

Minutes

Meeting Name	DCP 054 Working Group	Meeting Number	001
Meeting Date	11 November 2009	Meeting Time	10:00
Venue	ElectraLink, 2-3 Golden Square, London, W1F 9HR		

Attendee

Glenn Sheern (Chair)
Andrew Wallace
Angela Mann (Teleconference)
Christopher Harding
Elizabeth Lawlor
Heath Watts-Robinson (Teleconference)
Kevin Woollard
Mike Blake
Nathan Flood
Sasha Pearce
Tony Savka
Alex Burford (Secretary)

Company

E.ON UK
Ofgem
E.ON UK
EDF Networks
ElectraLink
Central Networks
British Gas
EDF Networks
EDF Energy
N Power
Electricity North West Limited
ElectraLink

1. ADMINISTRATION

- 1.1 Apologies were received from Paul Coule, Scottish Power.

2. APPOINTMENT OF CHAIR

- 2.1 Glenn Sheern was appointed as Working Group Chair.

3. TERMS OF REFERENCE

- 3.1 The Terms of Reference were agreed without amendment. TS supported the Panel recommendation to broaden the scope of the CP to look at 'missing' units generally and not to focus specifically on stolen units. It was noted that the Working Group is required to provide its final report to the DCUSA Panel meeting on the 17th February 2010.

4. BACKGROUND AND INTENT OF DCP 054

- 4.1 TS discussed the background of the DCP 54 – Revenue Protection / Unrecorded Units into Settlement. It was noted that DCP 054 seeks to ensure that:
- Revenue protection procedures are undertaken;
 - All reported energy illegally extracted reaches and is processed through the settlement process; and
 - The revenue protection Code of Practice is incorporated into an appropriate governance framework to ensure it is maintained to reflect best practice.
- 4.2 TS informed the group that the primary issue identified by ENW Limited is that missing units are not going through the full settlement process. He noted that this has been raised as an issue with ELEXON and that ENW Limited has carried out some analysis with the BSC Auditors to test the current process for specific MPANs. TS informed the group that evidence indicates that there is an imbalance and that energy that is illegally extracted is not being recognised in Settlements. TS suggested that a robust and auditable process is required and that this would be best managed within the DCUSA.
- 4.3 AW noted that the revenue protection Code of Practice (CoP) is out of date and asked whether it is the intent of the Working Group to review the document as part of the assessment of the CP. EL recommended that the Code of Practice should be fit for purpose before being incorporated into the DCUSA. The Working Group noted that a governance and change mechanism is drafted within the CoP but that it has never been put in practice. Working Group members agreed that they could propose changes to the CoP as part of the development of the CP. EL suggested that the group consider whether a separate governance and change mechanism will be required if the CoP is implemented as a Schedule to the DCUSA. The Working Group agreed to consider the CoP once the assessment of the issue has been completed.
- 4.4 JS confirmed that the BSC Audit has identified weaknesses in the existing process and that ELEXON has commenced Technical Assurance visits to assess the process and recommend any changes as required. However he

noted that the BSC assumes that the process is managed between Revenue Protection services and Data Collectors and there are no specific requirements on Suppliers.

- 4.5 AM noted that a key issue is that there is no way for Suppliers to record when an adjustment is made for revenue protection purposes and JS confirmed that there is no way to record missing units in Settlement and that there is no audit trail. The Working Group noted that a joint ERA/ENA group has previously developed a series of recommendations and developed an incentives scheme but the work had not been taken forward. Members noted that a change to the BSC would be required to identify missing units in Settlement to implement the recommendations.
- 4.6 KW recommended that the ERA/ENA recommendations should be revisited. He noted that any solution must encourage positive or proactive reporting from Suppliers and not penalise those who identify missing units. KW recommended that the solution should not focus solely on Distributor led Revenue Protection Services. TS noted that the current process is unfairly balanced as Distributors are picking up the costs for Suppliers who are not identifying and reporting missing units. KW noted that the current process has a 'perverse incentive' on Suppliers by penalising them for reporting losses. As such, whilst there is a desire amongst Suppliers to address the issue, there is no incentive to do so. Members agreed that incentives need to be correctly balanced between parties to be effective. KW took an action to circulate the ERA / ENA work to the group.

Action: KW

- 4.7 The Working Group considered the point at which theft can be identified. AM noted that Data Collectors have an obligation to look for interference at a meter but do not always have the knowledge and skill to recognise it. She noted that Suppliers get more reports from Meter Fixers than Data Collectors as they have the ability to get into the meters. JS noted that in the most extreme cases of theft it is unlikely that the Data Collectors will be able to gain access to the meter at all – e.g. cannabis farms. The group agreed that such cases result in a high volume of unrecorded energy.
- 4.8 TS informed the Working Group that some Data Collectors have never reported incidences of interference and questioned whether that reflects a true picture or, more likely, presents a break down in the process. JS confirmed that whilst the BSC processes can whether data flows are being sent it cannot measure the volume that should have been sent.
- 4.9 AW recommended that the Working Group should walk through each step in the end to end process to identify any weaknesses. JS agreed to map out the BSC processes to facilitate this discussion. AW further recommended that if the existing processes are deemed to be appropriate but are not being properly followed the group should consider the obligations and incentives balance to ensure parties comply with their requirements.

Action: JS

- 4.10 KW suggested that the Working Group should look at a broader aim – to reduce losses – and recommended that it consider the incentives model developed in the gas market which allows Suppliers to recover some of the costs associated with losses. The group agreed that similar schemes could be considered under the DCUSA and AW stated that there would be merit in seeing how the proposals progressed in the gas market with a view to establishing similar principles under DCP 054. KW took an action to circulate

further information on the gas modification proposals in advance of the next meeting.

Action: KW

- 4.11 The Working Group agreed that it should find a way to recognise missing units in Settlements. JS noted that he anticipates that the TA visits will identify that the current arrangements lack clarity and that there are issues around communication between parties. He noted that ELEXON will look to address issues identified which may result in making BSC changes allow missing units to be identified in Settlement.
- 4.12 MB asked whether the process could be simplified. He proposed that a process for accounting for missing units could be managed outside of Settlement on a separate spreadsheet model. He suggested that the process would be much more transparent, could be used to support incentive schemes, would be easier to audit and would not be restricted to the 14 month settlement reconciliation period.
- 4.13 Members noted that once the losses calculations had been carried out the data would need to be entered back in Settlements. JS noted that the proposal could be compared to the BSC disputes process. Members agreed they would need to determine whether ELEXON would need to validate the data before it went back into Settlement. MB took an action to draft up a 'straw man' for the proposal and JS agreed to assess it against the BSC processes in preparation for the next meeting.

Action: MB / JS

- 4.14 Members noted that if this option is progressed they will need to give consideration to the timing and frequency of reconciliation, the mechanism for charging and the tariff rate the energy will be charged at. Members noted that the outcome of the discussions are likely to depend largely on materiality of the issue and the impact on Suppliers. AW noted that he is generally supportive of the proposal but the end to end process and all the consequences will need to be fully considered.
- 4.15 The Working Group agreed that its primary aim is to ensure that losses are accounted for and properly charged and to encourage positive behaviour. AM recommended that the group should look at introducing robust governance through Code of Practice in the first instance whilst it determines which solution for allocating losses will be taken forward. Members considered whether the CoP can be governed under the DCUSA noting that its obligations cover non DCUSA Parties – e.g. third party revenue protection service providers. Members considered that the contractual arrangements in place between Distributors / Suppliers and third party agents would be sufficient to back up any obligations.
- 4.16 The Working Group agreed to review the CoP in order to work up the drafting and introduce a robust governance framework. AM noted that a UK RPA manual has also been drafted which might be relevant to revenue protection. AM took an action to circulate the manual for discussion at the next meeting noting that it could be implemented as an Appendix to the DCUSA.

Action: All

Action: AM

5. WORKING GROUP ASSESSMENT OF DCP 051

- 5.1 The Working Group agreed that the CP better facilitates DCUSA Objective 1¹ as a reduction in losses will result in more efficient and economic operation of the networks. Objective 2 will be better facilitated as it will remove the perverse incentive on Suppliers not to report missing units and provide a more equitable approach. Members considered that Objective 3 may be better facilitated and agreed to consider Licence conditions around the provision of information. Objective 4 may be better facilitated as the CoP, which is referenced in the DCUSA, will be maintained making compliance with it easier and resulting in more efficient administration of the Agreement.

6. ANY OTHER BUSINESS

- 6.1 There was no other business.

7. DATE OF NEXT MEETING

- 7.1 To be confirmed.

¹ The development, maintenance and operation by each of the DNO Parties and IDNO Parties of an efficient, co-ordinated, and economical Distribution System.

APPENDIX A – ACTIONS**OPEN ACTIONS**

No.	Action	On	Due
001/01	Circulate ERA/ENA papers and gas modifications to members	KW	27/11/09
001/02	Map out existing BSC processes for reporting missing units	JS	
001/03	Draw up a straw man document for a solution outside Settlement and consider how it could interact with the BSC	MB / JS	27/11/09
001/04	Review the Code of Practice for discussion at the next meeting	All	27/11/09
001/05	Circulate UK RPA manual	AM	27/11/09