

Project Nexus Workgroup Minutes

Tuesday 08 January 2013

at 31 Homer Road, Solihull B91 3LT

Attendees

| | | |
|-----------------------------|-------|----------------------------------|
| Bob Fletcher (Chair) | (BF) | Joint Office of Gas Transporters |
| Mike Berrisford (Secretary) | (MiB) | Joint Office of Gas Transporters |
| Alison Jennings | (AJ) | Xoserve |
| Anne Jackson | (AJa) | SSE |
| Andy Miller | (AM) | Xoserve |
| Brendan Murphy | (BM) | Waters Wye Associates |
| Chris Warner | (CW) | National Grid Distribution |
| Colette Baldwin | (CB) | E.ON UK |
| Dave Corby | (DC) | National Grid NTS |
| Ed Hunter | (EH) | npower |
| Elaine Carr | (EC) | ScottishPower |
| Emma Lyndon | (EL) | Xoserve |
| Emma Smith | (ES) | Xoserve |
| Erika Melen | (EM) | Scotia Gas Networks |
| Huw Comerford | (HC) | utilita |
| Jon Dixon | (JD) | Ofgem |
| Julie Varney | (JV) | National Grid NTS |
| Lorna Lewin | (LL) | Dong Energy |
| Mark Jones | (MJ) | SSE |
| Michele Downes | (MD) | Xoserve |
| Naomi Anderson | (NA) | EDF Energy |
| Peter Thompson | (PT) | Customer Representative |
| Steve Mulliganie | (SM) | Gazprom |
| Sue Cropper | (SC) | British Gas |
| Tabish Khan | (TK) | British Gas |
| Tracy Lake | (TL) | National Grid Distribution |
| Tony Franklin | (TF) | National Grid Distribution |

1. Introduction

BF welcomed all to the meeting.

1.1 Review of Minutes

The minutes of the previous meeting were accepted.

1.2 Review of Actions

Action NEX12/01: All parties to consider whether consumption adjustments should be used to replace the consumption for a day or a period and provide their views at the next meeting.

Update: MD confirmed that this action would be 'covered' under consideration of the 'Outstanding Areas (issues) Log in item 3.1.4.

Closed

Action NEX12/02: All parties to consider whether the principle that only existing reads can be replaced after the read submission deadline is feasible and provide their views at the next meeting.

Update: MD confirmed that this action would be 'covered' under consideration of the 'Outstanding Areas (issues) Log in item 3.1.4.

Closed

2. Workgroups

The following Workgroup meeting took place:

2.1 0432 – Project Nexus – gas settlement reform

(Report to Panel 21 March 2013) – Papers at:
<http://www.gasgovernance.co.uk/0432/080113>

2.2 0434 – Project Nexus – Retrospective Adjustment

(Report to Panel 21 March 2013) – Papers at:
<http://www.gasgovernance.co.uk/0434/080113>

3. Issues and topics for discussion

3.1 High Level Workgroup Issues

3.1.1 iGT Agent Services

iGT pre modification consultation update

AM opened by once again requesting that parties provide their cost benefits information by the close out date of 19 January 2013 for use in the pre consultation process.

In discussing the actual details of the cost and benefits information, parties broadly agreed that this should be in a similar form as that requested for UNC modification 0434 – Retrospective Adjustments, whereby any information provided should be proportional to the perceived benefit involved. In short, information should be based on current operational data (i.e. how much it currently costs to address issues and applying an appropriate FTE (Full Time Equivalent) cost factor against this). However, it was also recognised that identification of current iGT costs may be difficult, which is something Ofgem would need to consider going forward - in essence the industry also needs to indicate their support, or not, for iGT039.

JD advised parties that whilst a previous Gas Forum paper (presented in 2005) suggested a 'back office' benefit of circa £2 million for the difference between iGT / GT processes, there may be value in updating these figures. Additionally, Ofgem intend to discuss provision of iGT cost and benefits information to either Xoserve or Ofgem, with the iGT's in due course. When asked about any potential consumer benefits, AM confirmed that the iGT Agency Services Pre-Modification consultation document had also been provided to the Consumer Focus group (E Reid). JD suggested that there may be benefit in circulating the Gas Forum 2005 paper again to this Workgroup, and an action being placed on members to update their respective information. AM voiced his concern that this is potentially undermining the pre-consultation process already underway which was a view supported by the majority present – in the end it was agreed to wait and see what information was forthcoming from the pre-modification consultation process.

BF then informed those present that a joint iGT039/UNC 0440 Workgroup meeting has been arranged for Thursday 31 January 2013 at the National Grid Office at 31 Homer Road, Solihull where it is expected that consideration of data integrity issues would form part of the discussions and regular updates are likely to be made to this

group. JD suggested that as long as the Workgroup can clearly identify the 'headline' background cost figures and provide a rough order of magnitude for retrospective adjustments and iGT039 via the pre-consultation process, then this should suffice.

After a brief discussion it was agreed to amend future agendas to simply read as 'iGT Update'.

iGT 039 Progress Update

Covered in the above discussions.

3.1.2 Project Plan

Consideration deferred.

3.1.3 BRD Updates

Project Nexus Data Cleansing and Migration presentation

Opening, AM informed those present that he had previously requested the industry to provide topics for consideration but as yet, no suggestions had been forthcoming.

In considering the correction factors topic presented (see presentation material), AM highlighted that Xoserve are not in a position to say whether the correction factors are right or wrong, simply that they appear to be inconsistent. AM advised that for the correction factors topic, the root cause of any inconsistent values could not be resolved by Xoserve. SM suggested that as the Shippers obtain the correction factors from their respective MAM's, understanding Xoserve's basis for their assumptions, is essential before engaging with the MAM's – he requested that Xoserve provide a list of assumptions to help Shippers understand the background better. In responding, AM indicated that three main scenarios exist that work towards highlighting inconsistent correction factors, namely:

1. AQ moves over the 732,000 kWh threshold (involving mostly smaller LSP's moves to larger LSP's and visa versa);
2. correction factors that seem extreme from the norm, and
3. correction factors with a value of zero (approximately 500 to 600 cases out of 6000 sampled).

AM went on to add that Xoserve intends to provide the Shippers with their respective portfolio information within the next few weeks. The additional (inconsistencies) report will include identification of the type of inconsistency involved – a further progress update would be provided in a few months time.

Continuing the discussion SM remained concerned that in accepting that 10% (600) are zero errors and therefore potentially 'quick wins', it is how much effort parties are required to expend to address the remaining inconsistencies that is the crucial factor, as there may be little value in undertaking a potentially large item of work such as this, especially when you consider that the ongoing AQ review could/would impact on this area anyway. Responding, AM advised that the correction factor is used in consumption and AQ processes, and a more frequent AQ calculation process would be compounded further by incorrect correction factors. In addition, Shippers acquiring supply points with an incorrect correction factor would also be impacted.

When asked what other data cleansing topics Xoserve are considering providing information for, AM suggested that these might include must reads, meter read performance and anything else that potentially impacts upon the settlement products going forward.

3.1.4 Outstanding Areas Log review

MD provided a brief overview of the latest version of the log.

After undertaking some quite detailed discussions, the following summaries were agreed:

ID2 – in considering the proposed option a new action was placed on Xoserve to examine providing supporting information appertaining to the (domestic) data items and furthermore discussing the matter with the SPAA – further discussions in due course;

ID6 – following a brief discussion relating to concerns about the potential volumes that may be involved, it was agreed to adopt the option proposed – reads would not be replaced, consumption adjustments would be used to replace consumption for Products 1 & 2;

ID8 – it was agreed that this relates to outstanding action item NEX12/01, which can now be closed and agreement that the proposed option adopted;

ID9 – following a detailed discussion around moving to and from Products 1 (DM Mandatory), and whether the Suppliers metering equipment could/should be left in situ when the site exceeds the DM Mandatory threshold, plus business rule requirements to reflect equipment in situ aspects and any potential obligation issues (i.e. Shippers could be allowed to elect and therefore assume responsibility for subsequent read provisions) – it was agreed to leave this issue open for further consideration and discussion at a later meeting including the reverse scenario (moving from Product 1 to 2);

ID10 – discussion around whether throughput is the preferred solution with several parties favouring this, especially as it is a more weather sensitive and accurate solution than AQ. It is recognised that validation aspects may be more of an issue though. Consideration of adopting both a 'locked' (to avoid continual small adjustments) or 'open' (to enable NDM sites to be reconciled) throughput approach was undertaken. Parties requested more time to consider the two proposed solutions and especially any potential timescale implications – a new action was placed upon Xosere to provide worked up examples of the 'locked' and 'open' throughput options;

ID11 – MD explained that this is similar to the AQ discussions earlier with the BRD currently stating 365 days consumption – the question being should the AQ calculation be weather corrected for Product 2 sites – the consensus being it should;

ID12 – discussion around Shipper changing product limit and the potential switching impact upon the winter ratchets and also trying to avoid constant switching which will be a lot easier under the proposed regime. It was felt that a November to March embargo would be too restrictive. It was acknowledged that this is an industry, rather than system concern. From an

Xoserve perspective this would be difficult to monitor as it takes place in the system 'background'. Agreement gained to retain the 2 month cap (as per the BRD) whilst introducing a reporting mechanism;

ID13 – Proposal to only use Closed Out reads (after GFD+5) for downstream processes (e.g. AQ review, reconciliation etc.). Consensus is that this is acceptable, as proposed;

ID14 – it was felt that possibly the guilty party would eventually become apparent and that this would correct itself over time, although we could consider introducing a threshold trigger so Ratchets only applied to sites above 732,000 kWh. Further consideration of the potential mix of customers in a particular product line and the risk impacts therein is needed – to this end Xoserve undertook a new action to prepare some worked up examples based around a potential threshold trigger based approach for consideration at the next meeting, and finally

ID15 – relating to NDM Greenfield sites – Workgroup did not agree with the proposal and would prefer for a new sites AQ to be calculated at 9 months rather than wait for 12 months consumption history before the AQ is calculated.

The list would now be updated to reflect discussions and in time for review at the next meeting.

3.1.5 Project Nexus Legal Text preparation update

CW provided a brief overview of the timeline document explaining that this is to simply provide a 'flavour' of what is to come and as a consequence had not been formally published prior to the meeting. Moving on, CW suggested that UNC modification 0432 is seen as the 'bedrock' of the Project Nexus suite of modifications by the legal team.

CW went on to explain that the legal text is being prepared by Denton's and is a hugely complex affair that is also being 'linked in' with the Xoserve Issues Log. To date, the support provided by Xoserve in the reporting process and in responding to questions and challenges posed by Denton's lawyers, has been 1st Class. It should be noted that the four product lines would become known as 'classes' when defined within the UNC and that National Grid Distribution remains committed to providing early visibility of the text wherever possible.

CW then advised that in his view, a fourth UNC modification covering demand estimation and allocation would be forthcoming in time, but that this is also subject to ongoing discussions with DESC with their conclusion being provided hopefully by the end of February – they are considering various models. However, he remains concerned that DESC may not hit this target. BF informed everyone present that the next DESC (technical workgroup) meeting is scheduled to take place on Monday 28 January. So far, the eight original models have been whittled down to three remaining ones. The current DESC view is that these should/would be flexible, and should NOT be fixed within the UNC – preferably they should take the form of an ancillary document which is referenced within Code. Responding to a question on when a DESC view would be forthcoming, BF suggested that this would not be before the end of January – a new action was placed on BF to formally request a 'target timescale' indication of when DESC

would be able to provide a view on their three remaining models and whether or not the solution would be written into Code or included within an ancillary document.

Moving on, CW advised that the legal team would be meeting the following day and he hopes to provide a clearer progress update at the next Project Nexus meeting. Discussions centred around provision of early indications on the possible adoption of separate legal text review meetings, as this is seen as assisting all parties to ensure that their respective legal resources are available to take part in such meetings – it was generally acknowledged that the various legal parties may need to sit down to thrash out the various commercial aspects in due course. It was noted that at least one month's notice would be required to enable parties to secure their legal resources.

Asked about the relationship between the legal text development timeline and the overall Project Nexus timeline, CW advised that he would be looking to build the legal text aspects into the overall project plan sooner, rather than later and to also include consideration of the (timing) impacts upon the four modifications which includes obtaining Ofgem sign off for the modifications.

Asked whether or not, Ofgem sign off of the modifications is a pre-requisite for commencement of the build stage of the project, AM suggested that in reality, it is more about the risk associated with starting the build sequence before receipt of the formal sign off. CW added that this should not be seen as compromising the 2014 target date although he remains in favour of early, rather than later sign off of the modifications – a future 'clean up' modification could be utilised to address any out of synch legal text issues, if required. CW reminded those present that any outstanding issues (as per the issues log) have a direct bearing on the development and delivery of the legal text. Some parties felt that there would be benefit in providing an email trigger for consideration of any outstanding issues at subsequent meetings.

Asked if a more formal project plan would be available for consideration at the next meeting, AM confirmed it would, although due to technical issues (around production of an integrated plan and supporting narrative), a plan had not been prepared for this meeting. An action was placed on Xoserve (AM) to provide an updated project plan for consideration at the next meeting.

3.2 Transitional Arrangements

Consideration deferred.

3.3 New Issues

None.

4. Workgroup Approach and Plan

Consideration deferred.

5. Any Other Business

None.

6. Workgroup Process

6.1 Agree actions to be completed ahead of the next meeting

The following new actions were discussed and assigned:

New Action NEX01/01: In respect of ID2 - Xoserve (EL/ES/MD) to consider providing supporting information appertaining to the (domestic) data items and furthermore discussing the matter with the SPAA.

New Action NEX01/02: In respect of ID10 - Xoserve (EL/ES/MD) to provide worked up examples of the 'locked' and 'open' throughput options.

New Action NEX01/03: In respect of ID14 - Xoserve (EL/ES/MD) to prepare some worked up examples based around a potential threshold trigger based approach.

New Action NEX01/04: Joint Office (BF) to formally request a 'target timescale' indication of when DESC would be able to provide a view on their three remaining models and whether or not the solution would be written into Code or included within an ancillary document.

New Action NEX01/05: Xoserve (AM) to provide an updated project plan for consideration at the next meeting.

7. Diary Planning

BF pointed out that a new agenda item would be added to cover Project Nexus Funding Issues.

The following meetings are scheduled to take place during 2013:

| Title | Date | Location |
|-------------------------|-------------|---|
| Project Nexus Workgroup | 22/01/2013 | National Grid, 31 Homer Road, Solihull, West Midlands. B91 3LT. |
| Project Nexus Workgroup | 05/02/2013 | National Grid, 31 Homer Road, Solihull, West Midlands. B91 3LT. |
| Project Nexus Workgroup | 19/02/2013 | Location to be confirmed. |

Action Table

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|-------------------|---------------------|-------------------|---|--------------------|--------------------------------------|
| NEX12/01 | 04/12/12 | 3.3.2 | To consider whether consumption adjustments should be used to replace the consumption for a day or a period and provide their views at the next meeting. | All | Update provided. Closed |
| NEX12/02 | 04/12/12 | 3.3.2 | To consider whether the principle that only existing reads can be replaced after the read submission deadline is feasible and provide their views at the next meeting. | All | Update provided. Closed |
| NEX01/01 | 08/01/13 | 3.1.4 | In respect of ID2 - consider providing supporting information appertaining to the (domestic) data items and furthermore discussing the matter with the SPAA. | Xoserve (EL/ES/MD) | Update to be provided in due course. |
| NEX01/02 | 08/01/13 | 3.1.4 | In respect of ID10 - provide worked up examples of the 'locked' and 'open' throughput options. | Xoserve (EL/ES/MD) | Update to be provided in due course. |
| NEX01/03 | 08/01/13 | 3.1.4 | In respect of ID14 - prepare some worked up examples based around a potential threshold trigger based approach. | Xoserve (EL/ES/MD) | Update to be provided in due course. |
| NEX01/04 | 08/01/13 | 3.1.5 | To formally request a 'target timescale' indication of when DESC would be able to provide a view on their three remaining models and whether or not the solution would be written into Code or included within an ancillary document. | Joint Office (BF) | Update to be provided in due course. |
| NEX01/05 | 08/01/13 | 3.1.5 | To provide an updated project plan for consideration at the next meeting. | Xoserve (AM) | Update to be provided in due course. |