

Project Nexus
High Level SP 1 Workgroup Minutes
Wednesday 17 March 2010
The Renewal Conference Centre, Lode Lane, 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
Bali Dohel	(BD)	Scotia Gas Networks
Chris Warner	(CW)	National Grid Distribution
Fiona Cottam	(FC)	xoserve
Gareth Evans	(GE)	Waters Wye Associates
Graham Wood	(GW)	Centrica
Jennifer Boraston	(JB)	RWE npower
Joanna Ferguson	(JF)	Northern Gas Networks
Jon Knight	(JK)	E.ON UK
Lisa Harris*	(LH)	Shell Gas Direct
Mark Jones	(MJ)	Scottish & Southern Energy
Michael Painting	(MP)	Total Gas & Power
Michele Downes	(MD)	xoserve
Nigel Nash	(NN)	Ofgem
Peter Thompson	(PT)	Customer Representative
Russell Summerville	(RS)	Northern Gas Networks
Scott Miller*	(SM)	ScottishPower
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Steve Mullinganie	(SM)	Onshore Consulting
Steve Nunnington	(SN)	xoserve

Apologies

Karen Kennedy	ScottishPower
Sallyann Blackett	E.ON UK
Shirley Wheeler	xoserve

* *via a teleconference link*

1. Introduction

BF welcomed everyone present to the first meeting of this workgroup.

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/170310>.

2. Consider Terms of Reference

2.1 xoserve to explain scope and intended outcomes

In opening discussions, BF apologised for the incorrect title of SSP utilised in the terms of reference advising that this had been amended to read as SP.

Project Nexus UNC Reconciliation Principles Workgroup presentation

In reviewing the 'Scope of the Principle Workgroup' slide FC advised members that the list represented a summary of the workgroup Terms of Reference, as previously approved by the Project Nexus Workstream.

3. Scope & Deliverables

3.1 Consideration of As-Is Current Principles

Project Nexus UNC Reconciliation Principles Workgroup presentation (part I)

xoserve (FC) provided an overview of the three main elements that go to make up the current supply point reconciliation process - DM & NDM LSP Reconciliation and Reconciliation by Difference (RbD).

DM Reconciliation

When asked if data loggers have a tendency to under record, FC indicated that this is a 'natural' feature and can occur towards the end of the battery life, whilst AR highlighted the potential problem associated with double pulses.

When asked, members indicated that they were happy with the information provided and the level of detail before moving on.

NDM LSP Reconciliation

When considering the 'NDM Reconciliation Principles' slide, and how the short cut calculation utilises various factors, FC confirmed that this only applies to NDM LSPs.

In response to a question on frequencies associated with the submission of meter readings, CW pointed members towards the definition contained with the Uniform Network Code Transportation Principal Document Section M – Supply Point Metering and specifically paragraph 3.7.2 which states:

'3.7.2 Where more than one Meter Reading (other than the one required under paragraph 3.8 or paragraph 3.9) is received by the Transporter;

- (a) in the case of a Monthly Read Meter, in any 7 Day period;*
- (b) in the case of a Larger Annual Read Meter, in any 14 Day period;*
- (c) in the case of a Smaller Annual Read Meter, in any 63 Day period*

the Transporter will in each case reject any such Meter reading received in such period other than the first.'

CW confirmed that the frequencies were derived in response to a need to ensure the gathering of sufficient information to facilitate generation of accurate AQs. Supporting this, FC pointed out that where daily reads are obtained by a Shipper for an NDM site, not all of them could be submitted, and the most common outcome is that a single read from towards the end of the monthly window will be submitted, although the actual submission date may incur reconciliation period issues.

When considering the causes of large reconciliations, FC pointed out that one of the main risks associated with these is the possible evoking of very large debit / credit re-alignments. She went on to highlight that bullet points 2 & 3 are not errors per se, being more akin to the natural processes involved.

In considering the 'NDM Reconciliation Charge Filter' slide, FC informed members that the majority of these filter factors are passed back to Shippers for resolution, although in the case of failed SRVs the Transporter is involved. When asked, FC confirmed that the vast majority of filter failure challenges are valid and require amendments prior to invoicing.

Once again, when asked members indicated that they were happy with the content.

Reconciliation By Difference (RbD)

When considering the 'Reconciliation energy in the LDZ' pie chart slide, and in response to a question about how long the reconciliation process runs, FC indicated that the overall process runs for between 4.5 & 5 years, where date 'x' is in 2005. The current reconciliation process for example extends back to 01/04/2005, although it advances once a year, by a year. The back-stop date will advance to 01/04/2006 on this coming April 1st.

When asked if a report exists relating to what percentage of the DM Market is resynchronised, FC indicated that whilst no specific report is available it should be noted that after approximately 12 months the reconciliation of energy only really applies to NDM LSPs anyway.

When asked how USRVs are handled in terms of RbD energy movements, FC responded by stating that these are only processed in RbD terms once the invoice is issued and that there is no reliable means of predicting the actual errors as on occasions smaller errors become even smaller, and larger ones become even larger still. SM noted that the introduction of Smart Meter Readings could be expected to reduce the level of 'human error', which in turn, should leave only meter asset related errors to be resolved. In discussing potential system energy losses, FC confirmed that losses such as CSEP and metering errors in the larger market are currently borne by the SSP market. Continuing, FC confirmed that there is only a single profile for the SSP Market and a 'summer residence' would be allocated and reconciled as if it consumed energy in a typical weather sensitive annual pattern. However the AQ would reflect the lower level of total usage.

NN enquired if, with regard to SSP meter readings, whether the Annual AQ included an element of reconciliation of the previous year's consumption, to which FC indicated that it did not, and the only impact would be a step change in the level of AQ at 1st October .

SL enquired about LDZ shrinkage related reconciliation to which FC indicated that this is managed in a similar manner to LDZ reconciliation. ST reminded members that this is an annual reconciliation which is passed on to SSPs and that the matter is currently under consideration by UNC Modification 0229 "Mechanism for Correct Apportionment of Unidentified Gas".

Moving on to consider the 'RbD Basis of Apportionment' slide, CW enquired as to how we determine what element of reconciliation is included within the 6 monthly sector, to which FC indicated that this depends upon the read frequency of the primary LSP reconciliation or the duration of an SSP adjustment. The only exception is the treatment of large LDZ reconciliations. JB wondered if the assumption that all meter readings are accurate in the LSP market, was correct. In response to this highly emotive statement, FC suggested that the basic assumption is that ALL factors are correct, such as issues associated with the cost of gas. BF wondered if this sensitive area maybe better served by the appointment of an 'Independent Expert', which did not necessarily meet with universal support.

BF suggested, and members agreed to consider the E.ON presentation next before returning to the xoserve presentation (at slide 18) for further consideration.

E.ON UK Current Processes presentation

E.ON (JK) provided a brief overview of their presentation.

In considering minimising reconciliation and speeding up the close out process, JK was of the view that this does not necessarily suggest that the

Gas industry should utilise an exactly matching timeline to that observed within the Electricity side, rather seek to 'mirror' the principles involved.

In summarising, BF suggested that whilst this represents E.ON's view, it does not appear to be unanimously supported by all members.

Project Nexus UNC Reconciliation Principles Workgroup presentation (part II)

Moving back to slide 18 of the xoserve presentation, and concluding examination of the current principles, members discussed each of the three items in turn, with shippers indicating a dislike of RbD citing issues such as limited flexibility and an inability to 'match' real life requirements. NN enquired if all members had reached agreement that in future we will need reconciliation of individual meter points. In responding, CW suggested that this matter needs further consideration before agreement could be reached, as issues such as reliability of the source (Smart) data provision need to be resolved first. When asked if shippers would be prepared to supply meter readings (for dumb meters) at frequencies greater than once in two years, SL suggested that they would. However, SM also added that further consideration of read frequencies (daily/monthly/6 monthly/yearly) is also needed although he believes in future daily readings are a viable option, but the treatment of the sites themselves would need to be different. NN suggested that care is needed to ensure that the 'system' does not constrain the process.

CW felt that members needed to be mindful of the fact that you will always need to accurately account for unallocated energy and reconciliation of SSPs will not change this fact. Other members felt that at least you would then be in a position to identify the unallocated energy. NN suggested that it is all about developing a smarter way of dealing with unallocated energy, which is important. ST remained concerned that the potential industry benefits surrounding these suggested changes remain unclear at this time.

AR wondered if the crux of the matter sits with how far parties are prepared to move away from RbD and towards a more rationalised approach in any future solution.

In discussing cost related issues, members agreed that the principle assumption should be, that cost will NOT be allowed to deter consideration of the most appropriate (best) solutions, although it was acknowledged that a 'balanced' approach will be needed. AR pointed out that with regard to any potential OPEX/CAPEX constraints, the Transporters could well need to approach the Authority for a view.

Moving on, FC asked members to now think about adoption of a DM/NDM style modelling approach. In response, SM warned that we need to be careful to not 'talk up' any DM issues which would potentially non longer exist in a future solution, although he acknowledged that trying to better understand the current DM reconciliation processes will assist in making more informed decisions. CW once again reiterated the fact that National Grid would be more than happy to discuss unbundling of DM provisions in future. In summary, SM thought that the DM Elective Regime provides a good basis on which to consider this matter. FC informed members that in their view (xoserve's) this area should be discussed in more detail within the AMR Workgroup.

Moving on to consider the NDM perspective, FC wondered if anyone had any concerns relating to the NDM Larger SPs, to which SM responded by stating that he believes that it is the asset information which is of paramount importance when considering these. SL remains concerned that

USRVs do not necessarily incentivise shippers to improve their readings information provisions.

JK highlighted issues surrounding the LSP (on DM) profiles and GE suggested that these could be resolved by adopting more EUC bands.

When considering the issue of NDM LSP meter reading frequencies, CW warned that these do not necessarily indicate that there is an underlying system fault, as they (the frequencies) reflect historic regime changes made to the Code itself and he firmly believes that the commercial regime should be a product of the Code and not the other way around. However, he went on to suggest that this does not prevent future consideration around changing the frequencies as long as benefits can be achieved.

In considering the previous outcomes/solutions suggested by the Allocation workgroup, FC advised that the Allocation Principles Workgroup had proposed two possible options, namely:

- a 'Quasi' daily read process, and/or
- a daily estimate + regular reconciliation to actual reads style process

This workgroup therefore might need to design two future principles

- a reconciliation process for missing read days, and
- a periodic reconciliation process following daily estimates

SL suggested that the group may need to acknowledge that whilst details may differ from workgroup to workgroup, the high level principles remain a constant. JK added that he would also like to see energy smearing issues considered at some point.

Considering the consultation responses, FC believes that the underlying principle is to move away from RbD and move towards individual meter point reconciliation. ST indicated that the Transporters are not against abolition of RbD as long as someone can propose a superior solution. Continuing, FC pointed out that the last two bullet points on the 'Other inputs to this Principles Workgroup' slide could be viewed as possible interim/final solution options. However, SL believed that 0270 only proposes a 'cheap & cheerful' interim (pre Nexus) solution.

3.2 Consideration of Options

BF suggested that in light of the extensive discussions undertaken in item 3.1 above, xoserve should now consider the various issues raised with a view to presenting these in a future options presentation which will enable the workgroup to move forwards.

Action SP001: xoserve (FC) to consider the issues raised and look to incorporate these in preparation of some future options for consideration at the 29/03/10 meeting.

3.3 Transitional Arrangements

Mindful of the discussions elsewhere in the meeting, members agreed to consider the transitional arrangements in time for the next meeting.

3.4 Risk Monitoring

BF asked, and members agreed that there were no risks to discuss at this point.

4. Workgroup Report

4.1 Preparation of Monthly/Final Report

BF indicated that he intends to provide a verbal update to the next Project Nexus Workstream teleconference meeting scheduled for 30/03/10.

Action SP002: Joint Office (BF) to provide a verbal update at the next Project Nexus Workstream teleconference meeting.

5. Workgroup Process

5.1 Agree actions to be completed ahead of the next meeting

Two new action items were agreed, as defined in items 3.2 and 4.1 above.

6. Diary Planning

Members briefly discussed the possible combining of future AQ and SP workgroup meetings but reached the conclusion that they are best kept as separate meetings, although a final (5th) meeting to draw their respective conclusions together could be envisaged.

The following meetings are scheduled to take place during March 2010:

Title	Date	Location
H/L AQ 2 Workgroup	23/03/2010	NG Office. 31 Homer Road, Solihull.
H/L SP Rec 2 Workgroup	29/03/2010	NG Office. 31 Homer Road, Solihull.
Workstream	30/03/2010	Teleconference.
AMR 1 Workgroup	31/03/2010	ENA, 52 Horseferry Road, London.

7. AOB

None.

Appendix 1**Action Table - 17 March 2010**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
SP001	17.03.10	3.2	Consider the issues raised and look to incorporate these in preparation of some future options for consideration at the 29/03/10 meeting.	xoserve (FC)	Due at 29/03/10 meeting.
SP002	17.03.10	4.1	Provide a verbal update at the next Project Nexus Workstream teleconference meeting.	Joint Office (BF)	Due at 30/03/10 meeting.