

## Project Nexus Workgroup Minutes

### Tuesday 03 April 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
Andrew Margan	(AMa)	British Gas
Andrew Wallace*	(AW)	Ofgem
Cesar Coelho	(CC)	Ofgem
Chris Warner	(CW)	National Grid Distribution
David Speake*	(DS)	ESP Pipelines
Fiona Cottam	(FC)	Xoserve
Imtiaz Kayani	(IK)	E.ON UK
Joanna Ferguson*	(JF)	Northern Gas Networks
Lorna Lewin	(LL)	Shell Gas Direct
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Naomi Anderson	(NA)	EDF Energy
Sean McGoldrick	(SMc)	National Grid NTS
Steve Mulinganie	(SM)	Gazprom
Steve Nunnington	(SN)	Xoserve
Tim Davis	(TD)	Joint Office of Gas Transporters
Tom Connolly*	(TC)	ScottishPower
Zoe Murphy	(ZM)	RWE npower

\*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 NEX12/01:** ALL parties to consider what industry cost vs benefit questions would be appropriate to put before Ofgem for inclusion within the consultation process.

**Update:** BF advised that this would be covered later in the meeting under item 4.2 below.

**Closed**

**Action NEX03/01:** National Grid Distribution (CW) to provide a view around the various (iGT & GT) contractual provisions going forward.

**Update:** CW advised that he would be meeting with his legal colleagues to consider how the contractual provisions would be expected to work in future. Additionally, the iGT039 "Use of a Single Gas Transporter Agency for the common services and systems and processes required by the iGT UNC" Workgroup is now up and running and he would ensure that both sides are co-ordinated.

**Closed**

**Action NEX03/02:** Xoserve (FC) to consider what impact the proposed Retrospective Update BRD changes would have on the Executive Summary of Business Requirements document.

**Update:** FC confirmed that after consideration, the view is that the proposed Retrospective Update BRD changes would have little impact on the higher level Executive Summary of Business Requirements document.

**Closed**

**Action NEX03/03:** Xoserve (MD/FC) to review the wording (amending where appropriate) of section 8 of the Retrospective Updates BRD (v0.6) with a view to including a matrix table that identifies the various scenarios and associated impacts.

**Update:** MD confirmed that section 8 of the Retrospective Updates BRD had been amended after the previous meeting and the detail behind the changes would be considered under item 4.1.2 below.

**Closed**

## **2. Modification Workgroups**

None to consider.

## **3. Workgroup Approach and Plan**

### Topic Workgroup Timeline Tracking

FC advised that based on discussions elsewhere in the meeting, she would now amend the document to reflect the new proposed meeting dates.

### Project Nexus Workplan

Parties briefly discussed rearranging existing &/or adding new meetings to the workplan.

The 08/05/12 meeting would now be rearranged to take place on a later date.

In closing, MD reminded parties that the aim remains completion of all work areas by the end of July.

### Project Nexus Workgroup Outstanding Areas Log

Consideration deferred until the next meeting.

## **4. Issues and topics for discussion**

### **4.1 High Level Workgroup Issues**

No issues raised.

#### **4.1.1 iGT Agent Services**

##### PN UNC Workgroup iGT Services presentation

BF opened by explaining that an email had been issued on 29/03/12 advising that there would not be any documentation available in time for this meeting.

MD apologised for the omission before explaining that this was due in part to complications encountered in recognising and addressing various CSEP i.d. aspects, which are still under consideration. However, she is confident that documentation would be available in time for consideration at the next (25/04/12) meeting.

SM suggested that the market expectation was for the establishment of a common iGT database (inc. green deal requirements) around the October 2012 time. FC felt that whilst Nexus would include iGT considerations, it was doubtful that these would be ready by October. Furthermore, she believes that DS may be better placed to comment.

DS suggested that there are two additional strands that lie on top of the Nexus aspects that seek to look at DCC access controls (prior to Nexus implementation) along with the Green Deal – he would be discussing the matter in more detail with the iGTs and GTs in due course. A new action was placed against DS to discuss possible DCC access control and Green Deal requirements with both the iGTs and the GTs with a view to co-ordinating the various Nexus (overlap) work areas.

#### **4.1.2 Retrospective Updates**

##### Project Nexus Workgroup – Retrospective Updates presentation

MD provided a quick review of the presentation focusing attention on the last outstanding issue raised from the IRR – 9.6 Validation rules around read replacement to fit business requirements.

She went on to explain that this had now been covered within paragraph 8.8 of the Retrospective Updates BRD (v0.7).

##### BRD for Retrospective Updates (v0.7) review

Discussions centered on the data items table contained section 8.8 - Treatment of existing Reads and Consumptions following a Retrospective Update.

Parties debated whether or not to have a separate entry for 'Date of Asset Exchange' (to apply unless accompanied by something else such as a number of dials update) which would attract a '✓' in column A, leaving the 'Date of Asset Installation' as a column C item - FC felt that leaving this tick in column C provided a safety net which forces validation of reads to take place, whilst others believe A may be preferable. In the end the consensus was to change it to A.

It was felt that the 'Asset Status (e.g. isolated)' was not consistent with Code and should therefore read as 'Meter Status (e.g. capped or clamped)'. FC pointed out that changes to the 'capped date(s)' could impact on both reconciliations and/or consumptions and believes that as a consequence, leaving this as a column C item is safer. A hidden advantage also being that this would also automatically invalidate consumptions. SM believed that two possible scenarios exist here, the first being where reads are required and the second where they are not and he felt he would like more time to consider the nuances as there is a potential to inadvertently create a lot of work for parties.

Asked why the 'Address, including LDZ' item attracted a '✓' in column B, FC advised that this better reflects the potential impact on charging rates.

SM requested that a statement (a summary of paragraph 8.8.5 perhaps) be added to the table to provide further clarity to the reader.

AM enquired whether or not any consideration had been given to the ongoing address v postcode anomalies to which FC advised that the issue of misaligned address data was monitored regularly, but no real bias had been identified so far. Furthermore, she believes that most of the issues are around 'borderline' sites.

Concluding, MD agreed to undertake the various amendments to the document with a view to it being baselined and published on the Joint Office web site at: <http://www.gasgovernance.co.uk/nexus/brd> for consultation. When asked, BF confirmed that the document should follow the usual wider BRD review process.

The aim is to publish the baselined BRD by 10/04/12 at the latest, seeking responses by 01/05/12.

#### **4.1.3 Xoserve Executive Summary Feedback**

PN UNC Workgroup Executive Summary of Business Requirements (draft v0.5) review

FC provided a brief status update advising that the document had been updated and published. Additionally, she does not expect lower level BRD changes to unduly impact upon it.

## **4.2 Project Benefits**

TD opened proceedings by explaining that the Project Nexus Advisory Group (PNAG) had requested that the Joint Office take the lead role on identification and development of the project costs and benefits analysis.

To assist understanding, he has also added the 'How Ofgem Can Help' slide to this presentation. As a background to appreciating where we are now, and where we go from here, National Grid (Distribution) have previously stated that they would be happy to raise any (Project Nexus aligned) UNC Modifications based around the BRDs and the subsequent development of their accompanying Business Rules.

TD believes that we have now reached the point where a wider industry 'check point' would prove highly beneficial (i.e. this pre modification consultation process), which would hopefully avoid any potential issues later in the process.

### **4.2.1 Outline of analysis required**

CC provided an overview of his 'Project Nexus – Analysis of impacts and next steps' document.

In discussing the overlap between Nexus and delivery of the SMART metering regime rollout, AW accepted that Project Nexus would allow SMART metering data to be better utilised but reminded parties that it is Ofgem's desire to see the removal of barriers and are looking to the broader industry wide costs and benefits which includes SMART metering.

In considering how best to identify the appropriate baseline counterfactuals, CC suggested that as far as Nexus was concerned, the last price control stated that 'the Agent' would provide like-for-like services and as a consequence any cost and benefit analysis would need to reflect this fact. In essence, we need to consider if Project Nexus did not exist, what would potentially be needed to replace the current exhausted systems. TD suggested that the key factor is identifying what are the actual counterfactuals such as collecting reads under licence obligations rather than under the SMART metering objectives.

Asked what payback periods were being considered, CC confirmed that this would be part of the cost and benefits framework considerations.

Moving on to look at the assessment of Project Nexus costs and benefits, some parties believe that care is needed to avoid misinterpreting benefits and questioned whether or not benefits gleaned from the larger volumes of data would be attributed to the SMART metering project rather than Nexus – need to be careful to avoid allocating the same benefit(s) in more than one place. It was also suggested, and agreed that it is the data costs rather than purely the metering costs, which are important.

CW believed that many of the costs and benefits are more likely to be attributable to NDM rather than DM elements, whilst AW pointed out that consideration of both Nexus and DCC interfaces and support mechanisms for Nexus would be needed in due course. FC noted that whilst the DCC would be capable of handling the daily read provisions, unless Nexus delivers changes, the DCC provisions may not change.

CC wondered if there would be merit in considering how the electricity side works. SMc wondered if consideration of items such as the wider European Market (large regulatory rollouts), Internal organisation investment plans (such as Gemini replatforming) and Model C (governance and funding) impacts should be undertaken as well. In providing a response, CC drew attention to the indicative timetable on slide 10.

Moving on to examine the “assessing the impacts” example on slide 9, CC suggested that in simplistic terms it boils down to the known, unknown and likely to happen considerations. SMc remained concerned about how we would be expected to progress Nexus in light of the proposed Model C changes still under development, especially when Model C funding aspects could significantly impact upon Nexus (and SMART) cost v’s benefit analysis – this brings in to question whether or not Model C should be developed any further when Nexus is the bigger project. SM suggested that how we split out the costs is less of an issue.

SM believed that any analysis should include consideration of either retaining Xoserve provisions or moving to a completely new 3<sup>rd</sup> party service provision such as with the Model C proposals – baseline comparators would be crucial. CC suggested that we would need to consider the costs and benefits of any potential options. FC suggested that the funding and ownership of Xoserve going forward is all about where Xoserve would potentially sit in the new world order.

In MJ’s opinion, the crux of the matter should look at what would happen if we retained the current Xoserve systems, and at what cost and compare this to the cost and benefits of making the proposed changes – in short it is the incremental cost of change that is important. SM wondered if we are looking at three possible scenarios:

1. continue to utilise the ‘as-is’ systems;
2. develop and utilise a modified (bolt on) version of the ‘as-is’ systems, or
3. develop a completely new solution (system).

FC advised parties that Nexus would not be asking them to undertake any technical decisions per se, rather they (Nexus) would

be expected to recommend the best cost and benefit laden option. SM advised that he is looking for what is the most cost effective solution (i.e. implemented and marginal cost to change).

In considering the indicative timetable, TD confirmed that the pre modification process sits within the industry impact assessment phase.

Looking at the roles and responsibilities, CC advised that Ofgem would be helping in identifying the various scenarios.

FC moved on to explain that whilst the BRDs identify potential benefits, these are again only at a high level (inc. high level implementation cost indicators). Furthermore, she asked parties to note that the proposed £20 million project cost (which excludes iGT considerations, although their subsequent inclusion may only require an incremental change in this figure) is consistent with their RIIO submission and running (operational) costs would be reviewed again in time. Asked when iGT associated costs would be available, SN advised that whilst the focus is on delivery of the seven non iGT BRDs, there are elements of potential iGT impact considerations built into these already. CC requested that any consideration of the iGT incremental costs should look at providing the services within Nexus, rather than outside it.

TD reminded those present that we are looking at incremental change costs, rather than ongoing operational and maintenance costs.

#### **4.2.2 Roles and Responsibilities**

Covered under the general discussions on item 4.2.1 above.

#### **4.2.3 High Level cost information**

Covered under the general discussions on item 4.2.1 above.

#### **4.2.4 Project Nexus Pre Modification Consultation**

##### High Level Project Plan

TD provided a brief overview of the proposed approach. When asked, parties indicated that they were happy with the suggested timelines.

##### Draft Nexus Pre Modification Consultation document review

TD provided an overview of the proposed approach and undertook an initial read through of the draft document.

Parties debated at length whether or not the item 8 – iGT Meter Points statement accurately reflected their views. CW remained of the opinion that this would in fact be considered as part of a UNC change (i.e. within the scope of any UNC modification consultation) and he would be discussing the matter further with his legal contacts. He agreed to undertake a new action to this effect and report back his finding in due course. TD on the other hand, remained convinced that there would be no need for any UNC changes, unless the iGT Code was changed. However, he went to acknowledge that as with the SMART programme, now could be an ideal opportunity to consider the iGT requirements. In agreeing, FC still believed that the seven Nexus specific BRDs would need to be implemented and appropriately justified before looking at the iGT (BRD) aspects. She went on to suggest that any changes within the iGT arena should be

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accommodated via an iGT modification. Furthermore, she believes that there is benefit in looking at the Nexus elements as being separable – remember, you may only need to implement 75% of Nexus recommendations / changes to achieve CSEP benefits.

Looking at the impacts and costs and specifically the quoted £20 million to deliver the requirements identified in the seven main BRDs (exc. The iGT BRD), TD advised that this section is based on various PNAG discussions. Joining in, FC pointed out that this figure represented a very high-level broad brush summary view (based on key architectural building blocks) and could not be broken down by BRD – it is the incremental cost of change.

Moving on, parties debated whether or not it would be better to consider raising a (single) UNC modification to cater for BRDs 1 to 7 with an 'alternate' modification covering BRDs 1 to 8. CW responded by advising that National Grid anticipates possibly raising as many as 10 different modifications to fulfil the whole spectrum of Nexus requirements.

TD wondered if the previous Xoserve BRD grouping exercise based on the four streams<sup>1</sup> would / could aid the modification development process. The issue in taking this forward being, to identify the potential costs which parties would be happiest with. (i.e. Shippers to provide quantifiable costs on each of the potential scenarios (based around the Xoserve groupings<sup>1</sup>)) – the aim being to reach a consensus view and avoid any alternative modifications being raised, thereby potentially delaying delivery of Nexus. SM voiced concern around how the proposed groupings would actually align with the 7 or 8 BRDs and also believes that selecting their preferred BRDs would be difficult without sight of true cost of delivery figures. Furthermore, the varied nature of responses would only serve to highlight different understandings of the issues. AMa also questioned how parties could provide informed responses when there is a lack of visibility around project costs. Responding, CC advised that the scenarios would reflect cost drivers and impacts and that any questions put to parties would be structured in such a way as to attempt to tease out consistent responses. TD wondered if the real concern relates to what value making the change has to an interested party.

Discussions then moved on to look at whether or not parties would be happy to provide their detailed (and potentially commercially sensitive) responses to the Joint Office. In noting the concerns, TD pointed out that this would / could have a direct impact on how the Joint Office discharges its responsibility in leading the cost and benefits analysis. Perhaps one answer is for parties to segregate their responses and send the commercially sensitive information just to Ofgem directly. CC indicated that he would prefer parties to provide the information to the Joint Office, but did appreciate that this may not always be possible.

#### Next Steps

Following any feedback from parties on the proposal to utilise the Xoserve (BRD / scenario) groupings, TD expects to amend the draft

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<sup>1</sup> a description of the Xoserve BRD groupings can be found in paragraph 1.8 of the Executive Summary document

pre modification consultation document accordingly – the aim being to agree the groupings and approach at the next meeting.

It was agreed that additional meetings would be required and a new action was placed against the Joint Office (BF) to arrange suitable dates.

#### **4.3 Transitional Arrangements**

Not discussed.

#### **4.4 New issues**

##### **4.4.1 Standardising RPC Invoicing considerations**

NA provided a brief outline of her concerns in this area. She believes that there are potentially five different interpretations of the same methodology (by the iGTs) – she is keen to ensure that this apparent approach is not carried over in to the future regime.

Responding on behalf of her colleague A Miller, FC suggested that he does not believe that this falls strictly under the scope of Project Nexus. Additionally, he believes that Transporters, and not Shippers should be funding these changes.

FC went on to advise that Xoserve would be building the invoicing solution based on what the iGTs ask them to do. However, she would point out to the iGTs the concerns raised over the apparent variations in interpreting the methodology. SN pointed out that whilst Xoserve are sympathetic to the potential problem, as a non UNC signatory party, they can only build what is asked of them.

NA asked Ofgem to consider whether or not the RPC invoicing regime could be ‘tightened up’ to help resolve issues such as the ‘floor to ceiling prices’ and to consider how RPI changes are applied in future. AMa wondered if the concerns could be raised with the iGT UNC via the Authority.

Summarising, BF suggested and those present agreed, that this is not really a Nexus issue and would expect that the iGTs, Shippers and Ofgem would discuss the matter outside of Nexus.

### **5. Any Other Business**

#### Project Nexus Workgroup – Settlement Issues presentation

In considering the treatment of missing reads for product 3 options on slide 3, parties debated which of the two current BRD statements was preferred.

It was decided that for sites under Product 3 *“Where there is a gap.....in accordance with existing Rec principles”* would apply, and this would exclude sending the GT estimated read for the days where there were missing reads.

Moving on to consider what clarification would be required from the PN UNC, it was decided to opt for the *“Perform Reconciliation from actual to actual reading”*, although it was noted that care is needed to avoid inadvertently providing indicators that could be misused later in the process.

Moving on to consider the reads from a third party, it was suggested that currently authorised agents does not include DCC, although this may change over time. As far as validation considerations are concerned, the primary validation would be via the IX validation process utilising the unique agent i.d.’s – it was agreed that a second level of validation was not required.

Considering who should receive rejection notifications, it was concluded that the notices should be automatically sent to the originator of the read.



## 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 NEX04/01: ESP Pipelines (DS) to discuss possible DCC access control and Green Deal requirements with both the iGTs and the GTs with a view to co-ordinating the various Nexus (overlap) work areas.**

**New 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.**

**New Action NEX04/03: All parties to consider whether the proposed pre modification consultation and suggested BRD grouping approaches are suitable and thereafter, identify their potential costs and benefits (subject to final agreement on the approach).**

**New Action NEX04/04: Joint Office (BF) to arrange and/or confirm the dates and locations for the next round of meetings.**

## 8. Diary Planning

Parties briefly discussed elsewhere in the meeting what suitable meeting dates should be arranged.

The following meetings are scheduled to take place:

<b>Title</b>	<b>Date</b>	<b>Location</b>
Project Nexus Workgroup	25/04/2012	National Grid Office, 31 Homer Road, Solihull. B91 3LT.
Project Nexus Workgroup	15/05/2012	National Grid Office, 31 Homer Road, Solihull. B91 3LT.
Project Nexus Workgroup	06/06/2012	Teleconference.

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**Action Table**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
NEX12/01	06/12/11	3.	To consider what industry cost v's benefit questions would be appropriate to put before Ofgem for inclusion within the consultation process.	All	Update provided. <b>Closed</b>
NEX03/01	13/03/12	4.2.1	To provide a view around the various (iGT & GT) contractual provisions going forward.	National Grid Distribution (CW)	Update provided. <b>Closed</b>
NEX03/02	13/03/12	4.2.3	To consider what impact the proposed Retrospective Update BRD changes would have on the Executive Summary of Business Requirements document.	Xoserve (FC)	Update provided. <b>Closed</b>
NEX03/03	13/03/12	4.2.4	To review the wording (amending where appropriate) of section 8 of the Retrospective Updates BRD (v0.6) with a view to including a matrix table that identifies the various scenarios and associated impacts.	Xoserve (MD/FC)	Update provided. <b>Closed</b>
NEX04/01	03/04/12	4.1.1	To discuss possible DCC access control and Green Deal requirements with both the iGTs and the GTs with a view to co-ordinating the various Nexus (overlap) work areas.	ESP Pipelines (DS)	Update to be provided in due course.
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 to be provided in due course.
NEX04/03	03/04/12	4.2.4	To consider whether the proposed pre modification consultation and suggested BRD grouping approaches are suitable and thereafter, identify their potential costs	All parties	Update to be provided in due course.

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			and benefits (subject to final agreement on the approach).		
NEX04/04	03/04/12	4.2.4	To arrange and/or confirm the dates and locations for the next round of meetings.	Joint Office (BF)	Update to be provided in due course.