

Project Nexus Workgroup Minutes

Tuesday 05 February 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	(AJe)	Xoserve
Alex Ross	(AR)	Northern Gas Networks
Andy Miller	(AM)	Xoserve
Anne Jackson*	(AJa)	SSE
Chris Warner	(CW)	National Grid Distribution
Dave Corby	(DC)	National Grid NTS
Elaine Carr*	(EC)	ScottishPower
Emma Lyndon	(EL)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye Associates
Huw Comerford	(HC)	utilita
Jon Dixon*	(JD)	Ofgem
Julie Varney	(JV)	National Grid NTS
Leanne Thomas	(LT)	RWE npower
Lorna Lewin	(LL)	Dong Energy
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Peter Thompson	(PT)	Customer Representative
Steve Mulliganie	(SM)	Gazprom
Sue Cropper	(SC)	British Gas
Tabish Khan*	(TK)	British Gas
Trevor Clark	(TC)	E.ON UK

* *via teleconference*

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 NEX01/02: Xoserve (EL/ES/MD), In respect of ID10 – to provide worked up examples of the ‘locked’ and ‘open’ throughput options.

Update: MD confirmed that this action would be ‘covered’ under consideration of the ‘Outstanding Areas (issues) Log’ in item 3.1.1.

Closed

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

Update: MD confirmed that this action would be ‘covered’ under consideration of the ‘Outstanding Areas (issues) Log’ in item 3.1.1.

Closed

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.

Update: BF advised that the target timescale for when DESC may be able to provide their view on which of the three remaining models was discussed at great length at the 28 January 2013 DESC Technical Workgroup meeting.

As a consequence of the discussions at the meeting, the three options have now been trimmed down to two – the regression analysis based option is preferred. In short, the solution is seeking to ensure that the text for the algorithm would reside in a UNC Related Document (outside of the main Uniform Network Code) that would be referenced by the UNC. Additionally, it is anticipated that an explanation (provided in sufficient detail and identifying the processes and overview of how these are utilised, but NOT the actual formulas involved) of the methodology relating to whichever option is adopted would also sit within the UNC – doing it this way would ensure that year-on-year ‘tweaking’ of the methodology is possible, especially when you consider that governance of an ancillary document falls under the auspices of the Uniform Network Code Committee anyway.

Additional analysis on the regression option is now expected to be available by the end of February, although the Workgroup suggested that the Xoserve option should be held in the background, just in case the regression option does not work. The matter would be discussed further at the 04 March 2013 DESC TWG meeting.

In debating when the earliest opportunity would be in which to raise a Project Nexus UNC Modification relating to this area, it was concluded that this could / would potentially be March 2013, although CW was at pains to point out that he would not raise the modification until DESC have clearly selected which option to run with.

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 Outstanding Areas (Issues) Log

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

After undertaking some extremely detailed discussions around the ‘open’ issues, the following summaries were agreed:

ID2 – Proposals to be presented to both SPAA and MAMCoP for agreement with further updates to follow;

ID10 – Discussions centred on the ‘PN UNC Scaling Adjustment’ presentation from Xoserve. Currently a potential imbalance

exists between the AQ used for the Rec Scaling Adjustment and consumption elements used for Allocation Scaling Adjustment– regardless of the 12 month ‘window’ energy remains whole. In considering which of the reconciliation scaling adjustment consumption based options to adopt, AQ was (almost) discounted on the grounds that concerns remain around close out and energy related aspects. If the latest consumption option (which some believe to be a more dynamic and robust reflection of what is actually happening) were to be selected, then the BRDs would need revisiting – previously agreed 12 month sharing pot concept was also discussed but agreed this was still appropriate,

Large LDZ measurement error considerations are also seen as clouding the issues, especially their impact upon the 4 to 5 year rule, although currently the BRDs are silent on the matter. It was noted that previous analysis undertaken in the summer of 2012 would suggest that market share (and therefore their impacts) are not changing that much. Not all parties believe that the market share solution offers any real tangible benefits – proposals may need to be extended to also consider market share (LDZ) get out (exit) aspects.

It was agreed that the consumption at reconciliation close out option, is on the surface, a simpler (less complex) solution compared to latest consumption option.

In debating the Pros & Cons of the three proposed options, it was suggested that based on the latest consumption option and applying the latest AUGE figures, we could be looking at a smearing pot value in the region of £200 million and as far as the consumption at reconciliation close out option is concerned, the viability of this would be heavily dependant upon how many sites are in product 4 at SMART rollout. Some believe that option 2, latest consumption is the most defensible (from a cost justification perspective) of the three options. Turning attention to the Cons, it was agreed that option 1, based on GFD+5 Throughput provides by far the simplest solution. It was suggested that if the Workgroup were to opt for option 2 and it was later found to be too onerous, someone could always raise a UNC modification to address any concerns, or perhaps consider ‘falling back’ to option 3 – FC pointed out that until detailed analysis is undertaken the suitability of the potential fall back alternative is unknown.

When asked, FC confirmed that Xoserve are NOT in a position to provide accurate costing figures for each of the three options. She went on to point out that any consumption based solution, would/could have weaknesses in the form of their associated uncertainties (such as market share knock on impacts, potentially differing views on the same matters etc.) – this makes providing worked examples for each option almost impossible.

In looking for a (consensus) way forward, BF suggested that the Workgroup Report would need to identify all parties’ views and arguments for or against the options. (i.e. those in support of an option and those against and the reasons why) – as a Workgroup, no formal vote is undertaken.

Moving on, CW pointed out that, this matter needs to be resolved sooner, rather than later, so that consideration can be included in the ongoing legal text development.

In closing, a new action was placed on all parties to consider and possibly rank in order of preference, the three proposed options of GFD+5 throughput / latest consumption / consumption at reconciliation close out and provide their views at the next meeting for agreement on the preferred option;

ID16 – Discussions centred on the ‘Faulty Meters & By Pass’ presentation from Xoserve. Proposals for requirements where a meter is faulty or a meter has been on by-pass.

In focusing on Product 2 process requirements, it was noted that in essence daily allocations drive the timeline with faulty flag/by-pass flags being set/un-set within GFD+5. Re-synch read information is required on the day of the resynch before the next daily read is loaded. Re-synchs are dependant upon the type of metering equipment – if the equipment does not require a resynch, then a party could simply remove the flag & submit correct reads. If reads are loaded prior to the flag being set consumption adjustments are required to correct the consumption.

Moving on to look at Product 3 requirements, it was suggested that the sooner parties set the flag to faulty the better, plus the simpler any resolution requirements become. It was acknowledged that the various read provision timescales (frequencies) would/could have a significance when looking at setting the faulty flag aspects, regardless of the fact that reconciliation is held ‘open’ until a read is provided.

It was suggested that tensions possibly exist between how long it takes to rectify faulty equipment and the impact of holding up the provision of the reads – this could potentially affect industry as energy is not reconciled. It was noted that the ‘Must Reads’ process provides a backstop mechanism to trigger parties to take action.

When asked, the consensus view was that the same faulty meter based process (utilising a flag) would/could apply to the meter by-pass.

A new action was placed against Xoserve (MD) to provide a process flow diagram showing resynchronisations compared to the other processes (derived v’s non derived etc.).

ID19 – Parties indicated their support for the proposed option.

ID20 – Following a discussion around SHQ and SOQ out of tolerance (1:24th test), the workgroup agreed to the proposal that the SHQ should only be increased if the SOQ and SHQ were out of tolerance following a Ratchet. MD agreed to reword the resolution to the issue. Some do not see this as a real Project Nexus issue as its more akin to a Shipper Capacity / Reinforcement planning style issue.

It was suggested that an automated correction mechanism for reducing SHQs could also prove beneficial – Xoserve to check if the 1:24th test would/should apply to reducing SHQs.

- ID21 – Parties indicated their support for the proposed assumption.
- ID22 – Following a brief discussion around timescales, infrastructure, RGMA considerations and potential issues related to getting equipment in situ in time and whether normal confirmation processes would apply (which they do), those present supported adoption of the proposed option.
- ID23 – Following a brief discussion it was agreed (for Product 4 to 2 moves) to wait 9 months before calculating the AQ.
- ID24 – During the discussion, MD confirmed that this is relating to a derived read equipment only, and utilised to identify drift – the flag is able to identify the nature of the read equipment (i.e. derived or not). Some believe Shippers should be mandated to indicate if a read or equipment is derived or not, as this seems a reasonable and logical step.

It was noted that the proposal supports the Xoserve provision of a check read (notification) trigger to Shippers.

- ID25 – This supports the Shipper transfer scenario to Product 3 and is proposing a change to current BRD & Code provisions so that a transfer read is obtained on the transfer date & submitted within D+10 (not D+ or – 5 of the transfer date)– the critical read is the one obtained on the Transfer Date else previous & subsequent reads may not follow on & therefore will reject or create incorrect consumptions

Parties indicated their support for the proposed option.

- ID26 – This issue is related to getting accurate AOs and reads into Xoserve. Questions asked as to whether or not, the BRDs need to be revisited with regard to read frequency provisions. Whilst it is acknowledged that this is not directly a performance assurance related matter, it may need to be considered, although the current BRD read performance aspects have already been 'beefed up'.

In considering a possible move towards a 6 monthly read frequency provision to Xoserve for annual read meters, it was noted that Suppliers/Shippers already have the read data available, but due to the current Code frequency requirements, they can not submit any additional reads – the main issue would revolve around potential regime change impacts. When concerns were voiced about possible cost increases associated with going and getting more frequent reads, it was pointed out that the data already exists in Shippers systems, and the real focus is on sending the data into Xoserve on a more frequent basis.

Asked whether or not there is any evidence to suggest that reads are being rejected because of the current Code provisions, Xoserve confirmed that the major hurdle is the 400k system process capability cap and that historically the average number of reads per site, per year is 2.5.

It was suggested that may be the issue boils down to adoption of a voluntary or mandatory read provision within Code, bearing in mind, that the Workgroup has previously stated that Product 4 (dumb meter) sites should not/would not be disadvantaged in a future world.

In discussing the issue of monthly (AQ) threshold crossers, it was noted that perhaps the read frequencies for annual read sites that breach the threshold because the Shipper has not changed the site status to monthly should/could be reviewed – one solution could be a form of trigger for sites whose reads have breached the AQ threshold for 3 months or more, which then forces the Shipper to reset the site status from annual to monthly.

Concerns were also voiced around the potential volume impacts associated with adoption of a voluntary read submission process.

It was felt that some parties need more time to fully understand the differences between Transporter and Shipper read frequency needs, especially the potential impact of SMART rollout. It was pointed out that under the SMART metering data provision licence provisions, the smaller I&C parties, are able to opt out of daily read provisions by paying a fee.

In attempting to avoid extensive and lengthy debate at this meeting, it was suggested that the answer may lie in this proposal forming a reasonable basis for further consideration of read frequency requirements at the next meeting. To this end, a new action was placed on all parties to consider the proposed option and specifically whether or not there is benefit in changing the current read frequency regime and moving towards a 6 monthly read frequency provision to Xoserve for annual read meters.

ID27 – Parties indicated their support for the proposed option.

ID28 – As per ID16, Xoserve (MD) to provide a process flow diagram in due course.

The list would now be updated to reflect discussions and include a new issue relating to correction factor obligations and threshold considerations, and in time for review at the next meeting.

3.1.2 Project Plan

AM advised that an update would be provided at the next meeting.

3.1.3 BRD Updates

Consideration deferred.

3.1.4 Funding Arrangements

Consideration deferred.

3.1.5 Transitional Arrangements

Consideration deferred.

3.2 New Issues

None.

4. Workgroup Approach and Plan

Consideration deferred.

5. Any Other Business

Legal Text Plan update

It was confirmed that a copy of the legal text preparation plan had been published on the Joint Office web site.

Data Cleansing & Migration update

Xoserve confirmed that this would be discussed in more detail at the 18 February 2013 meeting.

New UNC Modification for Mandatory Daily Metered Sites

A new modification looking at mandatory daily metered sites is due to be raised by close of play on Friday 08 February 2013.

Updated 'baselined' BRDs

Following a request at the last meeting for parties to review the updated BRDs as published on the Joint Office web site it was agreed these could now be baselined. Further updates are likely to be required during review of requirements and agreement at PN UNC to any changes

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 NEX02/01: In respect of ID10 - all parties to consider and possibly rank in order of preference, the three proposed options of GFD+5 throughput / latest consumption / consumption at reconciliation close out and provide their views at the next meeting.

New Action NEX02/02: In respect of ID16 – Xoserve (MD) to provide a process flow diagram showing resynchronisations compared to the other processes (derived v's non derived etc.).

New Action NEX02/03: In respect of ID26 - all parties to consider the proposed option and specifically whether or not there is benefit in changing the current read frequency regime and moving towards a 6 monthly read frequency provision to Xoserve for annual read meters.

7. Diary Planning

The following meetings are scheduled to take place during 2013:

Title	Date	Location
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	18/02/2013	Energy UK, Charles House, 5 – 11 Regent Street, London. SW1Y 4LR.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	05/03/2013	31 Homer Road, Solihull, West Midlands. B91 3LT.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	18/03/2013	31 Homer Road, Solihull, West Midlands. B91 3LT.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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 provided. Closed
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 provided. Closed
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 provided. Closed
NEX02/01	05/02/13	3.1.1	In respect of ID10 - consider and possibly rank in order of preference, the three proposed options of GFD+5 throughput / latest consumption / consumption at reconciliation close out and provide their views at the next meeting.	All	Update to be provided in due course.
NEX02/02	05/02/13	3.1.1	In respect of ID16 – provide a process flow diagram showing resynchronisations compared to the other processes (derived v's non derived etc.).	Xoserve (MD)	Update to be provided in due course.
NEX02/03	05/02/13	3.1.1	In respect of ID26 - consider the proposed option and specifically whether or not there is benefit in changing the current read frequency regime and moving towards a 6 monthly read frequency provision to Xoserve for annual read meters.	All	Update to be provided in due course.