

Nexus Workstream Minutes
Thursday 30 March 2009
Elxon, Euston Road, London

Attendees

| | | |
|-----------------------|-----|----------------------------|
| Bob Fletcher (Chair) | BF | Joint Office |
| Tim Davis (Secretary) | TD | Joint Office |
| Alan Raper | AR | National Grid Distribution |
| Amrik Bal | AB | Shell Gas Direct |
| Brian Durber | BD | EON UK |
| Chris Warner | CW | National Grid Distribution |
| Fiona Cottam | FC | xoserve |
| Joel Martin | JM | Scotia Gas Networks |
| John Lees | JL | RWE npower |
| Jon Dixon | JD | Ofgem |
| Karen Kennedy | KK | Scottish Power |
| Kevin Woollard | KW | British Gas |
| Martin Baker | MBa | xoserve |
| Martin Brandt | MB | SSE |
| Nigel Nash | NN | Ofgem |
| Richard Street | RS | Corona Energy |
| Sean McGoldrick | SM | National Grid NTS |
| Shirley Wheeler | SH | xoserve |
| Simon Trivella | ST | Wales & West Utilities |
| Stefan Leedham | SL | EDF Energy |
| Stephanie Shepherd | SS | RWE npower |
| Steve Nunnington | SN | Xoserve |

1. Introduction

BF welcomed all to the first meeting of the Workstream. All materials relating to the Workstream will be published on the Joint Office website at <http://www.gasgovernance.com/Code/Workstreams/nexus/>.

2. Background**2.1. Workstream Process**

BF explained that the Project Nexus had been established by the UNC Modification Panel and would be managed in the same way as other Workstreams. In particular, the arrangements would follow the Chairman's Guidelines. MB asked if there was a view as to what was meant by achieving consensus. BF indicated this was aiming to measure a general view within a meeting - if issues were unresolved, they could always be passed to the Modification Panel for a view. RS said this approach was common to all Workstreams and generally worked well.

2.2. Background

SN presented on behalf of xoserve, emphasising that he was setting out a strawman approach for taking forward issues that had been raised in Nexus consultation responses but would be more than happy to adopt a different route if others wished to put forward alternatives. The aim was to follow existing UNC practice as far as possible, for example with Topics being raised and registered. xoserve hoped that those who had raised issues during the Nexus consultation process, as recorded in the Initial

Requirements Register (available from the xoserve website, www.xoserve.com/nexus_Consultation.asp), would formally raise these as Topics.

Action 0001: Topics to be raised by Workstream attendees and recorded by the Joint Office.

3. Topics

3.1. Topics for Discussion and Priorities

SN introduced a view of potential Topics and their grouping, based on the Initial Requirements Register – emphasising that any party could put forward additional Topics. He also presented xoserve's strawman suggestion for how these might be taken forward.

It was suggested that the Connection and Registration Workgroup be renamed as New Connections Process.

NN asked, given the potential interactions, if the Market Differentiation Workgroup needed to reach conclusions prior to the SPA Workgroup commencing work. SN said that whilst this might be desirable in principle, the timetable mean meant this was not realistically achievable and issues would need to be taken forward in parallel, which NN agreed with. MB suggested that recent EU developments on switching requirements would impact this - NN suggested the impact would depend on how DECC interpreted and implemented the requirement within UK legislation.

BF asked if the suggested groupings and priorities appeared acceptable. SL said that the proposed lifecycle approach seemed sensible but asked if there some elements of UK Link were more in need of replacement than others and so work which affected those areas should be prioritised. xoserve confirmed that there were no not time critical performance issues at this, requirements, stage. MB said that all discussions would need to bear in mind funding since ideas could prove to be uneconomic, which was accepted by all.

MB asked if as-is process diagrams would be provided ahead of any Workgroup meetings. SN said the intention would be to provide these in good time for them to be discussed by the Workgroups. JM asked if the Terms of Reference for each Workgroup should be signed off other than by the Workgroups themselves, and it was agreed that the Workstream should review the terms of reference for all of the Workgroups.

Action 0002: Joint Office to add approval of Workgroup Terms of Reference to Workstream Agenda

CW said that impacts on other Codes, for example SPAA, should be borne in mind and that the focus should not be solely on the UNC – we should try not to miss opportunities for improvement in all areas.

MB raised a concern about inconsistencies in the recommendations of each group and how these would be resolved. It was recognised that the Workstream had a role to play in seeking to identify consensus, and the Terms of Reference could reflect this. KW also said that the User Pays concept provided for different services to be used and paid for by different parties, which was recognised as a potential means of dealing with differing requirements.

SL said that, while he supported the approach proposed by xoserve, to make it work within the time available, it would have to be accepted that issues could not be revisited and reopened. BD suggested that a clear understanding of the role and governance of the groups may help in this context. BF suggested that the JO could work with xoserve to produce a

draft document which set out a governance framework and this could be discussed at the next Workstream meeting.

Action 0003: Joint Office to draft a governance structure to support the suggested Topic Workgroups

SW presented xoserve's thoughts on a plan for taking forward the development and specification of Nexus requirements. Given the assumptions made, this suggested in excess of 100 meetings would need to be held, which was clearly challenging and would need to be managed – holding meetings at monthly intervals would not suffice. MB felt the suggested initial meeting of each Workgroup could be dispensed with if a sufficiently clear paper could be provided as a project model under Action 0003.

SW explained that for planning purposes, the topic Workgroups had been defined as Small, Medium, or Large and sought feedback on whether the categorisations were reasonable. CW felt Reconciliation should be defined as Large rather than Medium, but that Market Differentiation could be immense. He also asked about where Primes and Subs fitted into the process, being another potentially large issue. FC suggested this fell into the Reconciliation area.

RS questioned what outputs from the Workgroups were being sought. SW said this would be a report containing proposed Business Rules to apply in each area, which could then form the basis of a UNC Modification Proposal if necessary to implement the recommended way forward.

MB suggested that the proposed Workgroup reports to the Workstream should be presented by a Workgroup member, who could also deal with questions raised in that area. It was recognised that this reporting process could and should provide an opportunity for views to be put forward by those who were not directly involved in a Topic Workgroup.

SW requested feedback on the proposed approach and plan by 13 May, and a decision on the nature of the next Workstream meeting could be considered in light of the feedback – if the response was to unanimously endorse the proposed approach, a physical meeting to finalise the process may be unnecessary or a teleconference may suffice.

Action 0004: All to provide any feedback on the proposed approach and plan by 13 May

Action 0005: Joint Office to make arrangements for next Workstream meeting in light of the feedback received

3.2. Funding Issues

SL presented views on funding approaches from a customer perspective. In particular, he suggested it was unclear what a like-for-like replacement means and what represents an as-is solution.

There was some discussion about the role of User Pays and whether it was meant to deal within change within a Price Control period prior to becoming funded through general transportation charges at the next price control period. In particular, there was a view that it should only apply to areas where Shippers had choice whether or not to use a service. ST said that, from a Transporter perspective, he was not concerned how but rather if funding was provided to meet costs associated with any systems changes.

JM then presented a view on funding from a Transporter perspective, emphasising the desirability of agreeing principles such that discussions did not get derailed by debates around funding. His view was that 0213V had

established the necessary principles and these could be followed for Nexus, with identification of incremental costs being key.

JD presented for Ofgem, suggesting the level of allowed revenue associated with Nexus was largely irrelevant. However, incremental improvements may be deliverable on a like-for-like basis, for example because redundant processes may be removed. In his view, if all the requirements could be provided within the Nexus budget, with no incremental cost, then it should be provided. But when costs were higher, it would be important for priorities to be established.

SL asked xoserve how a ROM cost could be produced in a Nexus context when it was unknown what the new system would look like. SN accepted it would not be possible to produce ROMs exactly the same approach as for changes to existing services, but xoserve would be looking to identify incremental costs with a similar degree of certainty but in a way that was not of itself unduly complex and costly.

NN asked if business rules were likely to impact costs and if there was a feel for the scale of impact. FC said that the issues were around the nature of processes and the volume of transactions to be handled, which could be very different under different scenarios. NN then asked when a clear view of costs might emerge. xoserve said firm costs could only be available at the end of the process. However, SN emphasised that the scale of costs would be identified for different options. MB added that at a high level a key aim should be to design a flexible system. This should keep the costs of implementing different options within reasonable bounds.

SL questioned JD about the suggestion that User Pays could either increase or decrease costs. JD said the message was that Shippers should not ask for something they are not willing to pay for. If the change is eventually funded within the existing allowed revenue, so be it. But if it fell to User Pays, it should be clear that Users would be willing to pay those additional costs - a level of user commitment was important to justify any change.

RS suggested the presentations and debate on funding indicated that the Workstream was violently agreeing and that any cost estimates would inevitably be seen towards the end of the process, as under the existing modification process. It was agreed that funding would be revisited at the next meeting once all had had an opportunity to digest the material discussed.

4. AOB

None.

5. Diary Planning for Workstream

BF asked for preferences as to where future meetings should be organised. It was agreed this could be kept under review in light of who attended, but should be in London for the time being.

Wednesday 03 June 2009, 10:00, venue to be confirmed

Tuesday 23 June 2009, venue to be confirmed

Action Table (Appendix 1)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|------------|--------------|------------|-------------------------------------------------------------------------------------------------|-------|---------------|
| NEX 0001 | 30.04.09 | 2.2 | Topics to be raised by Workstream attendees and recorded by the Joint Office | | |
| NEX 0002 | 30.04.09 | 3.1 | Joint Office to add approval of Workgroup Terms of Reference to Workstream agenda | | |
| NEX 0003 | 30.04.09 | 3.1 | Joint Office to draft a governance structure to support the suggested Topic Workgroups | | |
| NEX 0004 | 30.04.09 | 3.1 | All to provide any feedback on the proposed approach and plan by 13 May | | |
| NEX 0005 | 30.04.09 | 3.1 | Joint Office to make arrangements for next Workstream meeting in light of the feedback received | | |