

DN Sales Agent Workgroup Meeting 7

26 March 2004

Minutes

Attendees

Nigel Nash	Ofgem (Chair)
Roger Morgan	Ofgem
Alan Raper	NGT
Peter Close	NGT
Steve Adcock	NGT
Kim Salmon	NGT
Steve Ladle	Total Gas and Power
Joy Chadwick	Exxon Mobil Gas Marketing
Francis Blackwell	npower
Duncan Jack	Elxon
Steven Briggs	Centrica
Alex Travell	Powergen
Jeremy Morgan	Gemserv
Andrew Pearce	BP
Angela Love	Scottish Power
Martin Brandt	Scottish and Southern
Jonathan Jones	Burges – Salmon
Steve Briggs	BGT
Farook Khan	Ofgem

1. Apologies

Iain Osborne	Ofgem
Richard Street	Statoil
Paul Edwards	GTC

2. Minutes and actions from previous meeting.

Action Update -

1 – NGT to circulate its analysis of Settlement and Reporting matrix. Circulated to AWG by Ofgem on behalf of NGT. **ACTION: CLOSED**

2 – NGT to circulate its paper which addresses amongst other things, stability of arrangements. NGT to circulate paper shortly. **ACTION: OPEN**

3 – NGT to circulate its description of system dependencies before next agent workgroup. Circulated by Ofgem on behalf of NGT. **ACTION: CLOSED**

4 – Shipper/supplier non-agent services being considered by AWG. **ACTION: CLOSED**

5 - NGT to consider implications of shippers/suppliers becoming stakeholders in agent. NGT considering. **ACTION: OPEN**

6 - Ofgem to identify and circulate to AWG members matrix setting out shipper/supplier services that fall outside of agent arrangements. Circulated by Ofgem.
ACTION:CLOSED

7 – Ofgem legal has raised questions about agency acts, omissions and defaults with NGT legal. Awaiting response from NGT legal. **ACTION:OPEN**

3. DN Sales Project Update

Ofgem explained the further work to be undertaken to facilitate DN sales. Ofgem explained that it has set out to the DISG its intentions to develop for consultation two separate Regulatory Impact Assessments, one on the roles and responsibilities of network owners and one relating to the development of appropriate governance and agency arrangements. Ofgem set out its intentions to release these documents for consultation following the April meeting of the Authority. Ofgem concluded that it will submit a provisional cost and benefit analysis on potential DN sales to the April Authority meeting.

Options for Agency & Governance Arrangements (see attached presentation)

Ofgem presented on the various agency and governance options which have been considered by DISG. That is, option Alpha (NGT's proposal), option Beta (Broader approach) and option Gamma. Ofgem set out a number of key criteria to be used in the assessment of each model:

- Awareness of impacts on other policy areas i.e. competition in connections;
- Cost efficiency savings – general awareness of costs associated with each option;
- Non-discrimination issues.

Ofgem discussed the various options. In particular, Ofgem focused on options Beta and Gamma. Ofgem explained the main differences between option Beta and Gamma. The Gamma model (proposed by Powergen) suggests that the agency role is extended to include energy balancing activities, connections and credit and cash collection activities on behalf of NGT Transmission (T) and each DN. Ofgem suggested that the main driver behind option Gamma is to minimise systems divergence and to prevent NGT from changing systems that impact on the settlements process. The group discussed how T and Distribution (D) charging methodologies would work under options Beta and Gamma. Ofgem explained that a governance entity would be responsible for administering changes to T and D charging methodologies. That is, informing all affected parties of proposed changes and for the avoidance of doubt not proposing changes to T&D charging regimes.

The group discussed in detail the proposed governance entity associated with options Beta and Gamma. Ofgem set out the concerns raised by shippers about the administration of the network code. That is, shippers are concerned about the administration of the network code residing with NGT's T business and the potential for discrimination. Ofgem concluded that the governance entity is likely to be funded until 2008 by NGT/DNs as an allowance exists in price controls to provide these services.

Ofgem was asked to explain how a decision on which option should be adopted will be made. Ofgem concluded that each model will be assessed against the key criteria identified and shippers views of costs associated with each option would be considered and would inform the development of the agency RIA.

4. DN Sales pro-forma

Ofgem discussed the cost pro-forma circulated to shippers to inform the agency RIA. Ofgem asked shippers to provide one-off costs and on-going costs based on the following assumptions:

- there is no agency in place;
- an agency is put in place.

The group queried the pro-forma assumptions. In particular, whether Ofgem required shippers to clarify their on-going costs over a five year period or longer. Shippers explained that after five years DNs can opt out of agency arrangements such change would increase their on-going costs. Further queries were raised about the pro-forma. For example, whether Ofgem required a numerical value for impacts or whether a high, medium or low impact would suffice. Ofgem concluded it would be difficult to quantify a high, medium or low impact, and asked the group to provide monetary values. It was suggested that the pro-forma does not take into consideration the size of the organisation responding and the number of MPRNs supplied and that distortions may arise if this is not specified. Ofgem agreed to set out to the group further clarification about the assumptions associated with the pro-forma and to extend the deadline for responses until 1st April 2004. **ACTION:OFGEM**

Metering provider of last resort

The workgroup discussed metering of last resort arrangements. NGT suggested that each DN will have a meter of last resort provider obligation and questioned whether a central interface is required for such purposes. It was suggested that in some metering markets competition is established, however, in other metering markets where competition is not established there may be a need to rely on DNs for last resort purposes. In the event that each DN has this responsibility AWG members suggested that shippers/suppliers would be required to manage with each DN contracts for such purposes.

BGT agreed to produce a paper setting out the implications of metering provider of last resort. **ACTION:BGT**

5. Work Programme

The group discussed the non-agent shipper/supplier services matrix. Ofgem agreed to circulate revisions and ask AWG members to consider the mitigating actions.

ACTION:OFGEM/ACTION:WORKGROUP

NGT presented on connection arrangements (copy of presentation attached). Ofgem agreed to circulate NGT's presentation. **ACTION:OFGEM**

NGT's presentation set out connection arrangements pre DN sale/post DN sale. NGT explained that Fulcrum will continue to provide connection activities to RDNs and IDNS until 2005. Initially each DN will adopt NGT's contractual terms to maintain:

- common service provider;
- common licence obligations;
- common governance arrangements.

DN's will be able to opt out of Fulcrum arrangements in 2007.

Gas Transporter Details on bills

Shippers/suppliers discussed their obligations to set out on customer bills the name and address of the gas transporter. In the event of DN sales it will be necessary to reflect DN ownership changes on customer bills. It was suggested that IGTs can be distinguished by MPRN ranges, however, it will not be possible to identify in this way which DN network a customer is situated on. AWG members suggested that changing customer bills to recognise multiple owners would be costly and questioned the drivers behind the licence condition.

Ofgem agreed to ensure that this issue is captured in the DN Sales issue logs.

ACTION:OFGEM

NGT explained that it is currently investigating whether it is possible to include this information on its MPRN internet service and CD Rom. NGT indicated that it would also seek to make this information available via the RFI.

The group discussed loss of gas supply and how such incidents will be managed. NGT agreed to clarify how such incidents will be managed. **ACTION:NGT**

6. A.O.B

No issues were raised.

7. Date of Next Meeting

To be confirmed.