

UNC Workgroup 0434 Minutes Project Nexus – Retrospective Adjustment

Tuesday 07 May 2013

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

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MiB)	Joint Office of Gas Transporters
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Alison Jennings	(AJ)	Xoserve
Andy Miller	(AM)	Xoserve
Chris Hill	(CH)	Cornwall Energy
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
Dave Corby	(DC)	National Grid Distribution
Ed Hunter	(EH)	RWE npower
Elaine Carr*	(EC)	ScottishPower
Erika Melen	(EM)	Scotia Gas Networks
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Naomi Anderson	(NA)	EDF Energy
Steve Mullinganie*	(SM)	Gazprom
Sue Cropper	(SC)	British Gas
Tabish Khan	(TK)	British Gas

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: In the absence of an Ofgem representative the action was carried forward although it was also suggested that this could be more of a PNUNC discussion point. The Joint Office (BF) agreed to check if anyone else within Ofgem could provide a view.

Carried Forward

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.

Update: BF pointed out that the ICoSS letter had been published on the appropriate Joint Office web page.

SM apologised for the short notice provision of the letter and explained that he anticipates discussing the matter in more detail with GE when they meet later in the week.

Discussion focused on the first two bullet points on page 1, with the consensus being that these are reasonable points.

SM advised that he remains concerned about a potential for development of a truncated process and the potential volumes of data that could be involved as he does not believe that any manual workaround processes could cope with a significant level of errors, should they materialise – its boils down to the management of the potential risk involved. It was noted that some Shippers also share these concerns and that Ofgem appear to have also recognised the potential issue. Moving on, SM suggested that the proposed settlement changes could also have an impact and believes that having an automated fix in place now is a more cost effective solution, rather than wait and possibly incur an additional circa £5 million standalone (fix) cost sometime in the future. One potential consequence of failure is the damage that could be done to various corporate images and branding. It was acknowledged that the 'industry' has a responsibility to act professionally over such matters.

In closing, SM advised that he expects to table a new agenda item on the matter at the forthcoming ICoSS meeting so if anyone has any points / comments they would like considering please contact him directly. A new action was placed on all parties to provide their views on the ICoSS UNC Modification 0434 Letter.

Closed

2. Draft Benefits Case Consultation Report

AM provided a brief overview of the document, explaining that it is based around a previous iGT consultation report that was presented at the 29 April iGT Shipper Workgroup meeting. It is also expected that the report would be presented to the UNC 0440 Workgroup meeting, pencilled in for Monday 10 June 2013.

AM pointed out that a lack of meaningful supporting financial information has resulted in this being left out of the report at this time – the expectation is to discuss this with Ofgem (JD) in due course. He then suggested that the matter of how any potential benefits would/could be achieved would need further consideration in an effort to avoid the modification being 'bounced' by Ofgem.

In quickly reviewing the document, the following key points were discussed / raised:

4.1.1.1 Supportive comments - AM questioning whether or not the automation of the adjustment activities would actually save on the respective businesses current FTE allocation, as these individuals would more likely be relocated on other work areas.

4.1.1.2 Concerns - it was suggested that Shippers still consider getting information right in the first instance is preferable and easier than trying to retrospectively update information.

4.2.1.1 Supportive comments – With regard to the second comment, AM suggested that whilst the process would allow increased accuracy across the SSP market in the first instance, the expectation is that ultimately more reconciliations may take place.

4.2.2 Benefits responses – it was suggested that it would be difficult to ascertain how the circa £2 million annual benefit would actually be achieved.

4.3.1.1 Supportive comments – with regard to the first comment, AM suggested that it may only result in a decrease in the length of time of the adjustment, rather than the actual level involved.

4.3.1.2 Concerns – in discussing the third statement, CB voiced her concern that whilst it is suggested that all controls and reports would fall under some form of a Performance Assurance Framework we do not actually have a modification on the

table as yet. Whilst supporting this concern, SM believed that it is still acceptable to reference the need for having a framework developed in due course – a new action was accepted by AM to provide a Performance Assurance Framework scene setting statement earlier in the report.

In considering the final comment, it was noted that SPAA is a Supplier, not Shipper aligned activity.

4.4.1 Adjustment activities are automated. Validation on the update would apply – AM felt that he was unable to provide a clear answer to this and highlighted the Workgroups previous position around the possible requirement of a disputes process. One suggestion was to look at the SARs model for a pointer as to how to address this issue.

A brief discussion then followed around the cost and impact of doing nothing (the counter-factual position) and whether the report should be expanded to include this – several opposing views were put forward (i.e. would this potentially undermine the 0432 business case; it could be an onerous task with little actual benefit; the matter relates more to the inherent risk associated with a market that does not exist presently; does history actually teach us any real lessons around asset data cleansing going forward; perhaps reviewing the previous RGMA modelling lessons could add value etc.). In the end, consensus on whether to add a statement relating to the ‘Do Nothing’ option could not be reached.

In closing, AM advised that he would amend the report to reflect discussions.

3. Review Legal Text Update

CW advised that he expects legal text to be ready for consideration at the 20 May meeting. Further discussion on this item was then deferred.

4. Draft Workgroup Report Review

It was agreed to defer consideration of the Workgroup Report until the 20 May meeting.

5. Workgroup Process

4.1 Agree actions to be completed ahead of the next meeting

New Action 0434 05/01: All parties to provide their views/comments on the ICoSS UNC Modification 0434 Letter to SM direct and in time for consideration at the forthcoming ICoSS meeting.

New Action 0434 05/02: Xoserve (AM) to add a Performance Assurance Framework scene setting statement towards the front of the draft Modification 0434 Project Nexus Retrospective Updates, benefits case consultation report.

6. Any Other Business

None.

7. Diary Planning

The following meetings are scheduled to take place:

Title	Date	Location
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	20/05/2013	Energy UK Office, Charles House, 5–11 Regent Street, London. SW1Y 4LR.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	05/06/2013	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull. B91 3QQ.

Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	09/07/2013	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull. B91 3QQ.
Project Nexus Workgroup (inc. 0432 & 0434 Workgroups)	30/07/2013	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull. B91 3QQ.

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 (amended) 18/03/13	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 (GE)	Update provided. Closed
0434 05/01	07/05/13	1.2	To provide their views/comments on the ICoSS UNC Modification 0434 Letter to SM direct and in time for consideration at the forthcoming ICoSS meeting.	All	Update to be provided in due course.
0434 05/02	07/05/13	2.	To add a Performance Assurance Framework scene setting statement towards the front of the draft Modification 0434 Project Nexus Retrospective Updates, benefits case consultation report.	Xoserve (AM)	Update to be provided in due course.