



Gas Forum NRPS

10<sup>th</sup> January 2011

**Attendees:**

Colette Baldwin – E.ON (Chair)  
David Watson BG  
Andrew Wallace – Ofgem  
Anne Jackson – SSE  
Lorraine Kerr – SP

Gareth Evans – Waters Wye  
César Coelho – Ofgem  
Dan Simons - EDF

Meeting began with presentation from GE of the Governance and funding options. (see attached)

**Funding & Governance**

Strawman matrix provided by GE.

Assumptions:

DW – asked whether NRPS could offer negotiated service contracts with suppliers outside the NRPS arrangements. GE – No the NRPS services will be non-discriminatory.

The NRPS offering of additional services has to be ring fenced where it relates to the data the NRPS manages. If the the standard service sits within the COP, any changes will have to go through change control.

Nominated services are provided on a non-discriminatory basis, a menu of charges for uses to pick from.

Similar funding for optional as core – so costs based on the capital costs, pass-through cost plus model, not market share basis, and no loss leaders. This needs a transparent cost mechanism.

Setting the strategy will be by negotiation with the NRPS and the service providers. Results will need to be demonstrating that no one portfolio is targeted, and will be subject to validation by the audit.

Evaluation Criteria

Do we need to include DPA compliance within the matrix? No, it's a contractual issue.

Review of Matrices

All three are feasible but we've concentrated on 1a – code establishment model. A has worked in the past and we understand how it works and there are concerns with b and c.

<b>1. Governance Framework</b>	<b>Merits</b>	<b>Drawbacks</b>	<b>Comment</b>
a. Code Establishment Model	<ul style="list-style-type: none"> <li>• Familiar route to establish Supplier agreements.</li> <li>• Transparent process.</li> <li>• Can handle varying number of signatories.</li> </ul>	<ul style="list-style-type: none"> <li>• Large amount of initial work, creating Theft Code.</li> <li>• Requires secretariat for ongoing maintenance.</li> </ul>	<i>Ofgem – similar to SPAA, UNC is a shipper organisation.</i>
b. Company Establishment Model	<ul style="list-style-type: none"> <li>• Quick to initialise</li> <li>• Does not require Theft Code</li> </ul>	<ul style="list-style-type: none"> <li>• Difficult to handle varying number of Shippers.</li> <li>• May be difficult to legislate ownership(?)</li> </ul>	<i>Difficult to deal with large numbers of suppliers, and control issues if suppliers merge or sell out. May be difficult to manage the board representation. Ownership issues may be a problem legally.</i>
c. Direct Relationship Model	<ul style="list-style-type: none"> <li>• Direct Supplier oversight.</li> <li>• No need for secretariat.</li> </ul>	<ul style="list-style-type: none"> <li>• May allow multiple NRPS.</li> <li>• Difficult to gain oversight of NRPS activities.</li> </ul>	
d. An existing governance arrangement	<ul style="list-style-type: none"> <li>• Direct Relationship Model</li> </ul>		
<b>2. Secretariat</b>			
a. Evergreen Contract	<ul style="list-style-type: none"> <li>• Ensures continuity</li> <li>• Captures custom and practice knowledge.</li> <li>• Single, constant, point of contact for NRPS.</li> </ul>	<ul style="list-style-type: none"> <li>• Most expensive option.</li> <li>• Variability in workload (peaks at tender period) may mean loss of efficiency.</li> <li>• Requires tender process to appoint contract holder,</li> <li>• Ongoing management of secretariat contract.</li> </ul>	<i>A Gemserv like body.</i>
b. Period Specific Contract	<ul style="list-style-type: none"> <li>• Cheaper option than evergreen contract</li> </ul>	<ul style="list-style-type: none"> <li>• No continuity between tenders.</li> <li>• No oversight of contract.</li> <li>• Requires tender process to appoint contract holder.</li> </ul>	

		<ul style="list-style-type: none"> <li>Ongoing management of secretariat contract.</li> </ul>	
c. Seconded Supplier Staff (permanent).	<ul style="list-style-type: none"> <li>Likely to be cheaper than evergreen contract.</li> <li>Ensures continuity</li> <li>Captures custom and practice knowledge.</li> <li>Single, constant, point of contact for NRPS.</li> </ul>	<ul style="list-style-type: none"> <li>Determination of Contribution</li> <li>Ensuring perception of impartiality</li> <li>Attractiveness to staff.</li> <li>Location of joint organisation.</li> </ul>	<i>Employees not easily released, or quality of staff. Location may lead to bias.</i>
d. Seconded Supplier Staff (temporary).	<ul style="list-style-type: none"> <li>Cheapest option.</li> <li>Provides flexibility in number and type of resource.</li> </ul>	<ul style="list-style-type: none"> <li>Determination of Contribution</li> <li>Ensuring perception of impartiality</li> <li>Continuity</li> </ul>	
<b>3. Funding Arrangements default services (core)</b>			
a. Market Share (meter point or volume)	<ul style="list-style-type: none"> <li>Equitable mechanism</li> <li>Predictable Costs</li> <li>Costs easy to pass through</li> </ul>	<ul style="list-style-type: none"> <li>Assumes same level of activity for each customer/kWh of gas stolen (attempt to differentiate?).</li> <li>Requires additional incentive mechanism for NRPS.</li> </ul>	<i>More expensive to resolve LSPs. Start up costs, moves to c in future.</i>
b. Leads generation	<ul style="list-style-type: none"> <li>Reflective of Shipper needs.</li> <li>Incentivise internal processes to reduce theft.</li> </ul>	<ul style="list-style-type: none"> <li>Individual customers pay more/less depending on Shipper needs.</li> <li>Requires additional incentive mechanism for NRPS.</li> <li>Delay between payment and work done.</li> </ul>	
c. Results based cost recovery.	<ul style="list-style-type: none"> <li>No further outlay by customers via Shippers.</li> <li>Effective incentive mechanism for NRPS</li> </ul>	<ul style="list-style-type: none"> <li>Difficult to initially set reward levels.</li> <li>Potential to incentivise inappropriate behaviour.</li> <li>Delay between payment and work done.</li> </ul>	

Discussion on the secretariat function – expectation that the volume of work will be split differently over time and there will be an initial period after contract placement, the routine. Agreed, Secretariat would be period specific, governance existing code, or new model D using an existing code (not specified). Funding arrangements ....default services is on market share. Nominated services on a transactional basis,

Transactional charging gives a level of transparency, may need a supplier of last resort for the nominated services.

Shipperless/unregistered/illegal reconnection definitions. Where the supply point is unregistered, where do the rights of entry sit – can the network owner hand this over to the NRPS, or does it need to sit with the DN?

Meter faults – should the NRPS deal with this or hand back to the supplier? NRPS need some latitude to handle money which may not be theft – under-recording.

Reconciliation of recoveries – AJ to do a strawman on recoveries reconciliation. DW – how do we ensure that parties calculate the energy stolen correctly and put in the best effort to collect the revenue? There would need to be central oversight of the calculations.