

Nexus Workstream Minutes
Wednesday 03 June 2009
ENA Horseferry Road, London

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MiB)	Joint Office of Gas Transporters
Alan Raper	(AR)	National Grid Distribution
Collette Baldwin	(CB)	EON UK
Chris Warner	(CW)	National Grid Distribution
Fiona Cottam	(FC)	xoserve
Gareth Evans	(GE)	Waters Wye Associates Ltd
Jemma Woolston	(JW)	Shell
Joanna Ferguson	(JF)	Northern Gas Networks
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 Brandt	(MB)	SSE
Richard Street	(RS)	Corona Energy
Sean McGoldrick	(SM)	National Grid NTS
Shirley Wheeler	(SW)	xoserve
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Steve Nunnington	(SN)	xoserve

1. Introduction

BF welcomed all to the 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/>.

1.1 Review of minutes

xoserve (SW) provided a brief overview of her suggested amendments which included whether or not it is more appropriate to refer to the workstream as Project Nexus, the omission of an attendee from the list and finally, with reference to Item 3.2, paragraph 4 changing the emphasis of the Authorities (JD) statement on funding arrangements.

In discussion with JD the following amendment was agreed:

“JD presented for Ofgem, suggesting the level of allowed revenue associated with Nexus was largely irrelevant. However, the cost of incremental improvements might be offset by the removal of 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 met at provided within the Nexus budget, with no incremental cost, then it these should be provided delivered. But when costs were higher, it would be important for priorities to be established.”

Thereafter, the minutes of the 30 April meeting were accepted.

1.2 Review of actions

Action NEX0001: Topics to be raised by Workstream attendees and recorded by the Joint Office. **Update:** BF informed members that topics maybe raised by Workgroups or within the Workstream. These are to be recorded by the Joint Office on an ongoing basis.

Action Closed

Action NEX0002: Joint Office to add approval of Workgroup Terms of Reference to Workstream agenda **Update:** BF informed members that the approval of the Topic workgroup(s) various Terms of Reference(s) will be a standing item on the agenda.

Action Closed

Action NEX0003: Joint Office to draft a governance structure to support the suggested Topic Workgroups. **Update:** Refer to item 5.

Action NEX0004: All to provide any feedback on the proposed approach and plan by 13 May. **Update:** Refer to item 4.

Action NEX0005: Joint Office to make arrangements for next Workstream meeting in light of the feedback received. **Update:** BF informed members that the action had been completed.

Action Closed

2. Workgroup(s) Terms of Reference

Item to remain as a standing Agenda item.

3. Completion of Funding Debate

Copies of the following presentation materials are available to view and/or download from the Joint Office of Gas Transporters web site at:

<http://www.gasgovernance.com/Code/Workstreams/nexus/>

3.1 Transporter View

Following on from the discussions undertaken at the 30 April meeting, JM provided a brief overview and presentation on the Transporter's view of the proposed funding arrangements.

JM focused on the GDPGR aspects, advising members that it is important to consider the 'like for like' concept and that the Transporters are keen that this is not misconstrued as a reference to a direct replacement of the current UK Link systems. In response, MB felt a 'like for like' approach could make identifying requirements / system changes more difficult and may even stifle informed debate.

RS remains concerned that costs may be hidden in some cases, believing that identification of desirable changes may be more beneficial to all concerned. Identification of the overall service requirements and their associated costs up front remains his preferred option. This view was certainly not shared by SM, who believes that a 'like for like' approach is consistent with the intention of UNC proposal 0213V "Introduction of User Pays Governance Arrangements into the UNC".

KW commented that in his view the Transporters approach of identifying the high level funding arrangements is reasonable, although other members feel this is still a contentious area. SL informed members that they (EDF) have recently found that writing new system coding can be cheaper than trying to change existing code. When asked, ST confirmed that smart metering is only referenced as an example in the document.

JM then continued by outlining the 3 principles, by indicating that number one reflects some of SM's previous comments. CW reminded members that the SPAA Constitution Group will be meeting to consider potential Project Nexus impacts immediately following this meeting.

In closing, JM indicated that the Transporters will be seeking to get the high level principles agreed (by consensus) as early as possible in the Project Nexus process.

3.2 EDF Energy Presentation

SL opened by reminding members that the prime intention of 0213V was to provide the 'tools' for consideration of funding requirements, rather than addressing specific funding issues.

Looking at a potential way forward, SL considered the original User Pays workgroup identified 9 core service lines definitions as providing a good starting point to examine like for like services.

Examining a high level classification matrix, SL believes that where Shippers can choose to take the option for a service, this is clearly a User Pays service. However, on this basis IAD remains a concern as there is next to no choice to opt in or out of the service. He went on to state that agreement of the matrix requirements up front could help the overall process.

With regard to the SSP provision for iGTs, SL thought this service should be funded by a User Pays approach. Whilst also acknowledging that smart metering is currently outside the scope of Project Nexus, he thought it still had the potential to significantly impact Project Nexus requirements.

Looking to a way forward, SL suggested that both funding and principles will need agreement at the next meeting to ensure that the workstream is able to guide the topic workgroups.

When asked about a definition for 'additional services', SL responded by once again stating the view that where a party has the choice to take up a service, this falls under the banner of a User Pays service and whilst apportionment of costs may be questioned, this aspect is 'covered' under 0213V provisions. He did acknowledge that there may be problems associated with identifying a truly new service rather than improvement to an existing service provision, either in whole or in part.

SM considers the progress of smart metering remains a concern which could ultimately undermine Project Nexus requirements and as such, members should keep a close eye on proceedings.

In attempting to summarise discussions, BF wondered if SGN's 3 proposed high level principles allow sufficient flexibility. SL responded by suggesting that both approaches have merit and are reasonably well matched.

In response to the question of why do we need to identify the funding criteria now?, FC thought that waiting until the latter stages of the process before identifying system changes and their associated costs could lead to wasted time and resource effort, particularly when considering changes. GE remains unconvinced by an overall blanket approach and does not see having a classification matrix as being beneficial. RS reminded members that appropriate funding provisions already exist and unless parties are prepared to revisit 0213V requirements, the proposed approaches will not work. Furthermore, he remains concerned that unless care is taken, we run the risk of invoking a whole raft of alternate modification proposals.

SM remains convinced that the crux of the matter relates to taking existing systems and making them suitable for utilisation in 2012/13 and to this end it is funding discussions rather than high level classifications that are important.

SW remains concerned that an overall guide to individual costing requirements may be required for each potential workshop group. BF thought the various workgroups should concentrate on the required solutions, rather than their specific funding arrangements. SN remains worried that by not considering their funding requirements workgroup debate may be stifled or use valuable time considering who pays.

In revisiting the proposed 3 high level principles, JM suggested that in principle 1, the reference to 'existing' covers aspects that the Transporters are currently funded for. When considering incremental costs, SL suggested that identification of these for all possible service lines could be extremely expensive and time consuming.

Views remained polarised over which of the two proposals is the preferred model moving forward. It was agreed that members should review the funding proposals/presentations in preparation for the next workstream meeting.

CB indicated that she does not see the removal of existing system limitations as falling under the banner of incremental changes.

Worried about the short notice period several members indicated that they would require more time to consider the two proposed approaches before making a decision at the next workstream meeting. However, SW pointed out that she remains concerned about any delay in concluding funding arrangement discussions as the Project Nexus timeline is extremely tight. In response, CW felt that getting the workgroups going before addressing any funding arrangement issues would be beneficial.

Moving on, SW informed members that xoserve are looking to develop an 'Indicative Cost Model' to provide a transparent approach to identifying potential costs. JM considers agreement of the appropriate cost apportionment versus system provisions, should be feasible now as the existing system costs should be known and this could be compared against allowed spending. In response, RS pointed out that it is not just about identifying what constitutes value for money, but how any system changes will be funded.

When asked, some members indicated that their main concerns surround principles 1 and 3. ST reminded members that the principles have been developed from the original (user pays) workgroup report prepared in 2007 and the three (3) principles reflect the Price Control funding arrangements. SL suggested that the GDPGR is all about User's having choice. Furthermore, in supporting KK's suggestion of identifying baseline costs, he believes this to be a good starting point.

In trying to move forward, SM wondered if adopting a test case for applying the high level principles might be beneficial. Consensus suggested that the volume workgroup would be preferred.

In closing, the Authority representative (JD) indicated that in his view, the issues surrounding the funding arrangements are a bit of a 'red herring' as he believes that an element of uncertainty in who pays is beneficial as it provokes thought and debate over appropriate funding. In the end, does it really matter whether or not you fund something you really want through either Transportation Charges or User Pays?. He then added that the 'like for like' debate may be fogging the issue and should not be a stumbling block to actually getting on with things.

Rounding up discussions, BF suggested that looking at the plan in more detail may help identify which workgroup may be appropriate to use as a test case.

4. Update on the Workgroup Approach and Plan

4.1 Workgroup Plan

FC provided a brief update on progress made so far on the workgroup approach and plan. FC reminded members that at the first workstream meeting it was requested that xoserve provide an outline plan and a list of dates for the various proposed topic workgroup meetings. The plan as presented partially reflects this request.

FC then informed members that xoserve propose hosting the initial meeting in each topic workgroup as teleconference. The timetable provides for a three (3) week 'block' approach for each workgroup meeting to ensure documentation is available at least 5 business days prior to a meeting. Where appropriate, workshop meetings maybe blocked together over couple of days to ensure continuity and efficiency. It was recognised that individual workgroups may wish to tailor their respective meeting dates for the benefit of the majority of members. However, dates will not be amended without the consent of the group members.

Looking at the plan in more detail, members suggested moving the respective meeting dates from the middle to the start and end of the week (i.e. more Mondays and Fridays) to help ease existing operational commitments. Additionally, it is hoped that this will enable the participation of knowledgeable parties at the meetings which in turn will lead to informed decision making.

When asked, FC confirmed that the current plan caters for the impact of the August holiday period and the progress of ongoing discussions on market differentiation.

In light of these discussions, FC agreed to take an action to review and amend the plan to attempt to remove other industry conflict dates before providing a copy for publication on the Joint Office of Gas Transporters web site.

FC informed members that volume capture is expected to be a big topic and nominations for this and the market differentiation workgroups are being sought. SN added that each of the topic workgroups will be furnished with a Terms of Reference at their initial teleconference meeting – these will be published on the Joint Office of Gas Transporters web site in a timely manner.

xoserve are looking to 'limit' each topic workgroup to around twelve (12) members, with only one (1) member per organisation where ever possible. However, it should be recognised that due to the unique nature of the market differentiation arena, the workgroup approach for this area maybe subtly different.

When discussing the funding approach testing principles to be adopted, members considered that the volume workgroup might be the most appropriate role model to trial options. FC believes that the meter reading workshop towards the end of August maybe more appropriate. When asked, members agreed that the market differentiation and volume topic workgroups should try to avoid any lengthy funding debates in their initial stages, although they will need to consider it at some point in the future. MB asked for the funding debate to be added to the next Project Nexus Workstream meeting.

In addition, SW suggested, and members agreed to a 'strawman' to cover the proposed format of the Topic Workgroup Reports these should be discussed at the next Project Nexus Workstream meeting.

Action NEX0004: In light of the above discussions, Chair (BF) informed members that the action had now been completed.

Action: Closed

New Action NEX0006: xoserve (FC) to review and amend the plan to attempt to remove other industry conflict dates before providing a copy for publication on the Joint Office of Gas Transporters web site.

New Action NEX0007: Joint Office (MiB) to ensure that both the further funding arrangements debate and Topic Workgroup Report formats are included on the next Project Nexus Workstream Meeting Agenda.

4.2 Feedback on Plan

SW opened by providing a brief update on feedback received to date, suggesting that approval and sign off of the various topic workgroup progress check points should be the responsibility of the Project Nexus Workstream.

It is proposed that xoserve will take the lead at the initial meetings but will then look to other interested parties to take the lead. RS suggested that topic interdependencies will need careful highlighting and SW agreed to take an action to identify these. Furthermore, RS believed that the beginning of October 09 could be an industry wide 'resource pinch point'.

New Action NEX0008: xoserve (SW) to investigate possible topic interdependencies and include on any future versions of the plan.

5. Governance Structure Review

BF opened by apologising for the late publication of the draft terms of reference.

Moving on, he informed members that the comments received to date had been incorporated as mark ups within the document. SL voiced concern at an apparent lack of a PNAG interface.

Considering the draft terms of reference in more detail, namely item (a), BF suggested that reinstating the review element will clarify that the terms of reference relate to UNC aspects only.

When asked, members agreed to retain item (c), but suggested amending the reference to sub-group to workgroup to be consistent with the definition in item (a).

Discussing item (g), BF pointed out that this is not suggesting the workstream owns and develops proposals but supports the proposer in helping to develop the proposal. BF agreed to remove the term 'develop' to avoid any confusion.

Looking at item 3.0, FC suggested amending the phrase 'attendance is open' to read as 'attendance is open, but must be pre notified'.

Looking at item 5.0 members indicated that they are happy with the quoracy provisions although it might be useful to add 'and/or Users' to the statement.

In closing, members indicated that they would be happy with the terms of reference as amended.

Action NEX0003: In light of the above discussions, BF informed members that the action had now been completed.

Action: Closed

6. Next Steps – diary / planning

BF asked for preferences as to where and when future meetings should be organised. He confirmed that the next workstream meeting is scheduled to take place at Elexon, London on Tuesday 23 June 2009. Members indicated that they believe having this meeting, primarily to continue discussions on the funding arrangements, would be beneficial.

Following further discussion it was agreed that the workstream meetings should be on a monthly basis, preferably the last Monday or Tuesday in the month.

Teleconferencing should be considered where ever possible and start times changed to 10:30am.

In light of the above, the Joint Office (MiB) agreed to take an action to organise the next six (6) workstream meetings.

New Action NEX0009: Joint Office (MiB) to arrange the next six (6) Project Nexus Workstream meetings and notify members of the specific meeting arrangements in due course.

7. AOB

No new issues raised.

Appendix 1

Action Table - 03 June 2009

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	All	Update provided. Closed
NEX 0002	30.04.09	3.1	Joint Office to add approval of Workgroup Terms of Reference to Workstream agenda	Joint Office (BF)	Update provided. Closed
NEX 0003	30.04.09	3.1	Joint Office to draft a governance structure to support the suggested Topic Workgroups	Joint Office (BF)	Update provided. Closed
NEX 0004	30.04.09	3.1	All to provide any feedback on the proposed approach and plan by 13 May	All	Update provided. Closed
NEX 0005	30.04.09	3.1	Joint Office to make arrangements for next Workstream meeting in light of the feedback received	Joint Office (BF)	Completed. Close
NEX 0006	03.06.09	4.1	Review and amend the plan to attempt to remove other industry conflict dates before providing a copy for publication on the Joint Office of Gas Transporters web site.	xoserve (FC)	Update to be provided.
NEX 0007	03.06.09	4.1	Ensure that both the further funding arrangements debate and Topic Workgroup Report formats are included on the next Project Nexus Workstream Meeting Agenda.	Joint Office (MiB)	Update to be provided.
NEX 0008	03.06.09	4.2	Investigate possible topic interdependencies and include on any future versions of the plan.	xoserve (SW)	Update to be provided.
NEX 0009	03.06.09	6.	Arrange the next six (6) Project Nexus Workstream meetings and notify members of the specific meeting arrangements in due course.	Joint Office (MiB)	Update to be provided.