

IGT039 Meeting #20 Minutes

Present:

| | | | |
|----------------------------|------------------------|-----------------------|---------|
| Andrea Bruce (AB)* | Scottish Power | Andrew Margan (A Ma) | BG |
| Colette Baldwin (CB) | E.On | Andy Miller (AM) | Xoserve |
| Jon Dixon (JD) | Ofgem | Trevor Peacock (TP) | FPL |
| Gethyn Howard (GH) (Chair) | GTC | Adam Pearce (AP) | ESP |
| Anne Jackson (AJ) | SSE | Kristian Pilling (KP) | SSE |
| Jonathan Kiddle (JK) | EDF Energy | Kiran Samra (KR) | Npower |
| Steve Ladle (SL) | Gemserv obo. IGTUNC | | |

**via teleconference*

1) Introductions

The meeting attendees introduced themselves.

2) Review of Actions

- 1) JD to undertake further analysis on SSP funding.

*It was noted that this was an ongoing piece of work and no timeframe for completion could be confirmed at present. – **carried over.***

- 2) All to feedback views to JD on licence drafting.

- 3) IGTs to provide funding licence drafting by end of January.

*GH confirmed that the AIGT had provided Ofgem with suggested drafting. – **Complete.***

- 4) All to add views on contractual framework considerations to table by 3rd February.

*GH explained that he had only received one set of comments and that the item was on the agenda for discussion. – **Complete.***

- 5) CB to develop a straw man process to develop the bulk confirmation process for review at the next IGT039 meeting.

*CB confirmed that the straw man had been circulated the previous day. – **Complete.***

- 6) GH to circulate high level comparison of the SoS regimes.

*This had not yet been circulated but GH confirmed that this would be sent out at the beginning of the following week. – **carried over.***

It was commented that potentially, should option 2 of the Agency governance options be taken forwards, this could have an impact on the IGT licence drafting. The group therefore agreed to discuss the Agency governance options before the licence drafting was reviewed to avoid having potentially two separate discussions on the licence drafting.

3) Review of Licence Drafting

JD summarised that the licence was very much a copy and paste of the GDN A15 licence condition as the approach was not to “reinvent the wheel”. The changes in the drafting were to remove the transitional arrangements that were used in the GDN drafting as well as the user pays mechanism. JD added that the reference to an exact date of effect of the requirements of the licence had been removed as was dependent on NEXUS implementation which could potentially change. It was advised that the final drafting to outline the “go live” of the condition would use language along the lines of “from a date to be directed by the Authority”.

JD clarified that Xoserve charges for future systems developments would be able to be recovered via the existing user pays framework and that this was therefore not required in the IGT licence. The group discussed the exclusion of user pays from the IGT licence and it was noted that user pays was originally introduced into the GDN licence to recover charges for Xoserve development costs and that this would not be required for IGTs. It was also noted that to include user pays to recover IGT specific costs would require a wider review and was therefore out of scope of IGT039.

GH commented that he had spoken to Chris Warner of National Grid and could confirm that IGTs would be acceding to the UNC as would become a voting party. GH raised the question if there would therefore need to be changes to SLC9 to require IGTs to sign the UNC as well as the IGT UNC. JD referred to the legal advice provided in the previous meeting and commented that this would not be required. GH commented that the IGTs would need to sign up in any case to be able to utilise the IGTAD which will be part of the UNC so the incentive to accede was there in any case.

The group noted that the comments provided on the drafting were mostly stylistic amendments and did not materially change the intent of the condition and the group was therefore happy with the approach taken with the A15 equivalent condition

4) Review of Agency Contractual Options (See Appendix 1)

It was noted that whichever option is taken forwards, it would only be temporary and would be replaced with the output of the Xoserve Funding, Governance and Ownership review. It was therefore suggested that it would be prudent to use as simple as solution as possible utilising existing concepts wherever possible.

Option 1 – Non Code User Pays

GH summarised that this option was based on two sets of contractual agreements;

- i) IGT to Agency via the iASA (supported by the Agency Charging Statement)
- ii) Shipper to Agency via the Non Code User Pays agreement

The group agreed that this option used existing contractual agreements and would be relatively straight forwards to implement. It was also noted that this option presented less “double handling” of invoices and ensured that parties were directly invoiced only for their contribution to Agency costs. It was also noted that charges from both contracts would be set out in the Agency Charging Statement and is ultimately subject to Ofgem veto.

The group discussed how Agency costs would be recovered for future modifications which are classed as User Pays along with various contribution splits between Shippers and transporters. The main principle was that recoveries would work very much in line with the framework for the annual Agency costs. AM agreed to map out the various permutations for modifications and how the funding would be recovered under the various scenarios.

JD confirmed that Ofgem cannot sign off a modification without the modification having sufficiently reviewed the costing and funding element. The group noted that where a modification is raised to the IGT UNC post Agency services, such modifications would need to cover off costings and funding in the final modification report, much in line with the approach used in the UNC.

AP asked AM whether option 1 would be acceptable to the Agency. AM commented that this option was a possibility for the Agency but did hold risk in terms of non payment. The group in principle was supportive of option 1 but the agreed it would be sensible to still discuss the other options so that they could be formally supported or dismissed.

Action – AM to map out various permutations for modification funding under option 1.

Option 2 – IGT Code User Pays

The group reviewed this option noting that the IGT UNC would be the main contractual vehicle for Agency services, with IGTs backing off these requirements via the iASA. The Agency would then invoice the Shipper for the Shipper contribution, the Shipper would pay the IGT and the IGT would then pay the Agency for the full Agency charge. It was noted that this option would be risk free for the Agency and that cash flow risks for IGTs could be avoided with careful payment timeframes set out so that there is a window in which IGTs would receive payment from Shippers before the Agency charges needed to be paid. It was identified however that this option would not only involve double handling of invoices but would also require a greater number of invoices to be raised. It was also noted that there was a more fundamental issue that for this option to work, User Pays would be required in the IGT licence which would require a much wider review than IGT039 was scoped to deliver. The group was therefore not supportive of option 2.

Option 3 – IGT Invoices Shipper

It was noted that this option relied on bilateral contracts being in place between IGTs and Shippers to manage the Agency charges with IGTS directly invoicing Shippers. This was deemed not to be a workable solution on the basis that this would require contracts to be developed from scratch and did not sit under any form of governance. Coupled to this, there was also a concern that as Xoserve would charge IGTs the full Agency charge, that when IGTs recovered the Shipper portion, they could potentially be recovering monies above that allowed under RPC. The group therefore did not support option 3.

The group was therefore able to recommend option 1 be taken forwards as the preferred contractual model, noting that further work was required to map out the various permutations for cash flows.

5) PSR Discussion (See appendix 2)

CB confirmed that a number of Shippers had met with the Agency to map out the current PSR process and how this may work post SSP. The Shipper concern centred on the communication of changes following the signing of the PSR. Shippers are therefore looking for ways for IGTs to improve the communication of site layout, develop and nominated supplier changes prior to the installation of infrastructure as any changes that are not communicated involve much manual intervention to rectify. It was suggested that the trigger point of site information to the Agency should be X days prior to service installation for a particular property. There were conflicting views as to whether this would be possible and differing views on whether it would be useful to hold full site information in the Agency system at an earlier date for validation purposes. AM suggested that there were a few tweaks that were required to the process diagrams in the Agency BRD that may help alleviate some concerns and that this would be carried out ahead of the next meeting.

GH suggested that a standalone workshop meeting may be a suitable way to take this work forwards with two outputs:

- i) Bolstering of current PSR arrangements in Code
- ii) Agreement and clarification on when IGT data is sent through to the Agency systems.

The outputs can then be reviewed and those in scope of IGT039 included in the modification and those outside progressed via a separate change which could potentially be on a quicker implementation than IGT039.

Action – AM to update process diagrams from BRD ahead of meeting #21.

6) AOB

GH commented that Standards of Service would need to be reviewed as the process of how queries would be managed would need to be looked at in detail and any changes to Conquest and the IGT UNC ancillary document outlined. It was noted that the IGT UNC SoS process sat in an ancillary document and could potentially be changed via a separate change outside of IGT039. As this was an operational focused piece of work, the group agreed to add this to the agenda of the IGT Shipper workgroup on April 7th.

7) Next Steps and Review Work Plan

GH confirmed that the intention for the next meeting was to run through the legal drafting prepared to date and for parties to raise any questions and clarify any issues that may arise during the drafting process.

GH summarised the work plan and confirmed that an additional 4 weeks had been added for legal drafting meaning that the IGT039 modification was expected to be complete with legal drafting and a work group report at the end of May. GH also confirmed that meetings will be held periodically during the legal drafting process to ensure all parties can review in manageable chunks.

8) Future Meeting Dates

03rd March, Ofgem: 10am

Actions:

- 1) JD to undertake further analysis on SSP funding.
- 2) GH to circulate high level comparison of the SoS regimes.
- 3) AM to map out various permutations for modification funding under option 1.
- 4) AM to update process diagrams from BRD ahead of meeting #21.

Appendix 1

| Option 1 Non Code User Pays | Positives | Negatives | Interdependencies |
|-----------------------------|--|---|--|
| | Less financial risk for IGTs as parties are responsible for directly paying the relevant costs to the Agency | Funding in two separate places (could IGTs also be included under ACS with Shippers?) | Licence condition will need to enable ACS |
| | ACS is subject to Ofgem veto | | Requires high level costing principle in Licence |
| | Straight forwards to implement | | |
| | | | |
| | Benefit as it uses the user pays method, which is currently the arrangement | | |
| | Would get visibility of charges on ACS | | |
| | Easier to implement | | |

| Option 2 IGT Code User Pays | Positives | Negatives | Interdependencies |
|-----------------------------|------------------------------|---|--|
| | ACS is subject to Ofgem veto | Funding in two separate places - could IGTs also be covered under IGT UNC User Pays? | Licence condition will need to enable ACS |
| | | Additional development work which <i>may</i> be required to introduce user pays under IGT UNC | Requires high level costing principle in Licence |
| | | Double processing of invoices as IGTs have to manage payment from Shippers and separately pay the Agency | |
| | | The shipper is directly invoiced by Xoserve to pay the IGT's, this requires the shipper to make payments to all IGT's which means more work | Requires adequate backing data to be provided |

| | | | |
|--|--|---|--|
| | | How do we know that all shippers are being charged the same amount? | |
| | | | |

| Option 3 IGT Invoice Shipper | Positives | Negatives | Interdependencies |
|------------------------------|-------------------------------------|--|--|
| | Funding arrangement in single place | Places IGTs responsible for collecting monies on behalf of Xoserve resulting in double handling of cash and places risk on IGTs | Requires high level costing principle in Licence |
| | | We will paying a transactional charge regardless so there is no obvious disadvantage to keeping the non-code user pays arrangement | |

Appendix 2



