

UNC Workgroup 0432 Minutes Project Nexus – gas settlement reform

Tuesday 09 July 2013

at Consort House, 6 Homer Road, Solihull B91 3QQ

Attendees

Tim Davis (Chair)	(TD)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Alex Ross-Shaw*	(AR)	Northern Gas Networks
Chris Warner	(CW)	National Grid Distribution
Dave Corby	(DC)	National Grid NTS
Ed Hunter	(EH)	RWE npower
Elaine Carr	(EC)	ScottishPower
Emma Smith	(ES)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
Huw Comerford	(HC)	Utilita
Jon Dixon	(JD)	Ofgem
Julie Varney	(JV)	National Grid NTS
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Naomi Anderson	(NA)	EDF Energy
Steve Mulinganie	(SM)	Gazprom
Tabish Khan*	(TK)	British Gas

*by teleconference

1. Introduction

TD 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 05/01: Joint Office (BF/MB) to invite Ofgem to attend the 20 May meeting and provide their view on the User Pays and Wider Funding Arrangements issues.

Update: JD indicated that Ofgem see the UKLink Replacement and Project Nexus as being one and the same, and that funding has been provided as part of RIIO.

Concerns were voiced relating to items such as identification of incremental costs, whether the principle that the three main elements (retrospective updates, settlement and iGT provisions) remain valid along with fully understanding any possible CAPEX/OPEX implications (core, fixed system coding costs etc.) and potential Gemini impacts. It was noted that the Project Nexus plan suggests that systems development should be completed in Q4 2014, whilst assessment of any potential Gemini impacts would be needed in due course.

Some felt that they would need more time to consider the funding provisions, especially the 0432 ones. JD suggested that he remains convinced that the potential risk of 'double funding' remains low, especially if 0432 becomes a User Pays modification – it was acknowledged that this remains to be fully determined and could be further considered during development of the Workgroup Report.

TD stated that, since changes to central systems are envisaged in this modification, and those changes involve enhancements to the existing UNC regime, this modification falls with the definition of a User Pays Modification. Furthermore, Xoserve has indicated that the additional costs of implementing the Nexus requirements, over and above the cost of replacing UK Link systems on a like for like basis with existing functionality, amount to about £20m. However, the actual difference in costs between a like for like and enhanced systems development will never be known since only one procurement and development exercise will be undertaken, based on the identified requirements.

JD advised that Ofgem believe that all reasonably foreseen costs were considered when the price controls were set, and appropriate funding provisions provided for. However, if there are any significant additional costs beyond this, which can be demonstrated and justified, then these should be considered in the context of the arrangements for funding which are in place following the review of Xoserve's governance and funding. CW said that, on this basis, the modification would not be proposed as a User Pays Modification, and the modification would be amended to reflect this.

The Transporters took the opportunity to emphasise that not all costs had been identified and some, such as the cost of changing Gemini so as to be consistent with the modification, were clearly not included in price control submissions. As such, additional cost recovery from Shippers is likely to be required in future. **Closed**

2. Review Legal Text Update

In addition to the draft text, CW had provided a Core Legal Drafting - Explanatory Table. This links the references to the BRDs. CW extended his thanks to Xoserve for their assistance in preparing the table, and asked all to review the text and provide feedback where appropriate.

CW confirmed the legal text is largely complete and a review meeting with the lawyers is due in August, which would involve a complete walk through of the text. CW agreed to consider inviting others.

3. Draft Workgroup Report Review

TD undertook an on-line review of the (draft) Workgroup Report and it was recognised that many of the drafting changes should be replicated for other Nexus modifications.

JD advised that funding discussions with the iGTs remain ongoing, although he does not anticipate that this would be allowed to delay work on progressing Modification 0440 (i.e. Ofgem could sign off 0440 with or without successful resolution of the iGT funding issues).

Section 1 – Summary

In considering implementation timescales, it was suggested that recognition of other 2015 changes should be made (i.e. EU requirements, smart metering) and a coordinated plan produced. It was suggested that a better understanding of what Project Nexus elements would be flexible enough, in configuration terms, to handle the EU Changes would be helpful – MD confirmed that Xoserve are currently awaiting the results of a combined Xoserve/National Grid Impact Assessment exercise to fully appreciate what is required.

TD questioned whether or not the industry would be happy to adopt a 'Big Bang' cut-over for a range of initiatives in 2015. CW suggested that the Workgroup would need to consider the various implementation requirements including the most appropriate route for achieving formal (technical) sign off (i.e. UKLC &/or UNCC etc.) and avoidance where possible of parallel running of any legacy systems.

It was recognised that clearly identifying an effective implementation date would be useful, and allow for effective planning by all. MD confirmed that the Xoserve expectation is to have a project plan ready for consideration at the 13 August meeting.

Section 4 – Relevant Objectives

Discussion centred on the relationship between this modification and that of 0453 culminating in agreement that if 0453 were rejected, implementation of 0432 as a standalone modification would be in jeopardy, as it would not be seen as being able to forward the relevant objectives.

It was agreed that further work on this report would require consideration of the Xoserve benefits case, which is to be provided in due course.

In closing, all parties agreed to review the draft Workgroup Report and provide feedback at the next meeting.

Action 0432 07/01: Joint Office (MB) to publish a draft Workgroup Report.

Action 0432 07/02: All to provide feedback on the draft Workgroup Report.

4. Any Other Business

None.

5. Diary Planning

The following meetings are scheduled to take place:

Title	Date	Location
Project Nexus Workgroup (inc. 0432, 0434 & 0453 Workgroups)	30/07/2013	Teleconference.
Project Nexus Workgroup (inc. 0432, 0434 & 0453 Workgroups)	13/08/2013	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull. B91 3QQ.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0432 05/01	07/05/13	3.	To invite Ofgem to attend the 20 May meeting and provide their view on the User Pays and Wider Funding Arrangements issues.	Joint Office (BF/MB)	Completed
0432 07/01	09/07/13	3.	Publish a draft Workgroup Report.	Joint Office (MB)	Published alongside these minutes.
0432 07/02	09/07/13	3.	Provide feedback on the draft Workgroup Report.	All	Due on 13 August.