in code. NGT explained that condition 31 of the GT licence sets out the obligation to provide this service.

### Stability of arrangements

NGT set out its views on how services will continue to be delivered by the agent in a stable manner. NGT set out the following points:

- All DNs share the same licence conditions
- Common and core activities will be delivered by the UNC;
- NGT's model is to minimise short form network code changes;
- The agency contract delivers UNC outputs;
- Changes to Agency contract must be agreed by all networks.

NGT was asked to clarify how a conflict over changes would be managed. For example, two DNs wish to make a change but three DNs oppose. NGT explained that the agency's board would ultimately be responsible for making such decisions. Such difficulties would be resolved through voting arrangements. NGT explained that networks can opt out of services. However, UNC obligations remain. Opting out of a core service would require consultation and Ofgem consent.

It was suggested that the involvement of more DNs will complicate change and require shippers to deal with/manage different DNs. A simpler approach would be contact with a single entity for all services and activities. NGT suggested that a certain amount of flexibility is required to allow DNs to evolve. For example, if DNs wish to innovate and provide different services. NGT concluded that the governance arrangements will provide some protection, that is, all changes must satisfy DN relevant objectives and require Ofgem consent.

It was suggested that an IGT may purchase a network and choose to manage customers via its own systems i.e not use the agent. NGT explained that a condition of DN sales is sign on to the agent proposal. NGT questioned whether IGT's systems could provide the capability to manage a 5 million customer network and whether there would be the economic drivers for such change. NGT recognises concerns that a nationalised agent service may fragment overtime, however, an opt out of the agent by a DN can only take place after five years. NGT questioned whether shippers are more concerned about opting out of services that directly affect their activities. For example, a DN may wish to provide its own invoices but to minimise change to shippers these are provide via IX, such a change would not significantly affect shippers.

NGT was asked to explain how a material breach by the agent would be resolved. NGT explained that material breach is a contractual matter. The DN agent contract contains various levels of breach and remedy. For example, if the agent persistently fails to deliver services the agency board can take various actions. NGT further explained that beyond the contractual remedies, each Network through its Agency Board membership would be in a position to influence rectification of poor performance by the Agency management team (including at the extreme removal of the management team).

Ofgem concluded that some of the concerns raised by the workgroup relate to whether a DN has a passive/unpassive role. This is currently being considered by Ofgem as Powergen have tabled an alternative to NGT's DN sales model. Ofgem concluded that the steering group is considering this question and the outcome may impact on the agency arrangements.

### Risks & Work Programme

NGT recognises that the agent model poses risks for shippers and suggested that work continue beyond the timeline of the Agent workgroup to further analyse the impacts NGT concluded its presentation on review of the matrix by suggesting the following work programme.

- Utilise the Matrix to understand any key Gaps in Network Code definition.
- Assess the risk of 'rigid' business rules versus the benefit from retained flexibility.
- Identify where Agency System interface is not covered under UK-Link change processes.
- Identify services which presents risk to Shipper operations from change or degradation in 'How' they are delivered.
- Consider the benefits of an Agency 'User Group' through which change in 'How' services are delivered can be managed.

NGT was asked whether data standards will exist between the agency and DNs and how they will be maintained going forward. NGT suggested that standards do exist and the centralisation of services will re-inforce these standards.

Ofgem asked whether NGT will continue to complete and analyse the matrix's. NGT suggested that the matrix approach will be useful tool to clarify that services are secure and not a risk from day one. NGT agreed to send it's analysis of the operational/data matrix and slides to Ofgem to circulate with the minutes. **(ACTION:OFGEM)**

npower's proposal to set up a sub-group to examine invoicing changes was considered by the workgroup.

NGT reported that it had received numerous enquiries about file format changes. In particular, file format changes for invoicing purposes. NGT offered to manage technical awareness through a special meeting of the Billing operational forum ahead of the formal processes through UK-Link committee. The workgroup supported this approach. NGT agreed to set up a billing operations forum in March. **(ACTION:NGT)**

NGT was asked to set out in the matrix's whether services are appended or referenced in the code. **(ACTION:NGT)**

NGT agreed to analyse and report back to the next workgroup on the settlement and reporting matrix. **(ACTION:NGT)**

Ofgem suggested that further clarification was required about the relationships between DNs, agency and the UNC. In particular, how stability of a national service will be maintained and the escalation routes in agency if problems exist. NGT was asked to produce a paper setting out these issues. **(ACTION:NGT)**

- **assessment of risks – analysis of risks and opportunities**

Ofgem circulated the risks and opportunities tables which included comments and weightings provided by BGT, npower, Powergen, Total, Statoil and SSE.

The group went through each table line by line and proposed adjustments and clarified risks and agreed an overall weighting for each identified risk. When examining the opportunities table it was decided not to weight each opportunity. Ofgem agreed to make the changes discussed in the workgroup and amend the tables and circulate to the workgroup. **(ACTION:OFGEM)**

Ofgem urged the workgroup to consider the revisions and begin to formulate in readiness for the next workgroup meeting the mitigating action for each risk. **(ACTION:WORKGROUP)**

Ofgem concluded that influencing factors may be:

- 1: DN sales model – i.e. Betta or NGT model;
- 2: Governance;
- 3: Knowledge and transparency of arrangements i.e. agent/DN contract

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

No issues were raised.

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

20 February 2004 at 10am, Ofgem's Offices, 9 Millbank.