

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

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*	(GE)	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. Outline of Modification

BF welcomed everyone to the first meeting of the Workgroup before handing over to CW to provide an overview of the modification.

2. Initial Discussion

When asked, CW confirmed that either Modification 0432 or 0434 could be implemented (or rejected) independently of the other.

PT on behalf of customers, raised some key areas of concern, namely:

- that adjustments such as would be facilitated more easily by this modification have a potential impact on the (gas) customer - in principle, customers are not against the BRD or the subsequent modification, they feel that just maybe insufficient consideration was given to the potential for detrimental impacts;

- the main worry is should a Supplier be, or becomes, a little sloppy in their meter reading practise, the proposed process could be used to bring their position up to date to the detriment of customers and other operators in the industry, through the (inappropriate) movement of energy, especially when taking into account the fact that as an industry we are moving into a less vulnerable and more accurate meter reading regime where the introduction of Smart Meters and the improved data which will flow from the changing of every meter, brings into question the (true) value of this modification and the cost of introduction unnecessary;
- as written, customers feel that this modification does nothing to reduce Back Billing, neither does it help the accuracy of the Suppliers notification to the customer of energy usage at the time Carbon Reduction Certification (CRC) documents have to be completed and accuracy committed to by the customer – potentially placing the customer at risk of severe penalty should inaccuracies be detected;
- customers feel that the present arrangements sufficiently take account of issues with data and billing and presents the user with a process that whilst not easy, is capable of producing a suitable resolution;
- customers believe that the modification in its present form is not necessary if parties commit to using and passing on regular data obtained by people with the appropriate level of skill. As a consequence de-scoping or dropping of the modification in favour of a reconstruction of the present process will save both time and money is their preferred option. In short, they feel that the principle to be adopted should be that it is hard to do the wrong thing and easy to do the right thing, as a consequence, the modification as outlined flies in the face of this principle, and
- customers also believe that the suggested data cleansing proposals further undermine the need for the modification.

PT went on to suggest that should the modification go ahead (in one form or another), perhaps one alternative could be that any shipper making use of such facility should be required to demonstrate why this has to be, and outline the impact downstream, and what if any, mitigation is to be provided to the customer. Alternatively, some form of agreed Workgroup control mechanism may be preferable.

Whilst not all of the above points met with universal support, some parties did have sympathy with the customers concerns, although TK did remind everyone present that initially Shippers were looking to develop the modification with a view to addressing contractual requirements – CW indicated that the Transporters are basically ‘neutral’ on the subject of this modification, whilst MD pointed out that the modification was developed in accordance with both Supplier and Shipper feedback over the period of Project Nexus development.

Some parties remained concerned that the modification potentially promotes provision of less accurate information that could result in a 2-tier system. Additionally, concerns around reconciliation, re-reconciliation and allocation principles would also need to be addressed.

AR suggested that the real issue lies in finding the correct ‘balance’ in order to ensure that parties positions are made whole again – this was a view supported by several parties in attendance as they firmly believe that developing and adopting a process that enables adjustments to be undertaken in a (more) timely manner, as proposed in the modification, is a benefit. Responding, PT felt that perhaps the modification could/should be raised later in the project, should it be subsequently deemed necessary. AR reminded people that care is needed to strike the right balance between the level of detail required and development of an efficient adjustment

process – PT felt that the modification could potentially become expensive to deliver, therefore bringing the true benefits into question.

In acknowledging that the modification does have some weaknesses, TK suggested that there is in truth, no perfect solution to the problem. Regardless of this fact, he believes that the modification falls within the Project Nexus £20 million costs and he would be more than happy to recognise and include various parties views/concerns within the development of the modification – it was suggested that perhaps the modification as drafted, could be seen as a ‘Rolls-Royce’ solution. Additionally, some believe that the cost of including this modification in delivery of the overall project would not incur a significant (material) cost on customers.

Continuing the debate, some believed that the modification relates to having an ability to take the appropriate corrective steps without having your hands tied behind your back, so to speak.

CW noted that should people wish to revisit the BRD’s, this could be done, but would potentially impact on the overall Project Nexus delivery timescales - in response, NA indicated that she believes that the modification has the potential to deliver benefits to her customers, and as such, she would not wish to revisit the BRD’s. CW asked interested parties to consider the modification and provide their views (including the potential de-scoping of the modification) at the next meeting.

When asked for an Authority view, CC suggested that Ofgem is reasonably comfortable with the basic principles behind the modification, but believe that the real focus should be on identifying potential risks and developing appropriate mitigation strategies.

In acknowledging that the BRD’s were developed focusing on the technical solution(s), DC wondered if consideration of the wider issue of should we do it, be beneficial. He then expressed the view that the existing code has always been drafted on the principle that input data is accurate. By setting a precedent in Code to recognise certain data items as not being assumed to be correct is not in line with this principle. Responding, CW agreed that it is potentially impossible to draft a contract that assumes that data inputs can be incorrect, but that this proposal provides a specific framework for the selected data items to be adjusted in a more efficient manner.

TK remarked that the wider industry performance assurances could potentially impact upon the development of the modification.

Moving on, AM advised that Xoserve is about to start work on a data cleansing and regulation exercise. Whilst this piece of work may take several years to complete, Xoserve expects to be highlighting data issues with parties, seeking correction of anomalous data. Historically, parties have been reluctant to fix their data when requested to do so by Xoserve – to this end Transporters are contemplating the raising of a modification. It is hoped that this would minimise the use of retrospective adjustments going forward – PT pointed out that customers would/could perceive this suggested data cleansing proposal as further undermining the need for the 0434 modification – this was not necessarily a universally supported view however.

In closing, BF asked parties to consider the modification and especially the relevant objectives in time for more detailed discussion at the next meeting.

3. Consider Terms of Reference

During a brief review of the terms of reference, BF reminded those present that the UNC Panel had requested consideration of the various topic areas.

Thereafter, the Workgroup raised no further issues regarding the Terms of Reference.

4. Any Other Business

Legal Text Development

CW advised that he expects that the legal text for this modification would be developed and provided, after the majority of the other Project Nexus modifications have been raised/completed.

5. Workgroup Process

5.1 Agree actions to be completed ahead of the next meeting

The following new actions were discussed and assigned:

New Action 0434 11/01: All parties to consider the modification and provide their views of whether or not it could/should be de-scoped and whether or not the relevant objectives are ‘fit for purpose’ or require further development.

7. 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
0434 11/01	06/11/12	2.	To consider the modification and provide their views of whether or not it could/should be de-scoped and whether or not the relevant objectives are 'fit for purpose' or require further development.	All	Update to be provided in due course.