

**Project Nexus**  
**High Level AQ 2 Workgroup Minutes**  
**Tuesday 23 March 2010**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	(LD)	Joint Office of Gas Transporters
Alan Raper	(AR)	National Grid Distribution
Chris Warner	(CW)	National Grid Distribution
Gareth Evans	(GE)	Waters Wye Associates
Gary Regan	(GR)	Total Gas & Power
George Glenn	(GG)	ScottishPower
Graham Wood	(GW)	Centrica
Joanna Ferguson	(JF)	Northern Gas Networks
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
Sham Afonja	(SA)	RWE npower
Shirley Wheeler	(SW)	xoserve
Stefan Leedham	(SL)	EDF Energy
Steve Mulinganie	(SM)	Gazprom
Steve Nunnington	(SN)	xoserve

**1. Introduction**

BF welcomed everyone present to the second 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/230310>.*

**1.1 Minutes of the previous meeting**

The minutes of the previous meeting were approved.

**1.2 Review of Actions from the previous meeting**

**Action AQ001:** Transporters (CW) to consider the implications involved in the possible partial or full removal of AQ for smart metering in any new world solution.

**Update:** CW reported that following further consideration it was believed that there may also be Transporter Licence implications that were AQ centric and these could not be dismissed at this juncture. JF added that Transporters also used AQs to identify banding and customer numbers for charging purposes.

SL commented that he did not believe the Shipper Licence directly references AQs. Principles were to be identified and developed, and SB believed that getting rid of AQs may not have as great an impact as may have been thought at first, as there would be other ways to arrive at an annual quantity figure for Transporter purposes. SW responded that there might still be a set of requirements from a Transporter's point of view that would need to be fulfilled. Shippers believed that if this was the case then they would require visibility in

respect of what AQs were to be used for and also the opportunity to replicate any calculations/processes to validate any direct/indirect outcome by which a Shipper may be affected. There would also need to be an agreed gap filling mechanism, and a positive move away from a limiting the update window. From a Shipper's perspective it was believed that AQs could be removed entirely. AR pointed out that SOQ was derived from AQ, and there were implications for energy balancing and charging and these could not be ignored.

It was suggested that once any fundamental uses were properly identified and considered in greater detail, it might be that the required information could be derived and applied differently, so that the Transporters would experience no degradation of data/processes. **Action closed**

**Action AQ002:** All members to consider the impact of AQ on any future transitional arrangements requirements and provide feedback at the next meeting.

**Update:** See item 3, below. **Action carried forward**

**Action AQ003:** xoserve (MD) to document all options discussed in the meeting in time for consideration at the next meeting.

**Update:** See item 3, below. **Action closed**

**Action AQ004:** xoserve (SW) to examine the Initial Response Register to ensure that in light of the discussions so far, all responses have been considered.

**Update:** See item 3, below. **Action closed**

## 2. Consider Terms of Reference

### 2.1 Review Terms of Reference (ToR)

Item was not discussed as the Terms of Reference had been approved by the Project Nexus Workstream and reviewed by the workgroup at the previous meeting.

## 3. Scope and Deliverables

### 3.1 Consideration of Options (Action AQ003)

xoserve considered there was merit in discussing the following options.

#### 3.2.1 Annual AQ Review (with improvements)

SN gave a brief overview of issues that had been identified in relation to the existing process, and then gave a description of how an improved Annual AQ Review might look.

SN stated that as an option there might be some advantages in continuing with an improved Annual AQ Review; Suppliers may not require AQ in the same way as currently, once the Smart and AMR regimes are in place. Compared to Mod 209 Rolling AQ, fewer changes would be required, resulting in lower costs to Shippers/Supplier; development and implementation would be easier, though not all shippers agreed with this assertion More accurate AQ values would be achieved, post a full Smart regime, as more valid reads will be available to calculate the AQ.

LH questioned if it was worth spending between £1 and £2 million on an alternative Rolling AQ solution for what may turn out to be just an interim solution.

CW questioned whether all of the points made regarding improvements to the current AQ Process, would actually lead to improvement in the process, and suggested an aspiration to remove the need for a Must Read particularly with a SMART roll out. He would be happy to remove data where it would lead to improvements, but doubted whether a 'free-for-all' on reads would add much benefit.

SW pointed out that this was only one option so far, and clearly from a group perspective this was not seen as a viable 'end game', but worth consideration for a transitional regime.

SL believed that this would not make the process any faster. SM believed that some improvements could be realised; xoserve had provided a useful list for consideration. GW suggested that a more sophisticated transitional arrangement might be required, and agreed it was not viable as an end result. Noting the comments of those present SW believed it might be useful to capture and split out the views into columns such as viability for both the transitional and end game positions.

GW pointed out that the meeting was trying to apply due diligence by giving visibility and consideration to all suggestions/options. Transition was likely to be a lengthy period of time and it was worth spending time on getting it right.

CW commented that data quality and accuracy was most important, and not swathes of reads. Data cleansing would be appropriate as SMART came in. AR added that there was lots of data missing in the domestic sector and that there were a huge number of domestic Must Reads outstanding now; accuracy must be improved to allow a move away from AQ related processes. SM pointed out that there were access problems associated with domestic reads and SMART reads would eventually solve what would become a transitional issue, but the issue of access for Safety Inspections would remain.

SM queried the perception of lower costs to Shippers/Suppliers, and SN responded that this was based on a comparison to the estimated implementation costs of Modification Proposal 0209. SL pointed out that if Project Nexus is replacing all the systems, then Shippers' new systems would be built to the new requirements and this is a factor that needs consideration. SW said that until we know about CCP scope we don't know exactly what transitional arrangements will be required. It could be nothing, or a lot of changes.

Moving on, but still in relation to an improved AQ process, SN said that other options for an enduring solution might be an Annual AQ Review based on the existing DM process using daily reads (assuming that daily reads were available); and an Annual AQ Review based on the DM process using monthly reads (assuming receipt of a monthly read).

SL questioned what were DM AQs used for, and were these really required. CW thought they were of no real value due to the daily read process for DM, though they do feed into the SOQ and BSSOQ calculations.

The need for an NDM AQ had been questioned at the previous meeting, and SN explained it was believed that it would still be required because it was critical to a greater or lesser extent for a number of existing industry

processes. However it was recognised that its use, and therefore its importance, may be reduced going forward, assuming that historical consumption data will be available. It may be that Suppliers would eventually only require an AQ in order to validate transportation invoices.

It is therefore assumed that an AQ will continue to be required post 2020 though this may be for Transporters only.

'No AQ' was the final objective for most Shippers attending when considering a SMART world. There was a brief discussion on SOQ and using information to weather correct the history, and it was questioned why anything that was of lesser accuracy (ie SOQ) be used for any calculation if more accurate information (ie not SOQ) was available elsewhere. It was possible that SOQ may still be used for charging setting purposes/statements but how this was calculated had yet to be considered. CW believed that more analysis should be done to confidently establish that Shippers really did not require AQs, as many UNC processes are affected by the use of AQs. SM said that just because it is there and it has always been used, did not mean to say we should not consider doing it differently, and SB added that her own analysis had indicated it was not required.

AR preferred to see 'No AQ' as an aspiration, because he was aware that so many current processes were affected by it; it would have to be subject to an AQ not being required. SW noted that 'No AQ' from a group perspective appeared to be a viable principle, but would need further investigation.

In response to a question from PT, SW confirmed that Project Nexus was the vision, and if 'No AQ' was to be the end result then we would need to work backwards from there, but also to understand what was needed to get there.

BF pointed out that any principles established would be subject to challenge once the details were more closely considered, and may be rejected.

Before moving on to a consideration of the option of a 'Rolling AQ Review', SN referred the meeting to a secondary presentation on the proposed Business Rules that may be implemented should the Authority approve Modification Proposal 0209.

SN ran through the industry comments for and against that had made in various representations during the consultation period. SM voiced concerns there was a requirement for convertors to be installed on meter points above 732,000kWh/a and this may be an issue. It was pointed out that this particular Proposal had been consulted upon before Project Nexus was underway, and before SMART metering had become a 'live' consideration. SL confirmed that there had been a recommendation that an expert group be formed to facilitate the implementation of Mod 0209 if it was determined that it should go ahead, and this would address such concerns as changes would have occurred to the UNC in the meantime. BF observed that some of the aspects referred to in the quoted comments 'against' were to do with timing of implementation rather than against the actual Proposal itself, and pointed out that Mod 0209 had been deferred to the Project Nexus Workstream for a report back to Panel on 20 May.

MJ observed that a cost/benefit analysis had not been carried out for Mod 0209 and that this was an issue and felt that the AQ review process would give more benefit if commenced on 01 April rather than 01 October. Changes to business behaviour to optimise commercial positions should

be the main benefits of removing limitations; the number of readings per year would affect allocation/business position. Inflated AQs for longer periods would mean paying more in capacity charges.

There was no doubt that more timely and accurate reads would improve the data quality. AR observed that the AQ process was not a backstop process for validating reads. SM believed aligning systems would achieve greater accuracy and provide more benefit. If there was a more immediate impact, there would be more incentive to check the SSP data before the AQ reviews. This should benefit the end consumer; if an AQ could be amended more quickly to properly reflect usage, companies could change their pricing in a timelier manner.

SN then reverted to the primary presentation, and asked if Rolling AQs would therefore be seen to be the way forward.

This may be required for the transitional period and once the SMART/AMR regime is in place. In transitional arrangements the Rolling AQ will provide up-to-date, accurate AQs, which could be depended upon for a number of years.

Assuming AQ is not required, would Rolling AQ be the required transition option? GW questioned if this option was capable of being rolled forward as a continuum should 'No AQ' not be agreed; would it still be appropriate in the SMART world?

SL commented that if Allocation was made at D+1 then the answer was 'No AQ'; if Allocation were made at D+5 on estimation then it would be 'Rolling AQ'. The group generally agreed with this viewpoint although this was not unanimous.

If AQ was still acknowledged as a mechanism for calculations transitional arrangements may therefore need 'to continue'. However, further analysis may lead to a change in views/arguments. If AQ is valuable there is the backstop of Rolling AQ to calculate it. Any interim solution would be in place for a very long period up to 2020, during which time systems and requirements may change again.

SN revisited the key issues.

It was acknowledged that fundamental changes to a number of processes would be required and that a greater understanding was required of the cost/benefit equation.

### **3.3 Alignment of IRR requirements (Action AQ004)**

SN read through the comments captured on the IRR Register and the respondents to whom the comments had been attributed (RWE, SCP, EDF) each agreed that all areas raised through their comments had been examined satisfactorily.

SN then referred to the timeline that had been represented with a lighter background following comments relating to legibility made at the previous meeting. No further comments were received.

### **3.4 Risk Monitoring**

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

#### 4. Preparation of Monthly/Final Report

BF undertook an on-screen review of the monthly report in line with discussions and the report was updated with the agreement of those present.

#### 5. Workgroup Process

##### 5.1 Agree actions to be completed ahead of the next meeting

BF asked if high level Business Rules, statements, or aspirations were required to be produced: if closing out on daily read flows then 'No AQ'; if closing out on some estimation/reconciliation process then one would expect to see AQs.

AR thought a list of all the processes etc where AQs were used would be useful, to see if other ways could be devised to obviate the need for AQ.

SM believed that 'No AQ' would be the first choice, and the reasons/need for retaining AQ in the SMART world would have to be demonstrated. AR responded that SMART must provide the solutions to the issues that it causes. Rolling AQ would be the next choice.

SW asked what would be favoured from a transitional perspective. Rolling AQ, with caveats, appeared to be the Shippers' preference, with a default to consider amendments to improve the existing AQ process. GW added that it might be useful to extract some of the high level principles from Mod 0209.

SW questioned, if the aspiration in the transition period was 'No AQ' for SMART and AQs for 'dumb', could the same process(es) co-exist, or should there be a 'big bang' where all was switched off and moved to 'No AQ' with no part operational regime. If there was a SMART meter attached there would be no AQ association, but could this operate at the same time as a 'dumb' AQ process.

SM preferred to leave such details to the next set of requirements workgroups; if all of a party's assets were SMART, it would probably like an option to leave a process early. AR pointed out that this philosophy already exists within the DM Elective process. CW asked if a party would be insulated from the activities in the 'dumb' market. SL thought this might be dependent on energy allocation, etc, and was probably best left for the detailed workgroups to explore.

CW pointed out that portfolios were measured via AQs and a suitable alternative measure was required.

SL believed that transition could involve a suite of proposals, and could also address the need to allocate unidentified gas costs. SB pointed out that much discussion about not using AQs had taken place at the Allocation meetings, and she was convinced that a much better solution could be devised as an alternative to using AQs.

BF pointed out that if Transporters did require the use of AQs and Shippers did not, the Shippers would still need a view of what AQs were used for and how and why, to give visibility, for example if they were used for deriving capacity charges. However, if they were used for non-Code purposes then an obligation to provide visibility may not apply.

It was noted that iGT Code modifications might also be required. SW advised that Shippers would raise these, as appropriate.

LH would like to see an option for current improvements.

MJ referred back to Rolling AQs and believed it would be useful to look at Mod 0209 in the context of Project Nexus; if there was a valid read, could the AQ be changed earlier, etc. The 20% barrier was causing a big concern at present.

**Action AQ005: Produce a set of high level principles for the next meeting (16 April 2010).**

## 6. Diary Planning

BF advised that due to the occurrence of other industry meetings on the same day as the next Workstream teleconference, and subsequent requests to consider a rescheduling, it had been suggested that the meeting date be moved from its original date of Tuesday 30 March 2010 and take place on Monday 29 March 2010, commencing at 10:00am (before the Project Nexus SP Reconciliation Workgroup 2 meeting). This was agreed.

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

Title	Date	Location
Workstream, followed by the H/L SP Rec 2 Workgroup	29/03/2010	10:00 Teleconference; and 31 Homer Road, Solihull B91 3LT
H/L AMR 1 Workgroup	31/03/2010	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
Workstream	13/04/2010	Teleconference
H/L AQ 3 Workgroup	16/04/2010	<i>Venue to be confirmed</i>
H/L AMR 2 Workgroup	20/04/2010	ENA, 6 <sup>th</sup> Floor, Dean Bradley House, 52 Horseferry Road, London SW1P 2AF
H/L SP Rec 3 Workgroup	27/04/2010	31 Homer Road, Solihull B91 3LT

## 7. AOB

None.

## Appendix 1

## Action Table - 23 March 2010

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
AQ001	09.03.10	3.4	Consider the implications involved in the possible partial or full removal of AQ for smart metering in any new world solution.	Transporters (CW)	Closed
AQ002	09.03.10	3.4	Consider the impact of AQ on any future transitional arrangements requirements and provide feedback at the next meeting.	All members	Update due at 16/04/10 meeting.
AQ003	09.03.10	3.4	Document all options discussed in the meeting in time for consideration at the next meeting.	xoserve (MD)	Closed
AQ004	09.03.10	3.4	Examine the Initial Response Register to ensure that in light of the discussions so far, all responses have been considered.	xoserve (SW)	Closed
AQ005	23.03.10	5.0	Produce a set of high level principles for the next meeting (16 April 2010).	xoserve (SN)	Update due at 16/04/10 meeting.