

**UNC Workgroup 0432 Minutes
Project Nexus – gas settlement reform**

Tuesday 06 November 2012

at 31 Homer Road, Solihull, B91 3LT

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
Anne Jackson	(AJ)	SSE
Andy Miller	(AM)	Xoserve
Brendan Murphy	(BM)	Waters Wye Associates
Cesar Coelho	(CC)	Ofgem
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
Dave Corby	(DC)	National Grid NTS
David Mitchell	(DM)	Scotia Gas Networks
Edward Hunter	(EH)	RWE npower
Elaine Carr	(EC)	ScottishPower
Erika Melen	(EM)	Scotia Gas Networks
Gareth John	(GJ)	Corona Energy
Gethyn Howard	(GH)	IPL
Huw Comerford	(HC)	utilita
Julie Varney	(JV)	National Grid NTS
Katherine Porter	(KP)	EDF Energy
Lorna Lewin	(LL)	Dong Energy
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Naomi Anderson	(NA)	EDF Energy
Peter Thompson	(PT)	Customer Representative
Sue Cropper	(SC)	British Gas
Steve Mulliganie	(SM)	Gazprom
Tabish Khan	(TK)	British Gas
Tim Davis	(TD)	Joint Office of Gas Transporters

* via teleconference link

1. Introduction

BF welcomed all to the meeting.

1.1 Review of Minutes

The minutes of the previous meeting were accepted.

1.2 Review of Actions

Action 0432 10/01: National Grid Distribution (CW) to seek a view from Ofgem on how best to progress the Project Nexus suite of modifications.

Update: CW hoped that in providing an overview of the modification under item 2.0 below, that this would give an indication on how the suite of modifications could best be progressed.

Closed

Action 0432 10/02: All parties to consider the relevant objectives for UNC modifications 0432 and 0434 and provide feedback.

Update: BF explained that this action relates to how the workgroup should consider how it is going to explain and justify each individual modification.

Closed

2. Discussion

Modification development update

Opening discussions, CW provided a brief overview of the progress made to date on the development of this modification and reiterated his statement from the previous (initial) meeting that development and preparation of the legal text aspects of the modification form a significant item of work, and to this end, both internal and external lawyers have been brought in to assist. The expectation is that internal workshops will be established and run to develop the initial drafts and feedback will be provided in due course.

Currently the legal personnel are being brought up to speed on both the modification and the more 'general' requirements of the wider project itself. Preliminary work has revealed that several outstanding issues from the BRD development arena now need to be resolved (i.e. validation values, meter reading frequencies, unreconciled energy (unallocated gas – especially allocation and reconciliation) and demand estimation). Investigations into the demand estimation aspects are being considered which could result in a separate modification being raised to address this area. The plan is to work closely with Xoserve and the other Transporters to seek to present a way forward at the December meeting.

CW then focused attention on the need to consider the potential impact upon the existing AUGE mechanisms going forward – a 'menu' of options (relating to unresolved issues) on the way forward would be provided for consideration at the next meeting. He remains of the view that the 'aspiration' for completion of the Workgroup Report in March 2013 could prove to be extremely challenging.

When asked whether or not (draft) legal text would be ready for consideration at the December Panel meeting, CW felt this was highly unlikely. Additionally, he believes that scheduling additional meetings can only take place once the 'first cut' of the legal text has been completed and presented.

CC enquired as to the potential impact upon the 2015 Project Nexus delivery, of any potential delay in the modification (i.e. failing to meet the March 2013 deadline for instance). In responding, AM suggested that this would be heavily dependant on the nature and duration of any delays. Asked what the latest Ofgem decision date that Xoserve would need to ensure 'hitting' the 2015 delivery deadline is, AM suggested that as long as they (Xoserve) had a strong indication from Ofgem and the industry, by May/June 2013, that the benefits case is/was robust, then a 'minded to' indication would suffice and would be a sufficient basis on which Xoserve could continue towards delivery of the solution – however, in essence it is all about risk mitigation.

CW observed that should any of the respective workgroup(s) identify any contentious issues that require significant debate to resolve, achieving the respective targets could/would become difficult. TD also reminded everyone present that resolution of issues relating to costs (User Pays etc.) had previously been 'parked' and reopening this area of debate could also have a potential impact on delivery dates.

Attention then moved to the modification and reviewing **Section 4 - Relevant Objectives**, during which time various amendments were made to the recommendations in the document in-line with discussions undertaken.

Objective A: debate centred around aspects such as AQ, gas flow nomination and demand impacts and whether or not they would actually have a significant bearing on this objective and the day to day system operation. Some believed that with regard to the longer term planning processes, the impact is minimal, whilst others believe that the quality of AQ's is an important factor when designing system capabilities.

Objective B); parties requested additional time to consider if there were positive impacts.

Objective C): CC raised the question of the potential impact to, and effectiveness of, previous charging arguments – AR reminded those present that traditionally, systems are designed based upon LDZ demand profiles and not the AQs.

It was noted that whilst Project Nexus may provide provided products which improve AQ and meter reading submission mechanisms, it does not necessarily mean that parties would provide any more of their respective meter readings than they do presently. AR pointed out that AQs are only a small component of the overall system planning considerations. Furthermore, if Xoserve/Transporters build the Project Nexus solution to provide everything that all parties have stated they require, it would still not guarantee that they would actually use it.

CW felt that if parties could seek to identify particular licence objectives that they believe provision of better AQ information would support then please let the Workgroup know as this would be extremely helpful.

Again it was felt that further consideration would prove beneficial.

Objective D): parties reviewed the supporting narrative provided below the table. The consensus being that the narrative is accurate, although it should be amended to include a caveat around smearing and unidentified gas aspects. CW noted that whilst the modification should not be expected to actually reduce the amount of unidentified gas, it should allow it to be exposed (brought into view) more – presently no work has been undertaken to 'beef up' read performance values and requirements, whilst the actual quality of asset data (RGMA) is also not being considered. It was suggested that the best way in which to view Project Nexus, is as an enabler especially when considering that delivery would provide an enhanced framework that could/would be utilised in future to bring about further improvement over a longer period of time, especially once SMART metering starts to deliver its benefits. AM observed that some benefits could/would be achieved at the supplier end of the market, rather than at the Transporter end.

CC requested that the Workgroup considers benefits in terms of both usage and costs (wholesale market & enabler split (settlement)). AM added that Project Nexus had always been developed with (future) scalability in mind, and as a consequence, is not a barrier to future usage growth.

When asked whether or not they (the Shipper representatives present) could provide an indication on their projected product line (options 1 – 4) take up, some parties felt that this would be extremely difficult to provide in the absence of a fully developed SMART metering regime – issues relating to customer permissions for obtaining reads need to be resolved. Others however, advised that they had already provided their confidential information to Xoserve, but did acknowledge that it remains difficult to identify the potential customer opt outs from daily reads etc. – in this case they have assumed (caveated) that costs for the various product lines (1 to 4) are broadly similar.

TD advised that some actual and potential market entrants had voiced concerns around RbD to which it was suggested that care is needed to ensure that the views of the smaller market participants are sought. Additionally, it was noted that the real issue relates to what level of information would parties be happy to share.

Objectives E), F) and G) again it was felt that further consideration offline and at the next meeting would be beneficial.

CW felt that the Workgroup needs to raise their demand estimation concerns with DESC asap. Furthermore, he remains of the view that we may need a separate DESC related modification in due course and possibly a transitional legal text provision – it all depends upon how confident parties are that DESC will deliver in a timely manner. Thereafter, a new action was placed against the Joint Office (BF) to raise the Workgroup's concerns relating to the allocation methodology with the DESC members, specifically seeking when they expect to deliver. Whilst accepting the action, BF reminded those present that this is 'tied in' with the work currently being undertaken within the development of Modification 0330 'Delivery of additional analysis and derivation of Seasonal normal weather'.

Concluding discussions, BF suggested that at the next meeting the Workgroup need to consider the indication of shipper product take up and associated timelines and potential benefits of alignment with SMART metering delivery and preparation of a draft Workgroup Report. It was also noted that the legal text and relevant objectives aspects of this modification could be progressed separately.

To this end, a new action was placed against all parties to consider providing their views on product take up and associated timelines, any outstanding issues and whether or not we may require an additional (separate) legal text meeting. However, it was acknowledged that whilst the workgroup may discuss these matters at the next meeting, it may not be possible to resolve all of them at the meeting.

3. Any Other Business

Cost / Benefits (inc Opportunity Benefits) Case Progress update

AM explained that work is ongoing focusing in on Rolling AQ changes – the main focus has been on the reconciliation aspects and how the proposed changes impact upon the 'original' AQ allocation. He is hoping to complete the work in time for consideration at the December meeting.

Additionally, the work has also looked at rolling AQ and product 4 options seeking to identify whether or not there is an advantage to aligning both the Project Nexus and SMART metering benefits, or in keeping them separate – it is anticipated that the synergy between Project Nexus and SMART metering should provide enhanced benefits (i.e. a symbiotic relationship). Additionally, it is recognised that there may be opportunity benefits associated with a potential reduction in reconciliation variances.

4. Workgroup Process

4.1 Agree actions to be completed ahead of the next meeting

The following new actions were discussed and assigned:

New Action 0432 11/01: All parties to consider, and identify where possible, any licence objective(s) that they believe provision of better AQ information would support.

New Action 0432 11/02: Joint Office (BF) to raise the profile of the Project Nexus Workgroups concerns relating to the allocation methodology with the DESC members.

New Action 0432 11/03: All parties to consider providing a view as to their respective anticipated product line (options 1 to 4) take up including associated timelines and to also consider if they believe an additional and separate legal text meeting would be appropriate.

5. Diary Planning

Following a brief discussion it was agreed to schedule in some additional meetings and look to move to fortnightly frequency commencing early in 2013.

The following meetings are scheduled to take place:

Title	Date	Location
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	04/12/2012	National Grid, 31 Homer Road, Solihull, West Midlands. B91 3LT.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	08/01/2013	National Grid, 31 Homer Road, Solihull, West Midlands. B91 3LT.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	22/01/2013	Location to be confirmed, but preferably at a London venue.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0432 10/01	02/10/12	2.	To seek a view from Ofgem on how best to progress the Project Nexus suite of modifications.	National Grid Distribution (CW)	Update provided. Closed
0432 10/02	02/10/12	5.	To consider the relevant objectives for UNC modifications 0432 and 0434 and provide feedback.	All	Update provided. Closed
0432 11/01	06/11/12	2.	To consider, and identify where possible, any licence objective(s) that they believe provision of better AQ information would support.	All	Update to be provided in due course.
0432 11/02	06/11/12	2.	To raise the profile of the Project Nexus Workgroups concerns relating to the allocation methodology with the DESC members.	Joint Office (BF)	Update to be provided in due course.
0432 11/03	06/11/12	2.	To consider providing a view as to their respective anticipated product line (options 1 to 4) take up including associated timelines and to also consider if they believe an additional and separate legal text meeting would be appropriate.	All	Update to be provided in due course.