

## IGT039 Meeting #13 Minutes

### Present:

Colette Baldwin (CB)	E.On	Tabish Khan (TK)	BG
Andy Baugh (AB)	NPower	Jonathan Kiddle (JK)	EDF Energy
Elaine Carr (EC)*	Scottish Power	Steve Ladle (SL)	Gemserv obo. IGTUNC
Jon Dixon (JD)*	Ofgem	Andy Miller (AM)	Xoserve
Cher Harris (CH)*	SSEPL	Trevor Peacock (TP)	FPL
Gethyn Howard (GH) (Chair)	GTC	Adam Pearce (AP)	ESP
Mark Jones (MJ)	SSE		

**\*via teleconference**

### 1) Introductions

The meeting attendees introduced themselves.

### 2) Review of Actions from Previous Meeting

GH ran through the actions which are updated as follows;

- 1) GH and JD to prepare and circulate funding approach papers and circulate ahead of next meeting. *Closed*
- 2) IGTs to individually complete matrix (this is a standing action which is dependent on which funding approach is taken forwards). *Open*

### 3) NEXUS Update

AM confirmed that the current intention was to present the UNC0440 modification to the September UNC Panel.<sup>1</sup>

AM also stated that the ongoing Xoserve work will shortly focus on the migration database as work will shortly need to commence if it is to be implemented 12 months ahead of SSP go live.

### 4) Funding Discussion

#### ***Approach 1 – Cost Neutral Approach (See appendix 1)***

GH provided an overview of the cost neutral approach which is based on the principle that IGTs would be no worse off under SSP. As such, the IGT contribution towards the annual SSP charge would be the equivalent saving (if any) that the IGT would realise under SSP with the Shippers making up the shortfall (if any). GH presented a graph of how this can be achieved which can be found in appendix 1. In order to avoid the situation where there is potential for different IGT supply points to be charged at differing levels (due to the differing efficiencies/contributions between IGTs), the IGT contribution would be aggregated and averaged out across all supply points (see appendix 1 for illustration). It was then noted that costs could be reviewed on a defined time interval to ensure the contribution remains accurate.

GH ran through a model based on the services matrix which could be used by IGTs to work out their current cost of providing the services to be carried out under SSP. The model also enabled IGTs to fill in their future anticipated costs post SSP. The model then calculates the cost at a supply point level and the saving/or additional cost following SSP implementation.

It was queried whether future savings will be taken into account when undertaking the analysis but it was noted that future changes such as Rolling AQ would be a User Pays modification and so would not be included in future transportation charge allowances. It was agreed that for the purposes of the calculation, only the associated overhead would be included. AP queried how any potential system stranding costs would be treated and it was agreed that these could be calculated and ring fenced from the overhead calculations. It was acknowledged that such costs cannot be ignored if genuine

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<sup>1</sup> Post meeting note: This is now likely to be the October Panel.

expenditure for systems has been invested but such costs, if quantified, could be discussed with Ofgem in order that a way forward could be agreed.

IGTs then took an action to complete the model and on the basis that the costs were economically sensitive, supply to Ofgem in confidence by 13<sup>th</sup> August. JD confirmed that for the purposes of the exercise, Ofgem would be happy to collate this data.

**Action: IGTs to individually complete the costing matrix by August 13th.**

#### **Approach 2 – Revenue Based Approach (Slides circulated with minutes)**

JD presented an alternate approach which expanded on the discussions held at the previous meeting. JD confirmed that the approach was not necessarily the view of Ofgem but to prompt debate and discussion. The underlying approach to the revenue based approach would be to determine the IGT contribution based on the GDN revenue allowance for Xoserve conducting such activities. This was to ensure that Shippers were not effectively paying for the service twice. JD outlined two potential approaches to this;

*i) Top Down Approach*

This approach would look to identify the equivalent GDN transportation allowance that is attributed for Xoserve undertaking Shipper driven services. This would be calculated by determining the percentage of Xoserve's budget that is allocated to Shipper services and is then translated into an equivalent allowance under the GDN transportation charge. This amount would then form the basis for the IGT contribution with Shippers contributing any shortfall.

*ii) Bottom Up Approach*

This would take a more activity based costing approach and would identify services already provided for under user pays and those which are to be funded under RIIO. These allowances would then be collated to identify the IGT contribution to SSP. Shippers would then contribute any potential shortfall.

It was agreed that due to the relatively low number of Legacy supply points and on the basis that they are to be phased out, the above arrangements would apply to all IGT supply points regardless of charging type. It was noted that where IGTs are to provide any value added services, these could be recovered via the IGT transportation charging statement. It was confirmed that the contribution would be based on all connected IGT supply points to date and not to those connected from a future point in time.

AM agreed to review the service matrix to determine whether any equivalent costs can be calculated but believed that the costs for the service would differ to those for IGT services.

It was noted that the Xoserve governance and ownership review could have an impact on funding though it was agreed that as the outcome of this review was unknown (to the level of detail required by the group), that the current arrangements would be used to take discussions forward.

With regards to RPC charging arrangements it was confirmed that the intention was not to amend RPC itself and that IGTs would actively pay the contribution.

**Action: SL to send GH the link to the Xoserve costing analysis conducted as part of the funding, ownership and governance review.**

**Action: AM to review services matrix to determine whether equivalent costs can be calculated ahead of next 039 meeting.**

#### **5) AOB**

AP queried what the current view was with regards to whether a licence condition would be required for IGTs to implement SSP. JD commented that this was now likely to be required and that he would look into the various licence options ahead of the next meeting.

GH queried whether the Xoserve figure of £1 per supply point would be clarified. AM commented that this was unlikely to be confirmed until SSP go live but if the principle to cost recovery can be agreed, that this should not present too much of an issue.

**Action: JD to look into various licence approaches for SSP and provide an update at the next meeting.**

#### 6) Next Steps

IGTs will complete the matrix under approach 1 and will send to Ofgem.

AM will review the CEPA costing work to determine whether this can be translated to the services listed under the matrix.

Once both of these actions have been completed, the impacts on parties can be determined which will then shape the views of how single service provision can be funded.

#### 7) Future Meeting Dates

The group will meet at Ofgem for the next meeting on August 23<sup>rd</sup>, time and venue TBA.

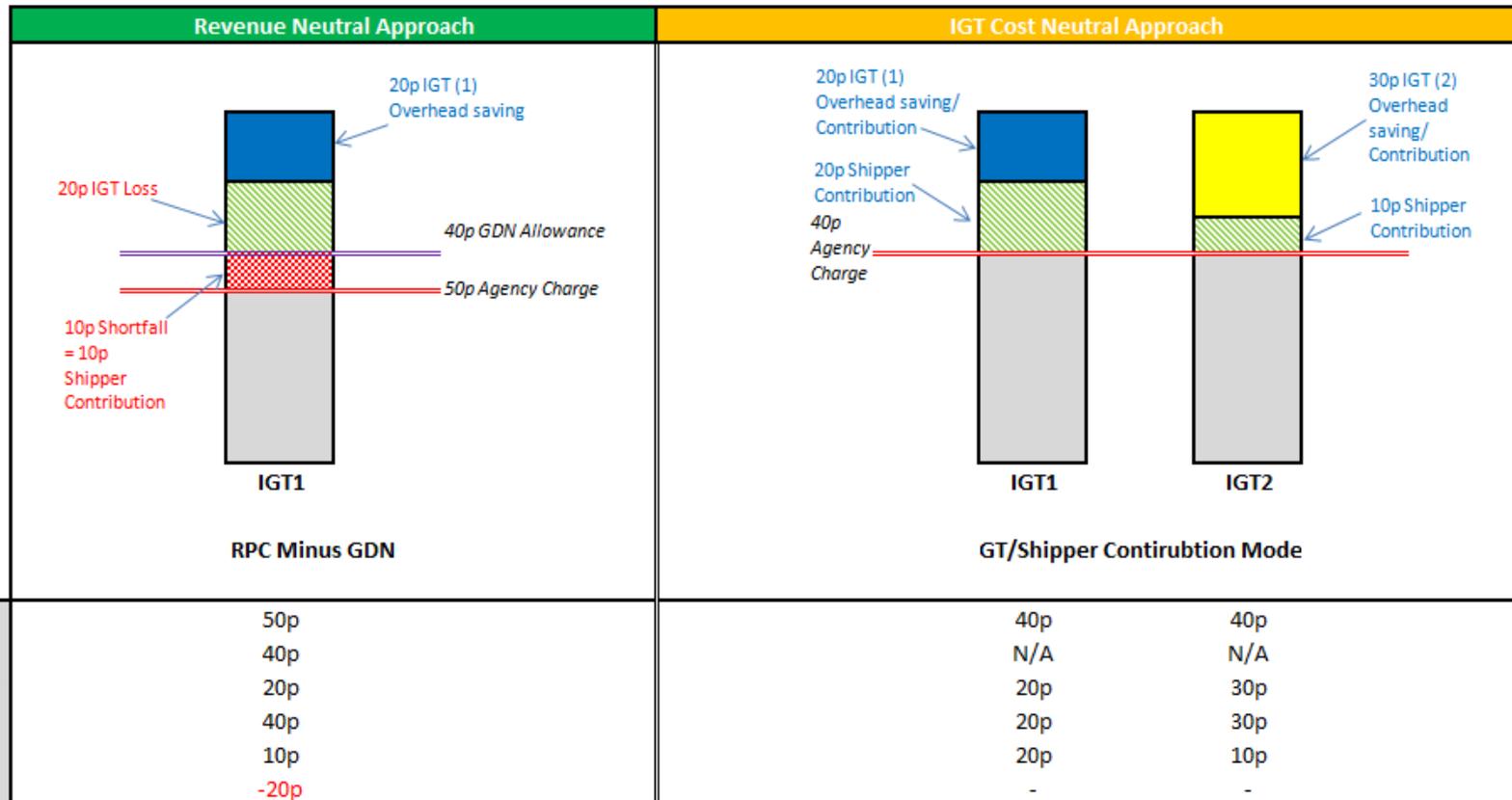
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#### Actions:

- 1) IGTs to individually complete the costing matrix and submit to Ofgem by August 13th.
- 2) SL to send GH the link to the Xoserve costing analysis conducted as part of the funding, ownership and governance review.
- 3) AM to review services matrix to determine whether equivalent costs under approach 2 can be calculated ahead of next meeting.
- 4) JD to look into various licence approaches for SSP and provide an update at the next meeting.

Appendix 1

Illustration of funding approaches (figures for illustrative purposes only)



**Illustration of how Cost Neutral Approach May Work in Practice**

