

Project Nexus Workgroup Minutes

Tuesday 02 October 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
Adam Pearce*	(AP)	ESP Pipelines
Alan Raper	(AR)	National Grid Distribution
Anne Jackson	(AJ)	SSE
Andy Miller	(AM)	Xoserve
Brendan Murphy	(BM)	Waters Wye Associates
Cesar Coelho	(CC)	Ofgem
Cher Harris*	(CH)	SSE
Chris Warner	(CW)	National Grid Distribution
Dora Ianora	(DI)	Ofgem
Elaine Carr	(EC)	ScottishPower
Erika Melen	(EM)	Scotia Gas Networks
Gethyn Howard*	(GH)	Inexus
Jenny Rawlinson*	(JR)	GTC
Joanna Ferguson	(JF)	Northern Gas Networks
Katherine Porter	(KP)	EDF Energy
Leanne Thomas	(LT)	RWE npower
Lorna Lewin	(LL)	Dong Energy
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Naomi Anderson	(NA)	EDF Energy
Sean McGoldrick	(SM ^c)	National Grid NTS
Steve Mullinganie	(SM)	Gazprom
Tabish Khan	(TK)	British Gas
Tim Davis*	(TD)	Joint Office of Gas Transporters

* via teleconference link

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 NEX04/02: National Grid Distribution (CW) to seek a legal view as to whether or not iGT (CSEP) Meter Points should be considered within implementation of a UNC modification.

Update: Please refer to item 3.1.1.2 below.

Closed

Action NEX09/01: Ofgem (CC) to review the Project Nexus iGT Agency Services GT UNC and iGT UNC modifications consultation document with a view to providing Ofgem feedback (especially cost and benefit aspects) to Xoserve and thereafter the Project Nexus Workgroup in due course.

Update: CC advised that he had provided a guidance note relating to this action and which is published on the Joint Office web site. However, TD questioned whether or not this actually addresses Xoserve's (AM's) request for an Ofgem view on his document presented at a previous meeting.

AM agreed to discuss the matter off-line with CC.

Carried Forward

Action NEX09/02: National Grid Distribution (CW) to provide a progress update on the 13 September iGT 039 meeting discussions and outcomes at the 02 October Project Nexus meeting.

Update: Please refer to item 3.1.1.2 below.

Closed

Action NEX09/03: Xoserve (SK) & National Grid Distribution (CW) to investigate the UNC definition requirements and impacts associated with statement 8.4.2 and provide a view on a suitable recommendation.

Update: MD explained that this action is related in part to the ongoing Non-Functional BRD developments, which require further consideration.

Carried Forward

Action NEX09/04: All parties to consider the recommendations put forward as a result of Action NEX09/03 deliberations.

Update: As per NEX09/03 above.

Carried Forward

Action NEX09/05: Xoserve (SK) to provide some additional indicative cost predictions based around the proposals (inc xml functionality provision) contained within the 'PN UNC – NFR Update' presentation.

Update: MD advised that an update would be provided at the 06 November meeting.

Carried Forward

Action NEX09/06: All parties to review the appropriateness of retaining inclusion of retrospective updates functionality within delivery of Project Nexus (i.e. the viability of the BRD), in time for consideration at the 02 October workgroup meeting.

Update: BF advised that no comments / views had been forthcoming whilst CW believed that this matter would be covered in more detail within the development of the UNC modification(s).

Closed

Action NEX09/07: Xoserve (MD) to look to plan some 2013 Project Nexus review meetings.

Update: BF advised that the early 2013 (Jan through to May) meetings had been scheduled and can be viewed in the Events Diary on the Joint Office web site.

Closed

2. Workgroups

The following Workgroup meeting took place:

2.1 0432 – Project Nexus – gas settlement reform

(Report to Panel 21 March 2013) – Papers at:
<http://www.gasgovernance.co.uk/0432>

3. Issues and topics for discussion

3.1 High Level Workgroup Issues

3.1.1 iGT Agent Services

iGT pre modification consultation update

Discussion deferred.

iGT 039 Progress Update

CW opened by advising that at a recent meeting in London discussions centred on the legal aspects associated with development of the contractual and framework arrangements (i.e. CSEP NExA, iGT UNC & UNC interactions etc.).

Initial (external) legal views suggest removing CSEP NExA arrangements and replacing these with an equivalent iGT IAD (Igt Arrangements Document) provision supported by subsequent alignment of the two codes – especially single source service provisions. However, it should be noted that other regime aspects would need further consideration such as capacity requirements, addressing iGT/UNC governance aspects etc. Continuing, CW explained that National Grid Distribution would shortly be undertaking work on the contractual and governance aspects, especially whether or not, the iGT's would be able to impact directly, or indirectly on the UNC in future. He also expects that consideration of the wider check and balance aspects would be completed to ascertain whether there is a simpler solution that could be adopted – furthermore, whilst he has a draft modification in mind, he would prefer to wait until the above issues have been addressed before formally launching the modification.

AM advised that the single service provision common flows and system elements are already included within Project Nexus and Xoserve are keen to push forward on the cost / benefits' analysis (pre-consultation process) for which he expects to issue a letter shortly.

Concerns were voiced that the ongoing development of the contractual / governance arrangements should not delay the delivery and provision of the 'black box' single service provider provision – especially the common system front end. Responding, AM advised that Xoserve would be continuing development of the common single service provision with the aim of undertaking a GO/NO GO decision in April 2013. This target date is based upon the assumption that the cost and benefits case for the iGT Agency Services is developed within Project Nexus, hence the pre-consultation information request exercise. It should be noted that the iGT's are also expected to contribute cost and benefit information.

In considering the appropriate time for formally launching the iGT related modification, CW acknowledged that achieving the proposed April 2013 date would be extremely challenging.

When asked, CW confirmed that at this stage the governance considerations and requirements are not 'covered' by the wider industry governance review, although the legal aspects are being considered. Asked whether iGT's had any view on this matter, GH

advised that the iGT 039 Workgroup are working towards a single service provision solution, but do anticipate a delay whilst development of the contractual aspects takes place – his main concern relates to the fact that the iGT's are finding it extremely difficult to accurately identify costs – the magnitude of the costs being their concern. AM understood the iGT position and explained that Xoserve are not yet in a position to provide cost information to the iGTs. However, discussions between the interested parties and Ofgem on this matter remain ongoing. CW observed that there are likely to be iGT Licence impacts to consider as well and consequently, Ofgem involvement in any discussions would be of paramount importance.

CC believes that two main issues would need to be addressed, namely the cost of providing a single service provision and the identification and utilisation of appropriate funding arrangements. AM advised that, based upon the iGT BRD we have an indication of what services would be provided, but it is the funding arrangements that are the issue as currently the iGT and GT funding arrangements are different. When asked if Xoserve could provide an estimate on the costs involved, AM suggested whilst this could be achieved it would only serve to fuel the funding debate – a case of ever decreasing circles. SM suggested that this is where Ofgem input with regard to either licence or risk mitigation aspects is required as a matter of urgency. CC stated that he believed it would be inappropriate of Ofgem to indicate whether or not they are likely to impose licence changes at this stage in proceedings, especially in the absence of suitable information.

JR then advised that the iGT's expect to discuss their funding arrangement and requirements going forward with Ofgem in due course.

Summarising discussions, BF noted that Xoserve would continue development along (industry) agreed lines (i.e. pre-consultation cost and benefits analysis and information provision). CW added that he would hopefully be in a position to provide an iGT contractual / commercial development update at the November (Project Nexus) meeting, although he very much doubts that he would also have a UNC modification ready at that time. A new action was placed against GH and CW to provide the date of the next iGT 039 Workgroup meeting.

3.1.2 General Principles

Consideration deferred.

3.1.3 Indicative Project Plan

MD explained that no significant changes had been made to the plan since the last presentation.

3.2 Transitional Arrangements

No new items or issues to consider.

3.3 New Issues

3.3.1 Non Functional Updates

MD advised that further information would be available in time for consideration at the November meeting.

3.3.2 Retrospective Updates

MD advised that further information would be available in time for consideration at the November meeting.

3.3.3 Costs and Benefit Analysis Subgroup Update

Ofgem comments on the PN UNC workgroup costs and benefits information request discussion

CC opened by providing a brief overview of his document before requesting that parties take the time to review and provide suitable comments in due course.

A debate then followed (similar to the debates undertaken on this matter at previous meetings) on what constitutes an acceptable level of detail for any cost and benefits information provided. Once again, views remained polarised with Ofgem seeking a level of granularity that the industry feels unable, or unwilling (on the grounds of potentially excessive costs and resource constraints) to provide. TD questioned the value of continuing with these discussions when it is clear that a true consensus view could not / would not be forthcoming – a case of ever decreasing circles – should Ofgem consider engaging 3rd party consultancy support if it desires a more granular level of detail. In essence he believes that we have now ‘timed out’ and that it is no longer appropriate to carry out the pre-consultation process. A more pragmatic approach would be to provide the cost and benefits information within the development of the various UNC modifications and with consideration of the relevant objectives – a view shared by the majority in attendance. TK advised that he would be attempting to provide meaningful cost and benefits evidence as part of his formal response(s) to any modification(s). This again, was a view supported by the majority present.

SM went further by explaining that he has always stated that any cost and benefit information he provides would be of a high-level in nature, believing that should Ofgem require even more granularity they should issue a formal RFI – this would be the only way that he could justify the additional complexity involved and the associated costs, especially as this was not in keeping with the industries ‘normal’ levels of commercial assessment and analysis.

Industry parties indicated that where high-level analysis clearly indicated that a benefit existed, they would question the (real) value in undertaking additional and more detailed analysis – there is a ‘balance’ that needs to be attained. However, it was recognised that in instances where benefits are deemed to be marginal, Ofgem would/could rightly request the production and provision of further evidence. It was also noted that significant system changes are already taking place, or being considered, to accommodate SMART Metering requirements and that this compounds the problem by presenting itself as a moving target.

Responding, CC once again stated his concern that any information provided to Ofgem must be robust in nature to enable them (Ofgem) to make informed decisions. SM explained that in his opinion there is both a holistic high-level view on cost and benefits and a more detailed, and in some cases, commercially sensitive view.

TD then warned against trying to address each respective UNC modification’s relevant objectives from a projected costs basis. Some

parties present believed that costs would have a direct / indirect bearing on certain relevant objectives such as 'd) Securing of effective competition:' – it was recognised that matters such as these would be considered in more detail during the development of the modification Workgroup Reports. CW remained convinced that there would be value in the workgroup considering the impact of cost and benefits on the competition relevant objective for UNC modifications at the November meeting – a view supported by others.

AR clarified the current position by explaining that having raised the two modifications (0432 & 0434), the Transporters are presently progressing them through the modification process. Additionally, they (the Transporters) have also started to develop the legal text. Given where we are now (based on today's discussions), it would appear that we will have to rely on the cost impact and relevant objectives, as set out in the final modification report(s), for justifying the merits of the change – as a consequence, he would expect shippers to quantify and set out the benefits and for Xoserve to provide the budget costs.

Moving on, CC then reiterated Ofgem's previous Code Governance Phase II Guidance & Objectives and specifically the provision of meaningful information. This was a view that was countered by several parties pointing out that the same document also makes reference to reducing red tape.

Before discussions on the matter ended, SM^c raised two more points of interest relating to the Gemini arena. In short, he believes that the Xoserve incremental cost figures provided do not identify any Gemini cost impact assessments (especially relating to settlement aspects) and whilst 2015 delivery appears to be an achievable aspiration, there are many UKLink impacts and constraints, such as European development that need to be considered. Additionally, as asked parties to note that currently National Grid Transmission are not funded for any potential Gemini impacts – he expects that more detailed discussions with Xoserve on this matter will be undertaken shortly. TD suggested that resolution of this matter should not be allowed to delay delivery of the Project Nexus recommendations.

Post meeting note: In the 0432 Workgroup, on this topic, AM advised that it was recognised that data interfaces to Gemini may require change and that recognition of this had been included within Xoserve's high-level cost estimation. It was also noted in the 0432 Workgroup that the impacts to Gemini were within the scope of the modification. Whilst the funding mechanism for the modification is still to be developed it was acknowledged that Shippers would ultimately fund it.

4. Workgroup Approach and Plan

Project Nexus Workgroup Outstanding Areas Log

Consideration deferred until the next meeting.

5. Any Other Business

None.

6. Workgroup Process

6.1 Agree actions to be completed ahead of the next meeting

The following new actions were discussed and assigned:

New Action NEX10/01: National Grid (CW) & Inexus (GH) to provide the date of the next iGT 039 Workgroup meeting when known.

7. Diary Planning

The following meetings are scheduled to take place:

Title	Date	Location
Project Nexus Workgroup	06/11/2012	National Grid, 31 Homer Road, Solihull, West Midlands. B91 3LT.
Project Nexus Workgroup	04/12/2012	National Grid, 31 Homer Road, Solihull, West Midlands. B91 3LT.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
NEX04/02	03/04/12	4.2.4	To seek a legal view as to whether or not iGT (CSEP) Meter Points should be considered within implementation of a UNC modification.	National Grid Distribution (CW)	Update provided. Closed
NEX09/01	04/09/12	2.1.1	To review the Project Nexus iGT Agency Services GT UNC and iGT UNC modifications consultation document with a view to providing Ofgem feedback (especially cost and benefit aspects) to Xoserve and thereafter the Project Nexus Workgroup in due course.	Ofgem (CC)	Update to be provided in due course. Carried Forward
NEX09/02	04/09/12	2.1.1	To provide a progress update on the 13 September iGT 039 meeting discussions and outcomes at the 02 October Project Nexus meeting.	National Grid Distribution (CW)	Update provided. Closed
NEX09/03	04/09/12	2.3.1	To investigate the UNC definition requirements and impacts associated with statement 8.4.2 and provide a view on a suitable recommendation.	Xoserve (SK) & National Grid Distribution (CW)	Update to be provided in due course. Carried Forward
NEX09/04	04/09/12	2.3.1	To consider the recommendations put forward as a result of Action NEX09/03 deliberations.	All	Update to be provided in due course. Carried Forward
NEX09/05	04/09/12	2.3.1	To provide some additional indicative cost predictions based around the proposals (inc xml functionality provision) contained within the 'PN UNC – NFR Update' presentation.	Xoserve (SK)	Update to be provided in due course. Carried Forward
NEX09/06	04/09/12	2.3.3	To review the appropriateness of retaining inclusion of retrospective updates functionality within	All	Update provided. Closed

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			delivery of Project Nexus (i.e. the viability of the BRD), in time for consideration at the 02 October workgroup meeting.		
NEX09/07	04/09/12	4.	To look to plan some 2013 Project Nexus review meetings.	Xoserve (MD)	Update provided. Closed
NEX10/01	02/10/12	3.1.1.	To provide the date of the next iGT 039 Workgroup meeting when known.	National Grid (CW) & Inexus (GH)	Update to be provided in due course.