

Project Nexus
High Level Allocation 3 Workgroup Minutes
Monday 08 February 2010
National Grid Office, 31 Homer Road, Solihull

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
Chris Warner	(CW)	National Grid Distribution
Christian Hill	(CH)	RWE npower
David Harries*	(DH)	Total Gas & Power
David Watson	(DW)	British Gas
Fiona Cottam	(FC)	xoserve
Joanna Ferguson	(JF)	Northern Gas Networks
Joel Martin*	(JM)	Scotia Gas Networks
Karen Kennedy	(KK)	ScottishPower
Lisa Harris	(LH)	Shell Gas Direct
Mark Jones	(MJ)	Scottish & Southern Energy
Michele Downes	(MD)	xoserve
Peter Thompson	(PT)	Customer Representative
Sallyann Blackett	(SB)	E.ON UK
Sean McGoldrick	(SMc)	National Grid NTS
Simon Trivella*	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Steve Mulliganie	(SM)	Onshore Consulting
Steve Nunnington	(SN)	xoserve

* *via a teleconference link*

1. Introduction

BF welcomed all to the meeting.

1.1 Review of Minutes

Shell Gas Direct (LH) highlighted an anomaly in paragraph 2 on page 6, in which the minutes should read as 'the majority of members favoured adoption of the 'original' proposal of daily actual allocation'.

Thereafter, the minutes of the 29 January 2010 meeting were accepted.

1.2 Review of Actions

Action ALLO003: xoserve (FC) to prepare a draft high-level principles report outlining the preferred option in time for consideration at the 08/02/10 meeting.

Update: BF informed members that the draft high level principles document had been published on the Joint Office web site and would be the subject of further discussion later in the meeting.

Closed

Action ALLO004: All members to consider the Allocation Options (as presented under item 3.3 above), with a view to reporting their findings at the 08/02/10 meeting.

Update: BF informed members that in light of discussions to be undertaken during the meeting, this action could now be closed.

Closed

2. Scope and Deliverables

Copies of all the presentation materials are available to view &/or download from the Joint Office web site at: <http://www.gasgovernance.co.uk/nexus/080210>

2.1 Review of Alternative Options

When asked, members had no further comments to add for this item.

2.2 Development of High Level Business Rules

FC provided a presentation on the 'Draft High Level Business Rules' document as developed following discussions at the 29/01/10 meeting.

In opening, FC informed members that some elements had been lifted directly from the presentation provided at the previous meeting and that whilst there is currently insufficient information on which to commence the building of a system, this document represents a good starting point. As the 'After the Day' are initially more important than the 'Before the Day' aspects, these are presented first.

Members then went on to discuss each principle in turn, with the key items noted as follows:

After the Day

Daily Energy Allocation

SL suggested that whilst this is not technically incorrect, actual requirements are unclear at this point and would prefer to seek a more flexible solution, whilst SB suggested that Daily Readings would be preferable. CW also suggested utilising energy as the basis for development of this principle although DW pointed out that the role and scope of the CCP (central communications) are unclear and as a consequence we can only look to establish the 'broad principles'. SL felt that adding the term 'If Available' would be beneficial. In response, FC pointed out that these are aspirations, and that various external impacts (other Nexus discussions, Industry led initiatives/discussions/outcomes) will potentially influence the final selections.

FC went on to indicate that she believes there are three (3) options, readings, volume &/or energy, although xoserve are not going to commence system building based upon these early discussions – it is simply foundation building.

Settlement for all sites will be based on their actual daily consumption

Members suggested that there may be Gemini updating timing constraints involved here alongside risks associated to the 'recoverability' of Sites & Meters information, although SM believes the provisions are adequate to support a DM regime.

Once again, SL felt adding the caveat 'If Available' would be appropriate, as we do not currently know what frequencies are involved. He went on to suggest that there are two (2) possible options, daily allocation of daily readings or bulk information (meter readings) transferred from the CCP on a weekly/monthly basis. FC warned against potentially 'stockpiling' one option on top of another and AR reminded members that the current process is all about closing out the energy balancing process at D+5 and

moving to a weekly (+20 million readings) information transfer could potentially jeopardise this.

SM cautioned at looking at too low a level of detail within this group believing that the more detailed considerations should be handed over to the other workgroups whilst this group concentrates on consideration of the high level principles – it is the frequency of delivery of information granularity that is the crucial consideration for this group.

Some members felt that we will need to consider development of a suitable estimation process and also consider what to do with 'missing readings'. The real issue being whether or not, the current regime is adequate to support the proposals.

Total energy metered into an LDZ on a day is not likely ever to agree exactly to the sum of the individual site level metered consumptions

SMc suggested that perhaps the only problem with the worked example is that it appears to assume you have 100% reading information. In response, FC pointed out that at the previous meeting members had discussed the issue of unallocated gas. In support, SB added that we should not look to continue to utilise the RbD process as a 'catch all sink hole' for these types of issues.

SM thought that the group should look to adopt a realistic approach as there will always be an element of estimation/smearing (a balancing factor) involved and furthermore, the industry will need to accept the risk associated to this.

FC agreed to add a Gemini related comment.

In response to a question from LH, FC suggested that this principle is not looking to override UNC modification 0229 "Mechanism for Correct Apportionment of Unidentified Gas" proposals rather, it is looking from a Project Nexus perspective towards a 2014/15 solution, whereas 0229 proposes a more immediate solution which could be superseded over the course of time. This view was not universally supported, and SM suggested that 0229 could work towards developing an understanding of any future allocation requirements and could work in parallel with Nexus developments. Members remained polarised over how the role of the market sectors would continue in any future solutions, although SL suggested that discussions had become too detailed and that in summary, we will have a 'lump' of allocation, which will need to be allocated across the board. SM responded by suggesting that a better option maybe to build in a flexible scaling factor which may not be an absolute 'across the market' approach. FC asked if a high level scaling factor assumption was needed to avoid getting bogged down in discussions. DW suggested that the principle is fine in its current format. Members agreed that a methodology could be defined in time.

Missing read days

In discussing the thorny issue of missing readings and the subsequent substitution of estimated readings, FC suggested that the key to this principle is to look to identify whether, rather than how we enhance the current WCF's (Weather Correction Factors) and that the group should try to avoid potentially replicating the UNC modification 0270 "Aggregated Monthly Reconciliation for Smart Meters" debates. Seeking further clarity, SM enquired if the principle supposes that where a missing reading is concerned, xoserve (or a.n.other third party) will provide an estimated reading. The meeting agreed that an estimated value would be needed for

the overall process to work correctly, but did not reach consensus on whether the estimate would be derived from algorithms or from past consumption history.

SL wondered how an estimated on the day reading (to replace a missing reading) would be obtained when current accuracy figures are based upon a 95% success rate. SM proposed utilising estimation for the remaining 5%, based on an aggregate of the immediately surrounding geographical 95% of readings. FC remained cautious about using a supposedly 'smart' solution on dumb sites. SB pointed out that there are also issues associated to the different weather sensitivity behaviour patterns between smart and dumb (meter) sites. Both DW and SL believed that all that was needed here was for the group to agree the high level principle rather than the more detailed who does what and when aspects. Furthermore, adopting an open approach to this matter will avoid presenting this as an 'a fait accompli' to the likes of the CCP etc.

Moving on, SM suggested that there are two potential issues at play, who and how the estimation is calculated, as mixing the current process with a new smart and dumb meter reading one will need care. FC proposed utilising the same routine (as for the smart) for handling dumb sites during the transitional period.

Estimating Routine for Allocation

FC pointed out that this is aiming at the transition period before confirming that this consideration is similar to how you could calculate the dumb and missing readings, as discussed above.

Transitional Arrangements for Allocation

FC pointed out that the 'enhanced separate profiles for Domestic and I&C sites or for dumb and remotely read meters' statement is based on previous assumptions made in the Market Differentiation workgroup discussions during 2009.

When asked, members supported this item as a good basis on which to commence their considerations.

Before moving on to examine the '*Before the Day*' principles, BF asked if anyone had any further comments/issues to make on the '*After the Day*' principles.

When asked, FC pointed out that any reconciliation matters would be considered when that workgroup 'kicks off' within the next few weeks, before moving on to confirm that she will make it clear in the documentation that the D+5 close-out period will not be impacted by the discussions undertaken by the Allocation workgroup.

SL noted that he would be unable to support the current wording of the principles document as it pre-supposes the availability of daily meter readings for allocation, whilst failing to recognise other potential outcomes of the SMIP and CCP industry discussions. However, he did feel that if the wording was amended so that it was explicit that one option was the submission of daily meter readings for allocation purposes whilst another option was to maintain the current estimation profiles with identified improvements (such as an SSP I&C Profile), then EDF Energy would be able to support the (revised) wording in the document/report. Additionally, SM suggested that a comment could be added to indicate that whilst daily readings are available, they maybe submitted on a weekly/monthly basis.

When asked about what will happen to parties who do not wish to partake, FC reminded members that ALL sites will move to Smart metering by 2020 and that for those which do not, you will need daily readings (for allocation purposes only) allied to a proportion of allocation. SM added that this is also impacted upon by the capability of the CCP.

Following a brief break for lunch, BF reconvened the meeting and commenced updating the document (initially revisiting the 'After the Day' aspects first) on screen in accordance with discussions around the table which highlighted additional consideration of items such as exclusion of the inefficient filter failure process (for resolution of invoicing/charging issues), clarification of who & when estimated readings/consumptions are to be provided, avoiding potential constraining of dumb metering estimates, accuracy of asset data and meter reading validation considerations.

Finally when asked, members were happy to move on to consider the 'Before the Day' principles.

Before the Day

Daily Energy Nomination

CW wondered why you would continue to suggest that Shippers will submit their own daily energy nominations for both NDM and DM sites when we are moving away from NDM in the new world. AR pointed out that the Transporters do not utilise DM nominations for their operational control room purposes. SL also added that your (a Shipper's) OPNs should provide for an opening forecast otherwise something is drastically wrong and furthermore, he is nervous about the possibility of being held responsible for someone else's inaccurate daily energy nominations.

JM enquired if this would result in the Transporters losing sight of the Annual AQs at a site level to which FC pointed out that falls under the day ahead and not the actual after the day activities which will remain at a meter point level.

SM noted that item 8 offers an alternative way of doing item 7, although SB indicated that she would prefer to move away from the Transporters calculating a daily nomination for those shippers who do not wish to calculate a forecast. AR voiced his concern surrounding the discrepancies between what gas comes out of an Offtake when compared to the Shipper nominations for that Offtake. SB wondered if the difference really mattered in the 'Before the Day' concept, to which AR indicated that it relates to deeper NTS balancing concerns. In support, SL pointed out that day ahead nomination relates to system demand forecasting, which is then utilised to resolve system balancing issues.

Moving on, AR reminded members that overall system demand is a function of many factors and the impact of the split of NDM and DM remains a concern. SM suggested that the issue is related to whether or not the current system is preferable to a future shipper driven process. SMC did not necessarily support this view believing that the real issue is the migration of the responsibility.

Whilst some members suggested removal of item 8 in its entirety, SL reminded members that consideration of system balancing impacts will still be required.

In considering item 9, SB suggested and members subsequently supported the removal of the final sentence 'Shippers will make a commercial decision.....quantity of gas'. FC informed members that she retains concerns surrounding Shipper's predicting their own

nominations, whilst SL had issues surrounding his ability (or inability) to 'hedge' his commercial risks. He then added that in light of the discussions at the 29/01/10 meeting, he would like to include an option to retain a (enhanced) version of the current DM scheduling process.

LH enquired how this principle would work during the transition period to which SL suggested that this would not be an issue as introduction of item 7 could be via a 'Big Bang' approach.

There was discussion of the application of a balancing correction to nominations. FC questioned whether Shippers submitting their own nominations intended to submit only their predictions for their own live sites, or whether they would build an estimate for their share of the balancing correction into those nominations. If the former was the case, then the nomination process would need to compare total Shipper nominations to a view of total forecast demand to calculate a provisional day ahead balancing correction. This would ensure that sufficient gas was procured and delivered to supply the total predicted day ahead demand. Otherwise, how will Shippers make a reasonable estimate of their share of the balancing correction.

FC suggested that based on the consultation responses, nominations remains an issue although she is more comfortable to retain these options as these are less of a downstream concern.

In response to a question on how to improve item 9, SB suggested building in an element to cover NDM/DM segregation.

Treatment of CSEP sites

FC pointed out that the key assumption is that CSEP information will travel through the CCP.

In closing, FC indicated that xoserve would be more than happy to receive any ideas/thoughts on how best to develop the principle(s) of balancing corrections for nominations. Furthermore, she will take an action to amend the document (over and above the on screen changes already undertaken) to reflect the feedback received.

Action ALLO005: xoserve (FC) to amend the draft H/L Business Rules (Principles) document in line with suggested changes in time for consideration at the next meeting.

2.3 Risk Monitoring

FC informed members that xoserve have four (4) high level requirements identified on the requirements register. She still has some concerns that the most popular solution has not been mapped back to issues with the current principles to prove its validity. As a consequence, she would like the Workgroup to take some time to examine and consider what may be wrong with the current principles before deciding on the best route forward. FC then went on to agree to take a new action to develop some (current) process maps aligned to the high level principles discussed earlier in this meeting and to the issues identified in earlier meetings in time for consideration prior to the next meeting.

Action ALLO006: xoserve (FC) to develop some (current) process maps aligned to the high level principles discussed earlier in this meeting and to the issues identified in earlier meetings in time for consideration prior to the next meeting.

Action ALLO007: All to consider the (current) process maps aligned to the high level principles and identify issues, and how the proposed

solution addresses those issues, in time for consideration at the next meeting.

2.4 Transitional Arrangements

Members agreed that this item had been sufficiently covered (at the high level) at the 29/01/10 meeting and could now be handed over for further consideration within the (low level) detailed workgroups.

3. Workgroup Report

3.1 Preparation of Monthly/Final Report

During extensive discussions, the workgroup report was amended on screen by BF. Members noted that the final workgroup report could be similar in style and content to a UNC Review/Development Workgroup Report thereby enabling an easier transition to drive forward a UNC modification proposal, should one be deemed necessary. BF even suggested 'topping & tailing' the high level principles document as the basis for quickly developing the final report.

4. Workgroup Process

4.1 Agree actions to be completed ahead of the next meeting

BF provided a brief summary of requirements, as follows:

1. Provision of an amended high level principles document;
2. Provision of a set of (current) process flow maps, and
3. ALL members to then consider the process flow maps in time for discussion at the next meeting.

5. Diary Planning

The next meeting of the Project Nexus High Level Allocation 4 Workgroup is scheduled to commence at 10:30am on Wednesday 24 February 2010, at National Grid's Office, 31 Homer Road, Solihull, West Midlands. B91 3LT.

The next meeting of the Project Nexus Workstream is scheduled to commence at 10:30am on Tuesday 16 February 2010 as a teleconference only meeting.

6. AOB

None.

Appendix 1

Action Table - 08 February 2010

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
ALLO 003	29.01.10	3.3	Prepare a draft high-level principles report outlining the preferred option in time for consideration at the 08/02/10 meeting.	xoserve (FC)	Update provided. Closed
ALLO 004	29.01.10	5.1	Consider the Allocation Options (as presented under item 3.3 above), with a view to reporting their findings at the 08/02/10 meeting.	ALL	Update provided. Closed
ALLO 005	08.02.10	2.2	Amend the draft H/L Business Rules (Principles) document in line with suggested changes in time for consideration at the next meeting.	xoserve (FC)	Update due at 24/02/10 meeting.
ALLO 006	08.02.10	2.3	Develop some (current) process maps aligned to the high level principles discussed earlier in this meeting and to the issues identified in earlier meetings in time for consideration prior to the next meeting.	xoserve (FC)	Update due at 24/02/10 meeting.
ALLO 007	08.02.10	2.3	Consider the (current) process maps aligned to the high level principles and identify issues, and how the proposed solution addresses those issues, in time for consideration at the next meeting.	ALL	Update due at 24/02/10 meeting.