

Demand Side Working Group Meeting

27 October 2009 (Ofgem, London)

Attendees

Antony Miller (Chair)	Ofgem
Krystle Thorpe	Ofgem
Gosia Rees	Ofgem
James Grigor	Ofgem
Jamie Black	Ofgem
Dora Guzeleva	Ofgem
Karron Baker	Ofgem
Trevor Loveday	Ofgem
Alison Meldrum	Corus
Chris Shanley	National Grid
Gary Dolphin	National Grid
David Wildash	National Grid
John Perkins	National Grid
Eddie Proffitt	MEUC
Esther Sutton	Eon UK
Richard Fairholme	Eon UK
John Lucas	Elexon
John Bradley	Joint Office
Richard Street	Corona Energy
Claire Gibney	NHS

Apologies

Georgia Broome	Ofgem
Vanja Munerati	Ofgem
Jonathan Scott	RTA
Chris Webb	BOC
Andrew Mackenzie	INEOS
Andrew Jones	Boots

NB: All of the Presentations for DSWG can be located at:

<http://www.ofgem.gov.uk/Markets/WhlMkts/CustandIndustry/DemSideWG/Pages/DemSideWG.aspx>

1. Introductions (Antony Miller, Ofgem)

1.1. Antony Miller welcomed the attendees.

2. Agenda Item 1: Review of the minutes (Antony Miller + All)

2.1. The minutes of the previous meeting were approved by group members.

2.2. **Action Item:** Going forward, the minutes of the meetings will be made available on Ofgem's website within a fortnight of the meeting.

3. Agenda Item 2: Ofgem restructure (Georgia Broome, Ofgem)

- 3.1. Trevor Loveday presented on behalf of Georgia Broome on the recent restructure of Ofgem (see New Look Ofgem: <http://www.ofgem.gov.uk/Markets/WhIMkts/CustandIndustry/DemSideWG/Documents1/Restructure%20Presentation.pdf>).
- 3.2. The changes were more than a 'new look' but a whole new restructure. The key driver of the change was highlighted as the need to tackle climate change. One of the aims of the restructure was to separate Ofgem's service delivery work (such as Carbon Emissions Reductions Target Scheme, Renewable Obligations, Payroll for Postcom; and Offshore transmissions work) from its more conventional economic regulation work.
- 3.3. Some of the more significant changes in the Ofgem side include the introduction of a business unit dedicated to sustainable development and splitting networks into a distribution and transmission arm.
- 3.4. Some participants questioned the lack of public consultation involved in the restructure process and suggested that this is inconsistent with the general push regarding better governance of the industry.
 - 3.4.1. Ofgem welcomes interested stakeholders to provide the Communications Team with their views on the restructure. DSWG members can forward their comments or questions via the DSWG email address (DSWG@ofgem.gov.uk)
- 3.5. Another concern noted was the lack of clarity associated with the term smart metering and what aspects of demand side management were to be captured by that term.
 - 3.5.1. Ofgem agreed that it will consider how it can clarify the definition of smart metering for the benefit of industry stakeholders.

4. Agenda Item 3: SO incentives (John Perkins, National Grid)

- 4.1. National Grid provided a presentation on Gas SO Incentives from April 2010 (see http://www.ofgem.gov.uk/Markets/WhIMkts/CustandIndustry/DemSideWG/Documents1/DSWG%20slides_27-10-09.pdf)
- 4.2. The Key Points were:
 - The consultation paper has almost been finalised and should be published by the end of the month. It was noted that the comments from DSWG members were helpful in developing the consultation papers.
 - National Grid is grateful to those industry stakeholders that have actively contributed to the mini consultation papers and is keen to ensure that all stakeholder views are captured.
 - It was noted that National Grid was happy to accept both formal and informal submissions and noted that Ofgem could also accept stakeholder views if a stakeholder was concerned about speaking directly to NG.
 - An important development in relation to some of the SO incentives is the move towards a 2 year rather than 1 year incentive. This should help minimise the 'consultation fatigue' noted by DSWG members.

- Workshops for both the electricity and gas SO incentives are scheduled for November. Electricity will be held in Wokingham on 10 November 2009 and gas will be held on 18 November 2009 at Ofgem.
- The deadline for responses to the Initial Consultation will be in December 2009.

5. Agenda Item 4: Winter gas proposal outcomes (Chris Shanley, National Grid)

- 5.1. National Grid provided a presentation on the Winter Gas Proposals (See http://www.ofgem.gov.uk/Markets/WhlMkts/CustandIndustry/DemSideWG/Documents1/DSWG%20Oct_2009.pdf)
- 5.2. National grid provided updates on the Enhanced information provision and revision of the Gas Balancing Alert for Winter 2009 (UNC Mod 257); Modification Proposal 260; and Market Information Provision Initiative (MIPI) Phase 2.
- 5.3. UNC Mod 257 introduced changes regarding the gas balancing alert (GBA) and the storage monitor. To complement the GBA revisions National Grid has enhanced the information provided on the website and National Grid went through the information available. National Grid said the website aims to give a fuller picture of the five-day-ahead supply-demand balance and storage stocks. This information is available from National Grid's Gas Balancing Alerts webpage: <http://www.nationalgrid.com/uk/Gas/Data/GBA/>
- 5.4. DSWG members should note that National Grid has not removed any information that was previously available (i.e. disaggregated information on long, medium and short range storage).
- 5.5. In relation to MIPI, National Grid explained that MIPI phase 2 was to be implemented on 16 November 2009. A significant benefit to stakeholders is that they can arrange to have the information (API functionality) they want from National Grid to be sent to them automatically, rather than having to find and download the data themselves.
- 5.6. National Grid also has representatives available to assist stakeholders in using the system (see slides for contact details) and they can provide further details of the changes if required. With this in mind, a more detailed set of MIPI phase 2 slides was also provided but not discussed at the meeting (see: <http://www.ofgem.gov.uk/Markets/WhlMkts/CustandIndustry/DemSideWG/Documents1/MIPIPresentation.pdf>).
- 5.7. In relation to UNC Mod 260, it was noted that the final modification report regarding changes to the post-emergency arrangements had been approved by the UNC panel 6 votes to 3 and is currently with Ofgem. See agenda item 8.2 for a related Ofgem update.

6. Agenda Item 5: Winter Outlook Summary (Gary Dolphin, National Grid)

- 6.1. This item was not discussed at the meeting. However the presentation is available on the Ofgem website (see:

<http://www.ofgem.gov.uk/Markets/WhIMkts/CustandIndustry/DemSideWG/Documents1/DSWG%20Winter%20Outlook.pdf>)

- 6.2. Gary Dolphin is happy to receive questions or comments on the Winter Outlook report.

7. Agenda Item 6: Credit issues (Gosia Rees, Ofgem)

- 7.1. Ofgem provided a presentation on the Contracting Issues in the Industrial and Commercial Sector (see: <http://www.ofgem.gov.uk/Markets/WhIMkts/CustandIndustry/DemSideWG/Documents1/Ofgem-DSWG27.10.09.pdf>)
- 7.2. During 2009, Ofgem noted a significant upswing in complaints regarding credit arrangements and in particular to I&C customer's ability to secure retail supply (lack of responses to tenders) and the requirements regarding upfront security (high deposits and personal guarantees).
- 7.3. Ofgem wrote to suppliers and trade associations on this issue. Also, it organised a meeting/seminar for suppliers, customer groups and insurers to facilitate an exchange of information on the issue between the relevant parties and speed up the competitive processes.
- 7.4. Greater detail of key actions and next steps from the seminar can be found in the slides (link 7.1). The key actions for Ofgem following this work were to: (1) provide clarification/guidance on deemed rates & out of contract rates for customers; (2) investigate the scope for amending switching arrangements to increase time to transfer deposits; and (3) look at whether tougher disconnection arrangements could be used to reduce the need for up-front credit.
- 7.5. On 1 - Ofgem has now issued guidance on the deemed contract relationship. On 2 - Ofgem is still investigating options for transferring deposits. On 3 - The scope to change disconnections arrangements appears limited in short-term given the fact that the arrangements are enshrined in the Acts.
 - 7.5.1. DSWG members requested information regarding the relevant legislation. Links to this and other relevant information can be found in Ofgem's guidance document on deemed rates (see below).
- 7.6. Ofgem asked for updates from consumer group regarding whether this issue is still prominent and a concern, especially in light of the October contracting round. Some of those present noted that it is a concern, and that the issue is likely to be cyclical. It is likely that interest in this issue will increase again next April.
- 7.7. There was a request from one participant for Ofgem to hold another follow-up meeting/seminar on the credit issues.
- 7.8. Ofgem may possibly do a test case of Deemed rates, and would therefore be grateful for some examples of Deemed rates which were particularly onerous.

Action Item: DSWG members requested that Ofgem circulate / publicise the availability of its guidance material on deemed rates.

Response: The Guidance on Deemed contracts' that has been published can be found at:

<http://www.ofgem.gov.uk/Markets/RetMkts/Compet/Documents1/Guidance%20on%20deemed%20contracts%20as%20per%20Standard%20Licence%20Condition%207.3%20of%20the%20Gas%20and%20Electricity%20Supply%20Licences.pdf>

(The availability of this document has been promoted through relevant email notification)

8. Agenda Item 7: Modifications and other work updates

8.1. UNC Mod 257: Revision of the Gas Balancing Alert (GBA) Trigger / Safety Monitor (Jamie Black, Ofgem)

8.1.1. This has been approved and implemented by National Grid (see agenda item 4)

8.2. UNC Mod 260: Revision of the Post-emergency Claims Arrangements update (Jamie Black, Ofgem)

8.2.1. Ofgem is currently reviewing the Panel's final report and expect to make a decision before 5 November 2009.

8.2.2. National Grid accepts that this is not necessarily the perfect solution to all stakeholder concerns with regards to security of supply. However, it is noted that the majority of the panel members see it as an improvement over the existing arrangements.

8.2.3. If stakeholders have any further concerns that have not been captured in the Final Mod Report, they should contact Ofgem.

8.3. BSC modifications: P243 & P244 (James Grigor)

8.3.1. Ofgem provided a presentation on P243 and P244 (See http://www.ofgem.gov.uk/Markets/WhIMkts/CustandIndustry/DemSideWG/Documents1/P243%20P244%20Update_DSWG.pdf)

8.3.2. It is noted that BSC modification 243 (Generator Forward Availability by fuel type) is a particularly contentious and difficult issue. There is a need to balance greater transparency against concerns of discrimination on certain generators.

8.3.3. Ofgem is keen to receive views from stakeholders regarding this modification

8.3.4. P244 relates to the provision of BritNed flow data to the BMRS. The proposal seeks to establish BritNed as an additional fuel type category on BMRS.

8.4. UNC Mod 264: Review of Industry Arrangements to Accommodate Reduced Demand at DM Supply Points (Ofgem) – which has established a Review Group following UNC Mod 244

8.4.1. Ofgem noted that it has been involved in discussion with DNs to reiterate the urgency of this issue and to make sure that additional analysis can be conducted to determine the impacts of any proposed changes on all consumers. DNs have requested the necessary information from all customers.

8.4.2. DSWG members noted that they had concerns regarding how such information could be used if it was provided directly to DNs.

- 8.4.2.1. Ofgem agreed that it could accept information and aggregate the data to help ensure confidentiality before sending it back to the DNs.
- 8.4.3. DSWG members considered that the desire for this change to the arrangements should not necessarily be based on potential take-up. It is about customers having an option to change arrangements. Therefore, sufficient information has already been provided.
- 8.4.4. Ofgem is of the view that what has previously been provided is not sufficient to address the criteria against which all modifications to the UNC are assessed. Until the additional analysis, which was requested in May 2009, is provided it would not be possible to assess the proposed changes against these criteria.
- 8.4.5. It was agreed that customers will provide the information requested by the DNs directly to Ofgem by close of play on 30 October 2009.
- 8.5. Gas system flexibility (Antony Miller, Ofgem)
 - 8.5.1. There is a flexibility workshop being hosted by Ofgem on 16 November. An invitation has been circulated by Joint Office
 - 8.5.2. Any questions or concerns, please contact Paul O'Donovan (Ofgem) or Phil Hobbins (National Grid)
- 8.6. Project Discovery (Antony Miller, Ofgem)
 - 8.6.1. Project Discovery explores whether current market arrangements are capable of delivering secure and sustainable energy supplies. Ofgem published its consultation on 9 October, inviting views on the analysis outlined in the document by 20 November 2009. (The project Discovery consultation document is available at: http://www.ofgem.gov.uk/Markets/WhlMkts/Discovery/Documents1/Discovery_Scenarios_ConDoc_FINAL.pdf)
 - 8.6.2. Work on the project is ongoing. In light of the risks and challenges identified in the consultation document and responses to this consultation, Ofgem will set out its assessment of how current market arrangements could be improved, and in particular whether they enable appropriate response on both the demand and supply side. Ofgem will also set out its views as to whether any further policy responses are required.
 - 8.6.3. If Ofgem identifies, based on the results of their revised analysis and ongoing work, areas where the current market arrangements could be improved or alternative policy responses may be required, they will consult on these in a further paper to be published early next year.
 - 8.6.4. DSWG members noted that the general marketing and stakeholder engagement on Project Discovery has been very good.

9. Any other business

- 9.1. There is another BSC mod currently under consideration

10. Date of next meeting

- 10.1.** It was agreed that the next meeting should be held in late January or early February. The date has been provisionally set as **Tuesday 9th February 2010.**

ACTION ITEM: Ofgem will consult internally to determine if the meeting can be aligned with other relevant meetings and will offer the group some possible dates by December.