

UNC Workgroup 0432 Minutes Project Nexus – gas settlement reform

Tuesday 22 October 2013

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

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Alex Ross-Shaw*	(ARS)	Northern Gas Networks
Andrea Bruce*	(AB)	ScottishPower
Andy Miller	(AM)	Xoserve
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
Dave Corby	(DC)	National Grid NTS
Emma Smith	(ES)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
Huw Comerford	(HC)	Utilita
Jon Dixon*	(JD)	Ofgem
Jonathan Kiddle	(JK)	EDF Energy
Julie Varney	(JV)	National Grid Transmission
Kathryn Allen	(KA)	RWE npower
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Robert Cameron-Higgs*	(RCH)	first utility
Sean M ^c Goldrick	(SM ^c)	National Grid Transmission
Stephanie Shepherd	(SS)	npower
Steve Mullinganie	(SM)	Gazprom
Sue Cropper	(SC)	British Gas
Tabish Khan	(TK)	British Gas
Tim Hammond	(TH)	Corona Energy

* via teleconference

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 09/03: National Grid Distribution (CW) to consider what Gemini change (ROM) costs may be required for inclusion within an amended modification.

Update: It was agreed that this action would be 'covered' under discussions on the (draft) Workgroup Report under item 2.2 later in the meeting. **Closed**

Action 0432 09/06: Gazprom (SM) to seek an Ofgem view on whether or not, the proposed Project Nexus simplistic approach (i.e. doing away with the AUGE role altogether) to the smearing of energy in the new world is appropriate.

Update: Opening, JD advised that Ofgem remains uncomfortable with the concept of completely removing the role of the AUGE and moving to a simple allocation methodology without evidence to support the proposal. He did acknowledge that perhaps in future this work could/would be undertaken via the Performance Assurance Framework and Workgroup. In indicating that one interim option (until the PAF is fully developed that is, post delivery of Project Nexus), could be to smear the unallocated energy equally across the whole of the industry market sectors, JD suggested that the matter would need careful consideration. He strongly believes that the Workgroup Report should clearly state that the 0432 approach is an interim solution only. However, this was not a view universally supported by all parties present, and AR suggested that this should not be misconstrued as a 'transitional' issue, as any change in the prescribed (0432) approach is merely a 'bolt-on' to its enduring solution, and as a consequence, he sees little value or need in revisiting the BRD's or the modification. Again views differed, as some believe that this falls under a scope change and therefore the BRDs should be amended to reflect the proposed shift in the solution status. BF suggested, and parties agreed that this matter should be raised as a new Project Nexus Issue in order to make sure it is discussed and managed appropriately.

CW advised that should the Workgroup advocate a change to the 0432 enduring solution, the consequence of which, would be a knock on effect on the legal text and the business rules within the respective BRDs, then the Workgroup Report would clearly NOT be ready in time for submission to the November 2013 Panel and would probably require a 6 month extension, thereby jeopardising the ultimate project delivery timescales. He went on to suggest that perhaps one alternative would be to raise a new (Project Nexus) modification to specifically look at the AUGE role and framework requirements for the interim 2 year (transitional) period, and thereby, allow 0432 to continue on its current path – in the end, this was a suggestion supported by the majority of people in attendance at the meeting as it forms the basis of a pragmatic approach which would ensure that the overall Project Nexus 2015 delivery objectives can be met.

Moving on, AM advised that from a systems development perspective, a form of factorisation facility would be built-in to the system to allow management of the unallocated energy allocation mechanisms. Whilst this seemed to be well received, AR did voice some concern in relation to whether or not this built-in flexibility would be able to handle the introduction of a more complex solution. GE voiced his concern around any proposed solution that would be class based, as he believes that a profile class customer behaviour style solution would be preferable, whilst TK and SC suggested that not all (Shipper) parties present shared the same concerns. Responding, AM pointed out that the system, as modelled to date and based on the BRDs, could not provide a more flexible solution and that it should be borne in mind that currently the AUGE utilises a DM/SSP/LSP type split on which to base its recommendations.

In acknowledging the differing views around the table, JD advised that he would be happy to see 0432 continue on its present path, but would not support its current simplistic approach to completely doing away with the AUGE in the new world.

AR/CW accepted that there would be a piece of work for the AUGE to provide some (smearing) unallocated energy factors that could be accommodated within the scope of the current system build parameters, and believe that perhaps the default allocation should be on a 1:1 basis.

AM then provided a brief overview of how the current proposed built-in system factors could be subtly amended to address the various concerns voiced during today's discussions. When asked, he confirmed that he believes that this would/could provide a solution that is closely aligned to the current AUGE processes. GE wondered whether or not there is a DMV issue that needs to be addressed. SM suggested that this is more akin to a Class 2 related issue that could be addressed at a later date. A copy of AM's suggested tweaks is provided below.

Example of a more refined Unallocated Energy system scaling factor table.

Shipper by LDZ	Class type	Class type sub-division	Class type sub, sub-division (where applicable)	Factor
	Class 1	None	None	1
	Class 2	AQ not less than 25,000,000 kWhrs	None	1
		AQ not greater than 24,999,999 kWhrs	Larger Supply Point	1
			Smaller Supply Point	1
	Class 3	Larger Supply Point	None	1
		Smaller Supply Point	None	1
	Class 4	Larger Supply Point	None	1
		Smaller Supply Point	None	1

In moving on to consider the impacts of raising a new modification to look at the AUGE role and framework going forwards, AR pointed out that under the auspices of 0432 everyone gets a factor of 1 applied to them – this was agreed by consensus. Thereafter, a new document would be required to accurately document the requirements before the new modification is raised – again, this was agreed by consensus. CW advised that he anticipates that to accommodate the new modifications legal text requirement, an amendment to the current 0432 legal text (with the possibility of a ripple effect through to BRD and WGR amendments also) would be needed. JD suggested that it would be prudent to ‘future proof’ 0432 by adding a line into the legal text that identifies that the AUGE Expert would populate the table which is to be provided by the new modification. AM suggested that as far as 0432 was concerned, insert a factor table into Code that uses a default value of 1 and thereafter the new modification would look to populate the table with the future AUGE derived values. JD pointed out that the ‘key’ aspect is that Xoserve should be able to demonstrate that they can deliver sufficient system flexibility to cater for the requirements. He added that, for the avoidance of doubt, this is the only area of concern around development of 0432 that Ofgem has, and that they are reasonably happy with the BRD content as currently proposed.

In closing this current action, a new action was assigned to National Grid (CW) to discuss with Denton’s lawyers and Ofgem how best to incorporate a system assurance (inc. the system / AUGE factors table) statement into the legal text for 0432, and the associated BRD’s (where applicable) and to also consider the raising of a new modification that seeks to look at the AUGE role and framework requirements for the interim 2 year (transitional) period. **Closed**

Action 0432 10/01: National Grid Distribution (CW/AR) to consider combining the two modifications (0432 and 0453) into one amended 0432 modification, and thereafter formally withdrawing 0453.

Update: BF advised that an amended version of 0432 (v2.0, dated 18 October 2013) had been published incorporating elements of 0453 and that 0453 had now been formally withdrawn. **Closed**

Action 0432 10/02: National Grid Distribution (AR) to liaise with Xoserve to investigate how the Transporters RIIO allowances were built up and to seek a view from Ofgem as to whether or not Gemini change costs were taken into account within the allowances.

Update: SM^c voiced his concerns relating to how National Grid Distribution have viewed the Gemini change costs in regards to the Transporters RIIO allowances. See item 2.1 for further discussion. **Closed**

Action 0432 10/03: National Grid Transmission (JV) to investigate whether or not, there could be any potential system balancing related benefits, and if so, whether relevant objective a) would be impacted.

Update: JV explained that in the limited time and resources available, National Grid Transmission's view is that there is no direct link with any potential system balancing related benefits. CB remained unconvinced and indicated that she would be seeking to discuss the matter with Ofgem further in due course. JD suggested, that whilst acknowledging National Grid Transmission's view point, it might be prudent to also capture E.ON's comments within the WGR.

Whilst this current action was closed a new action was assigned to Ofgem (JD) to provide a view on whether or not relevant objective a) is applicable for 0432 in regard of any potential system balancing related benefits, especially when bearing in mind the equivalent electricity system balancing model and how system operation would amend their processes on a day to day basis. **Closed**

Action 0432 10/04: Xoserve (AM) & National Grid Distribution (CW) to examine the UNC Modification Rule requirements and thereafter provide a set of suitable implementation dates for utilisation within the amended 0432 Modification and Workgroup Report.

Update: CW advised that this had been completed as part of the suite of amendments undertaken on the modification, which has culminated in the publication of the amended version 2.0. **Closed**

Action 0432 10/05: All parties to review the (draft) Workgroup Report, when published, and provide their feedback at the 22 October meeting.

Update: BF explained that this would be covered under item 2.2 below. **Closed**

Action 0432 10/06: National Grid Distribution (CW) to discuss with Denton's lawyers and Ofgem how best to incorporate a system assurance (inc. the system / AUGE factors table) statement into the legal text for 0432, and the associated BRD's (where applicable) and to also consider the raising of a new modification that seeks to look at the AUGE role and framework requirements for the interim 2 year (transitional) period.

Action 0432 10/07: Ofgem (JD) to provide a view as to whether or not they believe that relevant objective a) is applicable for 0432 in regard to any potential system balancing related benefits, especially when bearing in mind the equivalent electricity system balancing model under P0272.

2. Workgroup Report Development

2.1 Discussion Document on National Grid Transmission's Concerns Regarding the Gemini Costs and Funding Arrangements within Project Nexus

Whilst undertaking a review of the discussion document, SM suggested that care would be needed when looking at costs on an individual modification basis, as it is the cost of the suite of Project Nexus modifications which is the important consideration and that he would be interested to hear Ofgem's view of National Grid Transmission's

concerns, around the funding arrangement provisions for Gemini changes within Project Nexus.

In supporting of the overall delivery of Project Nexus, SM^c once again reiterated NGT's concerns around the Gemini costing issue and reminded those present that this is not the first time that these concerns have been voiced over the last few years - throughout the entire FGO and Project Nexus process, NGT have been worried about the potential for material costs for Gemini being incurred and feel that it would be unreasonable for them to pick up these costs as there are no perceived benefits for NGT in doing so. He also remains concerned that 2015 would potentially deliver the biggest change to Gemini since its inception, in the form of the European legislation changes.

Opinions on whether or not Gemini funding was included within Project Nexus arrangements remained polarised with AR pointing out that it is not just Gemini costs that are the issue, but the UKLink replacement programme itself. He believes that the UNC changes within the Project Nexus business plan are NOT system specific. Furthermore, Xoserve have already confirmed that this includes incremental elements of Gemini change costs.

In recognising the divided views of the various parties concerned around the issue of the Gemini funding arrangements, JD suggested that perhaps the real issue relates more to the level of granularity and transparency around the various cost elements within the funding arrangements. However, whilst not discounting that there could be scope for some incremental Gemini funding considerations, he also believes that the Gemini cost allowances should have already been included within the RIIO allowance. SM^c remained of the view that the evidence he had seen to date, would suggest that this was not the case.

In closing, a new action was assigned to JD to look to set up a discussion between interested parties to ascertain what Gemini costs have, or have not been allowed for and to come back to the Workgroup with a view on any potential future incremental Gemini funding arrangements.

Action 0432 10/08: Ofgem (JD) to look to set up a discussion between interested parties to ascertain what Gemini costs have, or have not been allowed for and to come back to the Workgroup with a view on any potential future incremental Gemini funding arrangements.

2.2 Draft Workgroup Report (v0.5) Development

An onscreen review of the draft WGR (v0.5, dated 18 October 2013) was undertaken, with special attention being devoted to the implementation, relevant objectives and user pays sections.

During the review, BF pointed out that the Workgroup are unable to complete the User Pays statement and funding considerations until such a time as the Gemini funding issue is clarified. He also reminded people that the UP aspects are contained in Section 3 – Solution, within the modification, and as a consequence, can only be amended by the Proposer.

In considering the implementation dates, AM pointed out that in reality, any decision post 31 March 2014 would potentially accrue additional risks over time. A new action was then assigned to JV to confirm what are the Gemini Winter Operation Rule requirements.

Action 0432 10/09: National Grid Transmission (JV) to confirm what the actual Gemini Winter Operation Rule restrictions are.

3. Any Other Business

Modification 0432 Project Nexus Gas Settlement Reform and Modification 0453 Project Nexus Demand Estimation Benefits Case Consultation Report consideration

AM advised that he would be adding a cost reflective consumption adjustment and AUGE requirements to the consultation report and that he anticipates providing an amended document in w/c Monday 28 October.

Legal Text Review

When asked, CW/AR advised that as far as they are aware at this time, the legal text accurately reflects the business rules.

All parties were asked to provide their feedback on the legal text by no later than the 30 October 2013 meeting.

Action 0432 10/10: All parties to review the legal text and provide feedback at the 30 October meeting.

4. Diary Planning

The following meetings are scheduled to take place during 2013/14:

Time / Date	Venue	Workgroup Programme
10:30 Wednesday 30 October.	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull B91 3QQ.	0432 & 0434 – <i>draft Workgroup Reports development meeting.</i>
10:30 Thursday 07 November	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull B91 3QQ.	0432 & 0434 – <i>completion of Workgroup Reports meeting.</i>
10:30 Wednesday 04 December	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull B91 3QQ.	<i>Initial consideration of transitional requirements and possible draft AUGE Modification.</i>
10:30 Wednesday 08 January	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull B91 3QQ.	<i>Ongoing consideration of transitional requirements and possible draft AUGE Modification.</i>
10:30 Wednesday 05 February	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull B91 3QQ.	<i>Ongoing consideration of transitional requirements and possible draft AUGE Modification.</i>

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0432 09/03	30/09/13	2.	To consider what Gemini change (ROM) costs may be required for inclusion within an amended modification.	National Grid Distribution (CW)	Update provided. Closed
0432 09/06	30/09/13	3.	To seek an Ofgem view on whether or not, the proposed Project Nexus simplistic approach (i.e. doing away with the AUGE role altogether) to the smearing of energy in the new world is appropriate.	Gazprom (SM)	Update provided. Closed
0432 10/01	16/10/13	2.1	To consider combining the two modifications (0432 and 0453) into one amended 0432 modification, and thereafter formally withdrawing 0453.	National Grid Distribution (CW/AR)	Update provided. Closed
0432 10/02	16/10/13	2.2	To liaise with Xoserve to investigate how the Transporters RIIO allowances were built up and to seek a view from Ofgem as to whether or not Gemini change costs were taken into account within the allowances.	National Grid Distribution (AR)	Update provided. Closed
0432 10/03	16/10/13	2.2	To investigate whether or not, there could be any potential system balancing related benefits, and if so, whether relevant objective a) would be impacted.	National Grid Transmission (JV)	Update provided. Closed
0432 10/04	16/10/13	2.2	To examine the UNC Modification Rule requirements and thereafter provide a set of suitable implementation dates for utilisation within the amended 0432 Modification and Workgroup Report.	Xoserve (AM) & National Grid Distribution (CW)	Update provided. Closed
0432 10/05	16/10/13	2.2	To review the (draft) Workgroup Report, when published, and provide their feedback at the 22 October meeting.	All	Update provided. Closed
0432 10/06	22/10/13	1.2	To discuss with Denton's lawyers and Ofgem how best to incorporate a system assurance (inc. the system / AUGE factors	National Grid Distribution (CW)	Update to be provided in due

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			table) statement into the legal text for 0432, and the associated BRD's (where applicable) and to also consider the raising of a new modification that seeks to look at the AUGE role and framework requirements for the interim 2 year (transitional) period.		course.
0432 10/07	22/10/13	1.2	To provide a view as to whether or not they believe that relevant objective a) is applicable for 0432 in regard to any potential system balancing related benefits, especially when bearing in mind the equivalent electricity system balancing model under P072.	Ofgem (JD)	Update to be provided in due course.
0432 10/08	22/10/13	2.1	To look to set up a discussion between interested parties to ascertain what Gemini costs have, or have not been allowed for and to come back to the Workgroup with a view on any potential future incremental Gemini funding arrangements.	Ofgem (JD)	Update to be provided in due course.
0432 10/09	22/10/13	2.2	To confirm what the actual Gemini Winter Operation Rule restrictions are.	National Grid Transmission (JV)	Update to be provided in due course.
0432 10/10	22/10/13	3.0	To review the legal text and provide feedback at the 30 October meeting.	All	Update to be provided in due course.