

Project Nexus
High Level SP Reconciliation 2 Workgroup Minutes
Monday 29 March 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
Bill Goode*	(BG)	National Grid Transmission
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
Karen Kennedy	(KK)	ScottishPower
Lisa Harris	(LH)	Shell Gas Direct
Mark Jones	(MJ)	Scottish & Southern Energy
Michael Painting	(MP)	Total Gas & Power
Michele Downes	(MD)	xoserve
Richard Street	(RS)	Corona Energy
Sallyann Blackett	(SB)	E.ON UK
Shirley Wheeler	(SW)	xoserve
Shaun McGoldrick	(SMG)	National Grid Transmission
Stefan Leedham	(SL)	EDF Energy
Steve Mullinganie	(SM)	Onshore Consulting

* *via a teleconference link*

1. Review of Minutes & Actions

BF welcomed all to the meeting.

1.1 Review of Minutes

The minutes of the 17 March 2010 were approved.

1.2 Review of Actions

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

Update: BF informed members that this would be covered under item 2.1 below.

Closed

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

Update: BF advised members that a verbal update had been provided at the earlier Workstream teleconference meeting.

Closed

2. Scope & 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/290310>.

2.1 Further Consideration of Options – Project Nexus UNC Reconciliation Principles Workgroup – Options presentation

FC provided a detailed review of the presentation as follows.

Output from the Allocation Principles Workgroup slide

SM stated that rather than CCP functionality dictating any alternative solution, he believes that this really relates to the frequency of data provision and is/was more aligned to transitional aspects, although it was acknowledged that there would still be a need for reconciliation in any preferred solution as well. SMG reminded members that they should not lose sight of the fact that the systems will be in place by 2014 prior to the completion of SMART metering.

Reconciliation Options for Daily Read Regime slide

During discussion, members felt that whilst both options are relevant, a third option to cover how long you would wait to receive a reading was also required. Furthermore, it was felt that if a party has access to actual readings and these are valid, they should be able to utilise them. SW suggested, and members agreed that consideration of the detail should be undertaken elsewhere as this remains a high level workgroup. However, CW warned that he does not see a 'Must Reads' process as being part of the Nexus remit but advocates the adoption of a form of close-out incentive.

When members were asked about the role of the Transporter in the new world, RS suggested that this will be heavily dependant upon the scope and role of the CCP and how information will flow to and from the Transporters.

In summarising slide 5, FC suggested, and members agreed, that the preferred option is the left hand leg, whilst there maybe occasions where the right hand option is required.

Reconciliation Options for Periodic Read Regime slide

FC indicated that this is somewhat guesswork but provides a good starting point from which to consider this option.

SB indicated that if she had daily reads at her disposal she would prefer to utilise them. SM believes that regardless of what period is agreed, it is the principle of how the information will flow that is critical. Additionally, whilst the 'aspiration' is for daily readings to be provided, technical limitations (i.e. battery life expectancy/management issues) may result in 7 days of information being transmitted once per week. FC wondered if this could possibly introduce an element of market differentiation segregation considerations. SB indicated that she would prefer to avoid any profiling of data, but acknowledged that battery life issues may impinge on this.

In the end members felt that both, or all, of these option would be required in future.

Reconciliation Options for Unallocated Gas slide 8

Members felt that in-line with the high level approach, we should look to allocate based on an original daily allocation basis as it is assumed you will have the reads. SL believed that a monthly approach would work as long

as it only refers to small amounts of energy, although consideration of costs would also impact any decisions.

SL thought that when considering the re-apportionment of energy at shipper portfolio level that you could also consider at site level as well. RS pointed out that this matter is also being considered elsewhere in the industry.

Looking at the 'allocation based on original daily allocations' and 'allocate based on original monthly allocations' SB believes you would decide which option suited you best based on financial considerations. SM suggested that as the principles discussed so far are seeking maximum granularity, daily would be his preference.

Recapping, FC believes that members have agreed to daily allocations on a shipper portfolio basis (as this is not a site-by-site levy and more an industry wide smear). Furthermore, calculating on a site-by-site basis would simply be overkill. However, she acknowledged that we may need to reconsider this matter in due course. RS remained concerned about any decisions made here impacting upon the possible role and scope of the Industry Expert being considered under the auspices of UNC modification proposal 0229.

Reconciliation Options for Unallocated Gas slide 9

When asked, members indicated that option 1 was their preferred choice.

Simplified SAP Calculation slide

SL suggested that daily is his preference as option 2, the alternative approach, whilst providing a much simplified calculation mechanism, has some inherent disadvantages as it's values would need to be averaged out, which could lead to potential 'gaming' issues. Supporting this, RS pointed out that from a supplier perspective, option 2 potentially removes some pricing benefits (daily DM price principles) when utilising averages.

When asked, members indicated that option 1 remains their preferred choice.

Option for Billing Tolerances slide

FC opened by stating that this is a feature of the current DM regime, which was not really covered in the first workgroup meeting.

Considering the third bullet point, RS enquired if this related to re-synchronisations or reconciliation to which FC suggested it was more about 'missing days' in the smart arena. SL suggested that the actual tolerance levels and periods involved are also an issue. SM warned that care is also needed when considering index-reading type technologies (electronic), as data can easily become corrupted by many factors in the AMR world. SB suggested that she supports SL's view that this remains the exception rather than the rule, and therefore in light of these facts, it is impossible to predict if the tolerance levels would be correct or accurate at present. SM felt that the issue really relates to the materiality of the reconciliation itself.

FC reminded members that when the 'industry' originally considered meter point reconciliation, it assumed a drift of + or - 5% as a reasonable level.

Recap on Outcome of Discussions

FC suggested that transitional issues will need separate consideration elsewhere. FC then asked members if they believe filter failures would need consideration as well. SB suggested that these depend on whether or

not you are getting readings or volumes, although CW believes that the smart world negates the need for filter failures in future and it will be more about the provision of suitable incentives to reduce 'exposure' to inappropriate behaviours. However, this was not necessarily a view supported by all members, as some believe the system will never achieve 100% read performance over all 20 million plus supply points and 95% or similar value is a more realistic figure. SL suggested that it may be better to set a 'sense check' level for filter failures as it is impossible to achieve 100% accuracy. SM pointed out that ALL parties have an obligation to act in a professional manner.

RS pointed out that he remains supportive of the current process whereby Shippers pay the Transporters to manage filter failures.

Whilst recognising that historically the filter failure process has protected innocent parties from the effects of inappropriate behaviour of others, FC suggested that this remains a discussion item for a later date.

CW suggested and members appeared supportive of adoption of a 'sense check' type of approach, which may or may not, become encapsulated within the CCP role.

Summarising, FC agreed to take a new action to develop high-level principles, for consideration at the next meeting.

Action SP003: xoserve (FC/SW) to develop high-level principles for consideration at the next meeting.

2.2 Alignment of IRR Requirements

When asked, SW indicated and members agreed, that this could be considered at the next meeting.

2.3 Risk Monitoring

Members indicated that they had no items to discuss at present.

2.4 Transitional Arrangements

Opening discussions, CW enquired as to how members viewed the issue of readings being taken only annually or once every two years and enquired if the workgroup are proposing to move to a daily reconciliation for ALL 20 million supply points. The Shippers present confirmed that they were. When asked, xoserve (FC) agreed to take a new action to investigate and provide statistics on the level of outstanding SSPs that have not been read for 12/24 months.

SM indicated that he believes that the smart metering 'big bang' cut-over point will happen sooner rather than later, especially as 2 million plus meter points p.a. are expected to convert to smart metering. FC pointed out that historically in recent years domestic AQ movements have been in the region of 4% and it comes back to the question of when do we actually need to do something clever for smart metering reconciliation. SL in his opinion, believes that whilst a review of the SSP must reads process maybe required in future, the resolution of the timing out of reconciliation remains a smart world solution and not a transitional issue. At this point, xoserve agreed to take a new action to investigate LSP sites in EUC Band 2 which have not had a reading taken in the last 12 months.

Discussions also touched on the following items of interest:

- deciding upon an appropriate smart metering cut-over limit;
- provision of an enhanced reconciliation process for dumb meters in the smart world;

- potential cost benefit considerations;
- geographical switch over considerations (balance between on an LDZ or across the whole country basis) and potential impacts;
- what is actually meant by the term 'Day 1' – *is this the day on which the very first smart meter is installed, or some other definition?*;
- possible adoption of a pseudo dumb metering estimation process, and consideration of, at what point will you have sufficient smart data on which to model this;

FC suggested that if we were to imagine a smart world cut-over today, three prime considerations spring to mind, namely

- provision of a better bottom up estimation regime;
- provision of an equitable reconciliation/estimation process (for dumb meters), and
- provision of a system capable of supporting these options.

Whilst acknowledging that all of the above will need further consideration, SW reminded members that this piece of work would tie in with the transitional arrangement discussions undertaken within the other Nexus workgroups. This being the case she believes that transitional arrangement issues should be 'pulled together' and discussed as a whole, in preference to isolated discussions such as these.

CW pointed out to members that the discussions undertaken to date within the Allocation and SP Reconciliation workgroups will constitute the biggest Uniform Network Code change in recent times. FC supported this by advising that xosere will not build any system without a supporting Code modification being in place in the first instance.

BF suggested, and members agreed, that ALL 'across the board' workgroup transitional issues will need to be better understood before making any formal decisions.

Action SP004: xoserve (FC) agreed to investigate and provide statistics on the volume of outstanding SSP that have not been read for 12 months.

Action SP005: xoserve (FC) to investigate LSP sites in EUC Band 2 which have not had a reading taken in the last 12 months.

3. Workgroup Report

3.1 Preparation of Monthly/Final Report

BF indicated that it was not his intention to compile a monthly report today, but would look to develop a report at the next meeting. However, he agreed to a new action to raise the profile of the transitional arrangements concerns at the next Project Nexus Workstream meeting.

Action SP006: Joint Office (BF) to raise the profile of the transitional arrangements concerns at the next Project Nexus Workstream meeting.

4. Workgroup Process

4.1 Agree actions to be completed ahead of the next meeting

As discussed, and agreed above.

5. Diary Planning

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

Title	Date	Location
AMR 1 Workgroup	31/03/2010	ENA, 52 Horseferry Road, London.
Workstream	13/04/2010	Teleconference
AQ 3 Workgroup	16/04/2010	NG Offices, 31 Homer Road, Solihull.
AMR 2 Workgroup	20/04/2010	ENA, 52 Horseferry Road, London.
SP Rec 3 Workgroup	27/04/2010	NG Offices, 31 Homer Road, Solihull.

6. AOB

SW pointed out that she expects that the reconciliations issues associated with the current process that were previously raised, should be sufficiently 'covered' by discussions at both this and the next meeting.

Appendix 1

Action Table - 29 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)	Update provided. Closed
SP002	17.03.10	4.1	Provide a verbal update at the next Project Nexus Workstream teleconference meeting.	Joint Office (BF)	Update provided. Closed
SP003	29.03.10	2.1	Develop some high-level principles for consideration at the next meeting.	xoserve (FC/SW)	Update due at 27/04/10 meeting.
SP004	29.03.10	2.4	Investigate and provide statistics on the volume of outstanding SSP that have not been read for 12 months.	xoserve (FC)	Update due at 27/04/10 meeting.
SP005	29.03.10	2.4	Investigate LSP sites in EUC Band 2 which have not had a reading taken in the last 12 months.	xoserve (FC)	Update due at 27/04/10 meeting.
SP006	29.03.10	3.1	Raise the profile of the transitional arrangements concerns at the next Project Nexus Workstream meeting.	Joint Office (BF)	Update due at 27/04/10 meeting.