

**UNC Workgroup 0434 Minutes
Project Nexus – Retrospective Adjustment**

Tuesday 05 February 2013

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
Alison Jennings	(AJe)	Xoserve
Alex Ross	(AR)	Northern Gas Networks
Andy Miller	(AM)	Xoserve
Anne Jackson*	(AJa)	SSE
Chris Warner	(CW)	National Grid Distribution
Dave Corby	(DC)	National Grid NTS
Elaine Carr*	(EC)	ScottishPower
Emma Lyndon	(EL)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye Associates
Huw Comerford	(HC)	utilita
Jon Dixon*	(JD)	Ofgem
Julie Varney	(JV)	National Grid NTS
Leanne Thomas	(LT)	RWE npower
Lorna Lewin	(LL)	Dong Energy
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Peter Thompson	(PT)	Customer Representative
Steve Mullinganie	(SM)	Gazprom
Sue Cropper	(SC)	British Gas
Tabish Khan*	(TK)	British Gas
Trevor Clark	(TC)	E.ON UK

* *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 0434 01/01: Ofgem (JD) to discuss the Project Nexus funding arrangements with his colleagues and provide a view on what has, or has not, being included within the current Price Control allowance.

Update: JD advised that he is still awaiting a response from his colleagues.

Carried Forward

Action 0434 01/02: All parties to look to providing some high-level cost benefit information for the modification as soon as practicably possible (subject to resource constraints) and hopefully in time for consideration at the next meeting.

Update: Opening discussions, BF explained that to date, no information had been forthcoming.

Carried Forward

2. Discussion

Modification Costing Review

A detailed debate followed which focused on whether or not, the apparent cost of this particular modification, which appears to make up 25% of the overall Project Nexus projected cost, is in any way disproportionate. This becomes especially important when considering that there are apparently a limited number of sites that would be impacted and some see this as limiting their ability to justify the costs and benefits of the modification.

In pointing out that this is a concern that he had previously raised (on several occasions) in the past, SM wondered if there might not be a cheaper way of providing an automated solution to replace the current manual processes. He believes that the previous focus of attention on the performance assurance aspects may have been somewhat misguided and went on to query the details (especially if we are looking at modular system functionality) that sit behind the apparent £5 million cost of implementing this modification – in short, is this in fact an accurate assessment. It should be noted however, that some parties believe that the (£5 million) estimate is a reasonably accurate prediction.

He then went on to raise a related concern around the ‘back out / fix costs’ should we implement the modification and subsequently find that it fails (potentially involving a systemic failure spread over circa 20 million sites), as he believes that this could be well in excess of the current £5 million projected cost – it is all about risk mitigation and the establishment of appropriate protection mechanisms.

Next, AM provided an explanation as to how the projected £5 million cost figure was established. In short, Xoserve responded to a request from Ofgem to provide a greater level of granularity of information and the estimate is based on providing the retrospective adjustment functionality as a standalone piece of work, outside of Project Nexus. Furthermore, the cost when rolled up with the delivery of other Project Nexus functionality may well be less than this projected figure. He then asked parties to note that should all of the ‘modular’ component functionality costs for Project Nexus be added together their total would most certainly be greater than the predicted £20 million overall cost. When asked, AM agreed that it could be said that the £5 million projected cost, reflected a possible worst case scenario cost, that would come in to play should we need to fix a problem after the event. AM reminded those present that the Workgroup would need to be able to justify the figures as part of their report.

It was acknowledged that should the Authority reject UNC Modification 0434, retrospective adjustments would still take place in a future world via manual correction processes – the main concerns being that these work around processes sit outside of the Code and would invoke additional equivalent FTE resourcing costs – it really boils down to risk mitigation again.

When asked for a ‘drop dead’ date for this modification, BF suggested that subject to provision of the legal text, a Workgroup report is scheduled to be submitted to the 21 March 2013 UNC Panel meeting. However, this would be heavily influenced by the level of detail provided by parties in their respective responses along with addressing any confidentiality issues.

SM advised that whilst his 0432 analysis is ongoing, he sees the 0434 analysis as being rather more difficult. When bearing in mind that he has never supported the unbundling of Project Nexus modifications approach, he perceives 0434 relates more to core system changes, and in his opinion the real issue becomes how we

justify the proposed costs against the overall Project nexus benefits. Another factor to possibly consider, is the fact that his accelerated AMR work is unearthing some data issues that may, or may not, raise alarm bells further down the line.

PT advised that based on the discussions and acknowledging the various views put forward, he remains comfortable that the projected £5 million cost for the modification – it boils down to balancing the costs against the perceived risks.

In closing, AM suggested that if parties wish Xoserve to administer a consultation style process, in conjunction with Ofgem, then he would look to providing a table in which parties could populate their response information. He would hope to get this released by next week.

3. Any Other Business

None.

4. Workgroup Process

4.1 Agree actions to be completed ahead of the next meeting

No new actions were assigned.

5. Diary Planning

The following meetings are scheduled to take place:

Title	Date	Location
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	18/02/2013	Energy UK, Charles House, 5 – 11 Regent Street, London. SW1Y 4LR.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	05/03/2013	31 Homer Road, Solihull, West Midlands. B91 3LT.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	18/03/2013	31 Homer Road, Solihull, West Midlands. B91 3LT.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0434 01/01	08/01/13	2.	To discuss the Project Nexus funding arrangements with his colleagues and provide a view on what has, or has not, been included within the current Price Control allowance.	Ofgem (JD)	Update to be provided in due course. Carried Forward
0434 01/02	08/01/13	2.	To look to providing some high-level cost benefit information for the modification as soon as practicably possible (subject to resource constraints) and hopefully in time for consideration at the next meeting.	All	Update to be provided in due course. Carried Forward