

DN Sales Agent Workgroup Meeting 2

28 January 2004

Minutes

Attendees

Iain Osborne	Ofgem (chair)
Nigel Nash	Ofgem
Roger Morgan	Ofgem
Ayesha Uvais	Ofgem
Steve Adcock	NGT
Kim Salmon	NGT
Sebastian Eyre	energywatch
Bill Gunshon	npower
Duncan Jack	Elxon
Richard Street	Statoil
Martin Brandt	SSE
Steve Briggs	Centrica
Paul Davis	PA Consulting
Angela Love	Scottish Power
Alex Travell	Powergen
David Crossman	Sohn Associates
Victoria Leitch	Gemserv
Steve Ladle	Total Gas Power

1. Apologies

Afroze Miah	Powergen
Rodney Brook	Sohn Associates
Frederic Poucheau	Gaz De France

2. Minutes and actions from previous meeting.

Action Update -

1 - Ofgem clarified that all documents for the agent workgroup and other DN sales meetings are available on Ofgem's website. To access papers for the various workgroups - select area of work - for DN Sales this is 'Gas Distribution Network Sale' links for the various workgroups will appear and documents can be downloaded in PDF format. **ACTION:CLOSED**

2 – Ofgem set out its views on how to resolve a lack of consensus in the group. The workgroup supported the following amendment to the terms of reference 'If consensus is not achieved issues may be referred to the steering group or Ofgem will make a decision after considering all views expressed.' **ACTION:CLOSED**

3 – This action was covered by the agenda. **ACTION:CLOSED**

4 – Ofgem asked representatives to clarify their role in the workgroup. Ofgem agreed to tabulate responses and share this with the workgroup. **(ACTION:OFGEM)**

5 - The workgroup agreed to meet on Fridays' to avoid clashing with the Exit and Capacity DN sales workgroup. **ACTION:CLOSED**

6 – Ofgem circulated in advance of the meeting a draft work programme and NGT's slides were circulated with minutes of the 1st agent workgroup meeting.
ACTION:CLOSED

3. Review Amended Terms of Reference

Concerns were expressed about the scope of the terms of reference. For example, would the workgroup consider the file format changes required to support the agent? Ofgem concluded that such analysis is required, however, due to time constraints it is not possible for the workgroup to consider this level of detail.

NGT agreed to set up a meeting to discuss some of the technical issues that may arise from the introduction of an agent and provide an overview of the changes that will be required to facilitate agency. The workgroup supported this idea. NGT agreed to host a meeting in Solihull on Wednesday 4th February NGT agreed to invite all shippers/suppliers to this meeting. **(ACTION:NGT)**

Ofgem set out the changes to the terms of reference raised at the first meeting these were accepted by the workgroup. However, further concerns were raised. That is, it was suggested that the objectives as set out in the terms of reference be amended to encompass impacts on customers and to reflect that issues arising from non-agent activities be considered by the steering group. Ofgem agreed to amend the terms of reference accordingly.**(ACTION:OFGEM)**

4. Overview of Draft Work Programme

Ofgem discussed its work programme and explained the proposed approach. Ofgem explained the need for detailed analysis and understanding of the agent proposal and presented the timescales associated with each stage of the work programme.

It was suggested that the agent may not be the preferred solution for the industry and clarification was sought on whether other options would be considered. Ofgem suggested that the mitigating stage of the work programme may identify other options/approaches these should be captured and considered as part of a reform programme.

NGT concluded that the agent proposal will not prevent reform. NGT suggested that it does not intend to fundamentally change agent arrangements: such a reform programme would be a longer term objective. Energywatch concluded that the aim of the work programme should be to identify benefits to consumers. Ofgem agreed and suggested that cost savings if identified should be passed onto consumers.

5. Analysis and assessment of agent proposal

Ofgem explained that the network code does not specify all the arrangements that support services to shippers and suppliers and questioned whether the agent would

continue to provide these services. For example, stewardship of workstreams, arrangements developed through custom and practice.

Concerns were expressed about lack of understanding of the agent proposals. In particular, the size of the agency was identified as a concern and the wide variety of services it will deliver. Also, it wasn't clear what services the agent will not provide and what services NGT's Transmission business will deliver.

NGT discussed the agent proposal in further details and set out the following for the workgroup:

- Governance of the agent will be managed by a shareholding agreement and will be owned by IDNs and NGT. The agency will be managed by a board and will consider amongst other things, whether the agent is performing adequately;
- the agent will be resourced by existing NGT staff;
- the duration of the agent contract will be five years and the contract will allow conditions to modify the contract;
- the contract between the agency and network owners will be to carry out activities set out in the UNC and licence;
- shippers will not have a contract with the agency in the event of agent failures shippers should approach in the first instance the DN;
- agent services will be provided on a national basis;
- the agent will not own data this is a shared responsibility as data is passed off by different parties and is transmitted between parties.

6. Shipper/Supplier interactions with Transco and current governance

The group discussed the principles of governance. Concerns were expressed about how shippers will influence changes over the agent and how the UNC will evolve. Also, whether the UNC and agent contract will sufficiently provide the services shippers/suppliers require. NGT suggested that shippers will sign each DN's short form network code which will refer to the UNC. Changes to the UNC will be managed in the same way as changes to NGT's network code. To change the agency will require a change to the UNC which will be mirrored by a change to the agent and DN's contract. NGT agreed to provide a presentation to the next workgroup which sets out UNC arrangements.**(ACTION:NGT)**

Concerns were raised about divergence between short form network codes and whether a DN will be able to exit agent arrangements or include services normally provided by the agent in their short form code. NGT agreed to consider this and provide some clarity.**(ACTION:NGT)**

NGT was asked to explain how a shipper would escalate agent failures. For example, if SPA registrations are not processed. NGT suggested that in the first instance the agent should be approached, if escalation is required then the relevant DN should be contacted. NGT was asked to clarify in the event that the problem was a generic agent issue whether shippers should escalate with all DNs it was suggested that contacting all DNs was an unacceptable cost on shippers. NGT agreed to take this point away and provide some clarity.**(ACTION:NGT)**

The group discussed the stewardship of current NGT workstreams and how these functions will be managed post divestment. For example, the UK Link Committee meeting. NGT suggested that the UK Link Committee meeting will focus on changes to IT systems which is an agent activity, therefore, it would be chaired by the agent (acting on behalf of DNs) and will be associated with business processes delivered by UK Link. Activities provided by the Transmission business will be managed by the Transmission business.

Ofgem asked the workgroup to consider carefully how services will be provided post divestment. Ofgem set out its intentions to circulate a matrix (to be completed by workgroup members and sent to Ofgem). **(ACTION OFGEM)** Ofgem explained that the matrix will set out examples of services currently provided by NGT, how these services are currently delivered and governed and how they may be delivered/governed post divestment. Workgroup members were asked to complete the matrix and return to Ofgem. **(ACTION:WORKGROUP)**

6. A.O.B

No issues were raised.

7. Date of Next Meeting

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