

**UNC Distribution Workgroup Minutes**  
**Thursday 22 September 2016**  
**Consort House, 6 Homer Road, Solihull B91 3QQ**

**Attendees**

Chris Shanley (Chair)	(CS)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Andrew Margan	(AM)	British Gas
Andy Clasper	(AC)	National Grid Distribution
Bob Fletcher	(BF)	Joint Office
Carl Whitehouse	(CW)	First Utility
Colette Baldwin*	(CB)	E.ON Energy
Dave Addison	(DA)	Xoserve
Hilary Chapman	(HC)	Scotia Gas Networks
Huw Comerford	(HCo)	Utilita
James Rigby	(JR)	RWE npower
John Welch	(JW)	RWE npower
Jon Dixon*	(JD)	Ofgem
Lorna Lewin	(LL)	DONG Energy
Maria Hesketh*	(MH)	ScottishPower
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Peter Thompson	(PT)	Utilities Intermediaries Association
Rachel Hinsley	(RH)	Xoserve
Rob Cameron-Higgs	(RCH)	Flow Energy
Sean Hayward	(SH)	Ofgem
Shanna Key	(SK)	Northern Gas Networks
Simon Moore*	(SM)	Citizens Advice
Steve Britton*	(SB)	Cornwall Energy

\* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/dist/220916>

**1. Introduction and Status Review****1.1. Approval of Minutes (25 August 2016)**

The minutes of the previous meeting were approved.

**1.2. Modification(s) with Ofgem**

Modifications 0531 and 0574 were sent to the Authority for decision following the September UNC Modification Panel meeting.

**1.3. Pre-Modification discussions**

**1.3.1 Code Governance Review 3 (CGR3) - Modification to amend  
Modification Rules to implement SCR and revised self-governance  
arrangements**

HC reported that Wales & West Utilities would be raising a modification in respect of requirements under CGR3, and briefly explained its purpose. The draft pre Nexus

legal text and the legal text commentary had been published; the post Nexus legal text would be identical but the changes will be on the post Nexus Modification Rules as amended by Modification 0440. CB observed that changes to the Modification Rules would also be necessary under Modification 0565, and should these therefore be amalgamated? HC understood there was a need to keep the changes separate, and to effect the changes required in respect of CGR3 without waiting for Modification 0565 to progress. There was a target for implementation by the end of 2016 and the intention was to submit the modification to the October UNC Modification Panel.

HC asked for views on whether the Proposer should request that it be issued direct to consultation or be assessed by a Workgroup. The Workgroup recommended that there be at least one assessment opportunity. HC noted this.

The formal modification will be submitted to the October UNC Modification Panel, with a request for assessment by Workgroup.

### **1.3.2 Project Nexus Miscellaneous Requirements**

AC introduced a draft modification, advising that the intention would be to formally submit a modification to the November UNC Modification Panel.

This draft was intended to give early sight of the progress made to identify the minor changes deemed to be required, and work was continuing with Xoserve, over the next six weeks or so. The final draft would also be subject to a review by Dentons.

AC outlined that this modification will update the Business Requirements Documents (BRDs) to reflect additional Project Nexus requirements and correct a number of incorrect references and minor 'housekeeping errors identified by Xoserve. MD confirmed the housekeeping aspects of the modification did not change any of the BRDs. Any views on the content so far and the proposal to request self-governance procedures would be welcomed.

BF, noting that it was providing increased certainty, asked why it was not proposed to request that it be sent out direct to consultation. HC and DA believed that an assessment by Workgroup provided visibility and an opportunity for Shippers to comment.

## **1.4. CMA EMI Remedies Implementation: Initial Consultation on the Energy Market Investigation (Gas Settlement) Order 2016**

Attention was drawn to the email issued (21 September 2016) on behalf of the CMA, and JD outlined the key points regarding which the CMA was seeking feedback, in particular views on the relationship between the Order and Project Nexus and the Performance Assurance Framework, with respect to monitoring compliance. Views on where this should sit in the regulatory architecture going forward would be welcomed.

At this stage it was an informal consultation with responses to be submitted by 29 September 2016. The responses will be reviewed and the CMA will then issue a formal statutory consultation in mid-October. The timescales are tight, and it is anticipated that Directions will then be issued in December.

Original proposals were to mandate a read annually for dumb meters and monthly for smart meters; Ofgem did not believe this would sufficiently improve accuracy and gave views on moving sites from the 22 million in Product 4 into Product 3. The CMA took this feedback on board. JR asked how this dovetailed with SEC; JD did not know. If consent were not given, would there be an auto exemption? Obligations to submit a daily read would not apply if a smart meter malfunctions, but an annual read would still have to be submitted. AM asked had there been any Impact Assessment (IA) on the benefits of

going to a daily rec rather than a monthly rec. JD did not think so; work to date has been predominantly focused on electricity. However, much of the rationale applies equally to gas and Ofgem has always felt that Product 3 is the way the industry should be heading (moving away from profiles). MJ commented that the timings of all of this was of concern, given there may be 'fall out' from Nexus implementation. Having a later effective date was discussed. This could have an adverse impact on 'early movers'; for example, 01 October 2017 did not sound unreasonable, whereas a date in 2020 would not be, and Ofgem would not support. There was a sliding scale of what might be acceptable, depending on the reasoned basis. Possibly after RAASP and the hyper care period for Nexus was suggested, but that may also be a bit too far out. JD indicated that the hyper care period should end by September, and business as usual recommence by 01 October 2017. It would be hard to argue for a date far into 2018.

Concerns were expressed regarding the capacity/ability of the systems to handle the peak volumes of reads that potentially might be submitted as a result of this Order. RH said that Xoserve was encouraging parties not to stockpile reads, and was looking at ways to effect a better spread and to avoid peaks where possible.

## 2. Workgroups

### 2.1. 0571 0571A - Application of Ratchet Charges to Class 1 Supply Points (and Class 2 with an AQ above 73,200kWhs)

The Workgroup Report is due to be presented to the UNC Modification Panel on 15 December 2016. The minutes of this meeting are available at:  
<http://www.gasgovernance.co.uk/0571>.

### 2.2. 0593 - Provision of access to data for Price Comparison Websites and Third Party Intermediaries

The Workgroup Report is due to be presented to the UNC Modification Panel on 20 October 2016. The minutes of this meeting are available at:  
<http://www.gasgovernance.co.uk/0593>.

As the work of Workgroup 0593 has now reached its conclusion, it was agreed the remaining outstanding action (0593/0802 - see below) should be transferred to the responsibility of the Distribution Workgroup.

**Action 0593/0802:** Northern Gas Networks (SK) to consider providing suitable (non confidential/bi-lateral) supporting documentation, along with confirmation that these can be published on the Joint Office web site, for consideration at the next meeting.

**Update:** SK confirmed that this information, i.e. the standard framework of the service contract between the GTs and parties (PCWs) requiring the data, still had to be provided. Noting this was the last meeting of this Workgroup 0593, it was agreed that sight of this was still required, and it was agreed to transfer this action to the responsibility of the Distribution Workgroup. **Transferred to the October Distribution Workgroup.**

## 3. Project Nexus Requirements

### 3.1 Consideration of Non Effective Days

DA advised that Xoserve was looking to move to a revised date of 01 June 2017 (to be ratified next week at an industry meeting). This date was a Thursday, and Xoserve will be asking for 7 Non Effective Days prior to this, and also proposing a hyper care period on

that Thursday (01) and Friday (02). The IX gateway would not be available within that period. Those two days could also be declared as Non Effective Days or they could be defined as non Business Days. The use of additional Non Effective Days was not in the spirit of the definition and a modification may be required to support the non Business Day approach as this may make revisions to the standards of service. This would mean that 01 and 02 June 2017 would be Business Days for Shippers; however, processing of files would lead to rejections.

Consideration needed to be given to the best way in which to treat this issue. As soon as the date is ratified, a modification will be produced as soon as possible to progress the non Business Days requirements. DA estimated that around eight months would be required to then process/progress the modification.

There appeared to be three options - to treat the period as:

- 9 Non Effective Days; or
- 7 Non Effective Days and 2 days as non-Business Days; or
- 7 Non Effective Days, and 2 days as non Business Days (supported by a Code modification).

Views were sought and a brief discussion ensued. RCH believed that as much ambiguity as possible should be removed, and he would endorse the suspension of Business Days if needed. It was important that Xoserve and its system could catch up confidently from the implementation of Nexus; certainty was needed regarding new processes and data. DA noted the 'safety first' principle was favoured for adoption, but pointed out that there may be consumer impacts for Shippers to manage on those days.

DA recognised the modification would need to make clear the transition process and the details of the definitions of the Days and how they were to be construed, so that Shippers can manage their internal expectations. Assuming the date of 01 June 2017 to be confirmed, then it was anticipated that the modification would be submitted to the October UNC Modification Panel.

In the meantime, DA would welcome any comments, and will send an email to JD for discussion at the Project Nexus Steering Group.

### **3.2 Review Updated Impact Assessment Report (Delay to PNID)**

MD explained the background to the document, which had been transferred to this Workgroup following the formal closure of the Project Nexus Workgroup. Xoserve had reviewed the impacts of delaying the Project Nexus Implementation Date (PNID) to 01 June 2017. The published impact assessment had been discussed at previous Project Nexus workgroups. The version discussed at this meeting was updated following a request at the previous Project Nexus meeting.

The Topics potentially impacted were reviewed and impacts/actions explained item by item.

*Formula Year AQ (FY AQ) - (page 4)* - JR asked if Shippers would see the snapshot taken on 01 May 2017, if go live was 01 June 2017. MD indicated she would clarify this point. MD then explained the AQ snapshot is used for 2 purposes from go live: AQ for allocation processes and the FYAQ used to calculate Transportation charges, which would be effective until 31 March 2018. The new rolling AQ process would commence from 01 June 2017.

**Action DX0901: *Impact Assessment Report (Delay to PNID)/Formula Year AQ (FY AQ) - MD to clarify if Shippers would see the snapshot taken on 01 May 2017, if go live was 01 June 2017.***

A discussion followed. MD explained how the process worked and the basis on which the rates were determined. MD confirmed that the AQ review process (2016) was definitely being run and would work the same as normal.

There will not be an AQ Review in 2017 although the Spec Calc process would be carried out and provide Shippers with a view of AQs. Xoserve would not be supporting a modification to force an earlier review in 2017 because of the complex ramifications for the systems (legacy). MD confirmed a Modification would be required to perform an annual AQ review earlier than the times set out in UNC.

JR asked if a fixed FYAQ was derived from the May snapshot, and other parties sought clarity on the process and timings. MD used a flipchart to demonstrate and responded to questions as they arose. JR queried whether Shippers would have time to use the appeals process to make AQs accurate for 01 May 2017 (there was a limit as to how many a party can do for SSPs depending on portfolio size).

*AQ End of Year Reconciliation (page 6)* - It was commented that it was clear that a delay to PNID (originally based on a 01 October implementation date) was causing some unintended consequences; threshold crossers will not be reconciled across an appropriate period; incorrect allocation of gas; disincentive to appeal.

*Ratchets (page 8)* - MD highlighted the season/period they can occur. Xoserve will monitor/check any ratchets applied and the SOQ will need to be updated as appropriate.

*FGO (page 11)* - BF explained that two versions of UNC text are being developed to reflect the 01 June Nexus implementation date, which is now expected to be after FGO.

MD will update the document for further review at the next meeting and provide a copy of the diagram used in today's meeting to explain the FYAQ impacts.

**Action DX0902: *Impact Assessment Report (Delay to PNID)/Formula Year AQ (FY AQ)* - MD to provide a copy of the diagram to explain the FYAQ impacts.**

### 3.3 'Sweep Up' Modification

See 1.3.2, above.

### 3.4 Impacts of Smart Metering on UNC

BF referred to the possibility of impacts of Smart Metering on the UNC and suggested that a review should be made sooner rather than later. A Review Request would need raising to initiate the work. HC indicated that she would begin to look at this, and it was agreed to add this topic to the October agenda.

## 4. Issues

None raised.

## 5. Review of Outstanding Action

**DX0801:** Xoserve (RH) to seek to clarify the position around the processes for re-opening the AQ Appeals Window.

**Update:** It was agreed this had been covered in discussion at 3.2, above, and MD confirmed that Xoserve had issued a note today confirming that the Appeal window had been opened. **Closed**

**6. Any Other Business**

**6.1. AQ Review Appeal Window Discussions**

See 3.2, above.

**6.2. DTS Note for Distribution Workgroup from Electralink**

CS drew attention to a note provided by Electralink and the associated SPAA Change Proposal 16/351 (copies published on the Joint Office website) regarding which they may wish to comment.

**7. Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Distribution Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:30 Thursday 27 October 2016	Energy UK, Charles House, 5 - 11 Regent Street, London SW1Y 4LR	<ul style="list-style-type: none"> <li>• Standard Agenda items</li> <li>• Impacts of Smart Metering on UNC</li> </ul>
10:30 Thursday 24 November 2016	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> <li>• Standard Agenda items</li> <li>• <i>Other – to be confirmed</i></li> </ul>
10:30 Thursday 22 December 2016	Energy UK, Charles House, 5 - 11 Regent Street, London SW1Y 4LR	<ul style="list-style-type: none"> <li>• Standard Agenda items</li> <li>• <i>Other – to be confirmed</i></li> </ul>
10:30 Thursday 26 January 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> <li>• Standard Agenda items</li> <li>• <i>Other – to be confirmed</i></li> </ul>

**Action Table (22 September 2016)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
<b>DX0801</b>	25/08/16	5.2	To seek to clarify the position around the processes for re-opening the AQ Appeals Window.	Xoserve (RH)	<b>Closed</b>
<b>0593/0802</b> <i>Transferred in from Closed Workgroup 0593 on 22/09/16</i>	22/09/16	2.2	<i>Modification 0593</i> - To consider providing suitable (non confidential/bi-lateral) supporting documentation, along with confirmation that these can be published on the Joint Office web site, for consideration at the next meeting.	NGN (SK)	<i>Due at 27 October 2016 meeting</i> <b>Carried forward</b>

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<b>DX0901</b>	22/09/16	3.2	<i>Impact Assessment Report (Delay to PNID)/Formula Year AQ (FY AQ)- MD to clarify if Shippers would see the snapshot taken on 01 May 2017, if go live was 01 June 2017.</i>	Xoserve (MD)	<b>Pending</b>
<b>DX0902</b>	22/09/16	3.2	<i>Impact Assessment Report (Delay to PNID)/Formula Year AQ (FY AQ) - MD to provide a copy of the diagram to explain the FYAQ impacts.</i>	Xoserve (MD)	<b>Pending</b>