

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

Tuesday 05 March 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
Alan Raper	(AR)	National Grid Distribution
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Alex Travell	(AT)	E.ON UK
Alison Jennings	(AJe)	Xoserve
Andy Miller	(AM)	Xoserve
Anne Jackson	(AJa)	SSE
Chris Warner	(CW)	National Grid Distribution
Elaine Carr*	(EC)	ScottishPower
Emma Lyndon	(EL)	Xoserve
Emma Smith	(ES)	Xoserve
Erika Melen	(EM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye Associates
Huw Comerford	(HC)	utilita
Julie Varney	(JV)	National Grid NTS
Leanne Thomas	(LT)	RWE npower
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Naomi Anderson*	(NA)	EDF Energy
Peter Thompson	(PT)	Customer Representative
Steve Mullinganie	(SM)	Gazprom
Sue Cropper	(SC)	British Gas
Tim Davis*	(TD)	Joint Office of Gas Transporters

* *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, been included within the current Price Control allowance.

Update: BF advised that JD had requested the action be carried forward.

Carried Forward

2. Discussion

Cost / Benefit Assessment update

AM advised that following the issue of the industry cost benefit document in early February 2013, 5 responses had been received to date. The responses received have failed to provide a strong (robust) cost benefit justification and any views on how the Workgroup could improve the provision of cost benefit information would be welcomed – is it simply a case of accepting what we have received and go with what we have, if so there is a risk that it will not be possible to justify the modification.

During detailed debate, several options were discussed such as de-scoping the modification to potentially reduce parties commercial risk exposure and therefore potentially enhance the cost benefit case. This was not necessarily a universally supported option, as it would mean reopening the BRD and amending the modification. AM suggested that whilst the predicted £20 million (overall Project Nexus) cost estimate was a sound starting point, if the Workgroup was to try to visualise the cost of implementing this modification in isolation (as a standalone element), the cost could be expected to be circa £5 million. However, it should be remembered that as it is very difficult to predict the future commercial environment and commercial positions, obtaining an accurate and robust cost benefit assessment remains extremely difficult.

GE suggested that trying to provide an assessment of the future equivalent FTE impact could enhance the cost benefit case, whilst SM advised that any enduring failure in this area would / could have significant market implications. He remains of the view that there are potentially several material market impacts that would have serious cost implications in the future – the net result would / could be the raising of multiple urgent modifications to address (fix) the issues. It was acknowledged that within the Workgroup, there are differing views around market risk, its potential impact and what may be an appropriate mitigation strategy.

MJ voiced his concern around potentially splitting the modification down into what may appear on the surface to be more manageable elements, such as data &/or standard reads etc. SM believed that highlighting the potential systemic risks involved with this modification would certainly get Ofgems attention. However, he is of the view that the £5 million estimated (standalone) cost figure is misleading as there may well be significant cost benefits to be achieved by implementing the functionality as part of the overall Project Nexus implementation, rather than waiting until a later date when something goes wrong on a large scale.

Some parties remained unconvinced that introducing this retrospective adjustment modification actually mitigates any potential future errors, whilst some believe that in future, the current level of asset related errors would / could be magnified by a factor of 5 possibly due to the role out of SMART metering and the accelerated exchange of meter assets. The cost associated with rectifying those errors becomes the real issue. GE added that he believes that the part of the issue reflects the Suppliers differing views around their customer data contained within the Xoserve systems, and as a consequence, the time taken to manually correct these errors comes at a cost, and so he sees benefit in introducing an automated solution – with the market moving towards an ever more dynamic (customer) Supplier switching model, retention of a manual process is seen as a retrograde step. Responding, PT pointed out that he firmly believes that there is a 2 year window of opportunity within which Suppliers could / should clean up their customer and asset information. In supporting PT's point, AM advised that this is also straying into the area of Data Cleansing before moving on to provide a brief overview of meter reads, explaining that industry wide indications suggest that the industry is slow to respond to USRV's and clean up their respective asset data – he went on to suggest that there are plenty of areas the Workgroup could focus on in preparing the data for migration which would / could possibly alleviate some, if not all, of PT's concerns. It should be recognised that the industry should not wish

to move forward into the future migration exercise knowing that the data is incorrect.

Moving on, AM advised that there are some (new) issues relating to SMART metering information which are only just starting to come to light and Xoserve are currently engaging with Shippers on the matter.

AM went on to suggest that at the moment a lot of the discussions are speculative and should the industry believe that there is still benefit in implementing this modification, could it (industry parties) please provide supporting information to him – should a decision be made by the Workgroup to de-scope the modification then this should be formally captured.

In closing, SM agreed to provide an ICoSS response which encapsulates the Workgroup discussions 'key' points (from a Suppliers perspective) and to thereafter circulate it to the Workgroup for comments.

3. Any Other Business

None.

4. Workgroup Process

4.1 Agree actions to be completed ahead of the next meeting

New Action 0434 03/01: ICoSS (SM) to prepare a draft response letter encapsulating the Workgroup discussion 'key' points (from a Suppliers perspective) and thereafter circulate it to the Workgroup for review and comments.

5. Diary Planning

The following meetings are scheduled to take place:

Title	Date	Location
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	18/03/2013	31 Homer Road, Solihull, West Midlands. B91 3LT.
Project Nexus Workgroup (dedicated legal text review)	10/04/2013	31 Homer Road, Solihull, West Midlands. B91 3LT.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	23/04/2013	Location to be confirmed.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	07/05/2013	31 Homer Road, Solihull, West Midlands. B91 3LT.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	20/05/2013	Energy UK Office, Charles House, 5–11 Regent Street, London. SW1Y 4LR.

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 03/01	05/03/13	2.	To prepare a draft response letter encapsulating the Workgroup discussion 'key' points (from a Suppliers perspective) and thereafter circulate it to the Workgroup for review and comments.	ICoSS (SM)	Update to be provided in due course.