

Project Nexus Workgroup Minutes

Tuesday 03 July 2012

via teleconference

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Andrew Wallace	(AW)	Ofgem
Anne Jackson	(AJ)	SSE
Andy Miller	(AM)	Xoserve
Brian Durber	(BD)	E.ON UK
Cesar Coelho	(CC)	Ofgem
Chris Warner	(CW)	National Grid Distribution
Donna Hadley	(DH)	Xoserve
Edward Hunter	(EH)	npower
Elaine Carr	(EC)	ScottishPower
Gareth Evans	(GE)	Waters Wye Associates
Imtiaz Kayani	(IK)	E.ON UK
Jenny Rawlinson	(JR)	GTC
Joanna Ferguson	(JF)	Northern Gas Networks
Lorna Lewin	(LL)	Dong Energy
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Michael Paley	(MP)	Xoserve
Sat Kelsi	(SK)	Xoserve
Tabish Khan	(TK)	British Gas
Tim Davis	(TD)	Joint Office

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: CW advised that a meeting of the iGT Modification 039 Workgroup (focusing on consideration of the contractual framework solution) took place last week and further work is needed before he is in a position to provide feedback around September time.

Carried Forward

Action NEX05/03: All parties to consider the issues around not getting a read on the transfer date (as currently proposed within the settlement BRD) and to provide their views at the next meeting.

Update: MD advised that further information relating to this matter had been provided after the 13 June 2012 meeting and that to date, no responses had

been forthcoming. She then asked to carry forward the action until the smearing topic is discussed at the August meeting.

Carried Forward

Action NEX06/01: All parties to review the updated pre-consultation document (v0.4), and where possible, provide a high level indication of potential take-up and identify any potential migration issues they may have in time for discussion at the July meeting.

Update: BF suggested that the assumption is that all parties have considered the action, which would be discussed in more detail under item 2.2 below.

Closed

Action NEX06/02: All parties to review the Reconciliation Issues presentation and provide their views on the most appropriate reconciliation scaling adjustment, market share and transition from RbD to meter point reconciliation approaches and finally the reconciliation invoice creation options.

Update: Similar to Action NEX05/03 above, MD asked to carry forward the action until the August meeting.

Carried Forward

2. Issues and topics for discussion

2.1 High Level Workgroup Issues

2.1.1 iGT Agent Services

PN UNC Workgroup iGT Services presentation

MD provided a brief overview of the presentation.

In considering the 'Objectives for Today's meeting' slide, MD expressed the view that she believes that the BRD is suitably developed and therefore ready to be published for responses (due by no later than Tuesday 24 July 2012), before hopefully being signed off (baselined) at the 07 August 2012 meeting.

When asked, MD confirmed that any 'unfinished' areas of consideration could still be developed during the UNC modification consultation process.

BRD for iGT Agency Services (v0.4) review

It was agreed that this item had been sufficiently discussed under consideration of the above presentation.

Post meeting note: both a changed marked and clean version of the BRD (v0.4) was published on the Joint Office web site immediately following the meeting.

2.1.2 Indicative Project Plan

BF explained that a copy of the 'Project Nexus Next Steps Timeline' plan had been published under the materials for the 13 June 2012 meeting.

SK explained that from an Xoserve perspective, he is keen for the visibility of this plan to be raised across both the PNAG and PNUNC meetings. However, he drew attention to the fact that this is very much a work in progress and discussions undertaken and decisions made elsewhere in the meeting could well impact upon the overall

project timeline. Currently, the project remains 'on track' to complete the various BRD aspects by the end of November 2012.

Thereafter, it was agreed to continue to monitor the project progress against the plan – to this end, this will become a standing agenda item from now on.

2.2 Pre Modification Consultation Process

Opening discussions, BF made reference to Ofgem's recent email (dated 29/06/12) in which Ofgem questioned the value of undertaking a pre-consultation exercise and look to the Joint Office to lead discussions on identifying potential sources of costs and benefits, developing a methodology to better calculate the costs and benefits and how and what data is needed to calculate the value of the costs and benefits, and to agree a set of consultation questions to obtain more robust data to facilitate analysis of the costs and benefits.

AW advised those present that Ofgem is keen to receive robust information on which to base a meaningful Impact Assessment (IA) in due course. In accepting that there remains certain elements of uncertainty, he wondered if utilising some form of sensitivity analysis would help increase confidence and whether or not breaking down the single high level costs and benefits into more manageable component based packages may be a better approach. It was suggested that undertaking a more detailed approach could/would take up more time.

AM advised that he sees the various components as 'interlinked', which makes a breakdown approach more difficult to achieve. Furthermore, he does not believe that provision of a single high level cost, supported by a breakdown into component costs for any elements of the project that could be separated out is realistic, as trying to adopt a 'fragmented' approach could lead to higher costs in the long run – for example, having presented a £20 million high level cost lets say, for delivery of 6 BRDs, adding a 7th at a later date could possibly add another £10 million on top. In acknowledging that this is a valid point, AW still believed that a component based approach would assist parties to make informed decisions and that identification of both set up and ongoing costs would be beneficial to all – in short, he is of the view that further consideration of the potential range of benefits and development of a suitable methodology to support this is required to be undertaken by the workgroup. He then went on to suggested that the pre-consultation exercise is a subtly different dynamic to a 'normal' UNC modification consultation cycle, especially when the industry responses are being directed back to the Joint Office, Xoserve and the workgroup in the first instance. Responding, GE suggested that it is highly likely that different market parties would have very different views, depending upon their respective market positions and he does not see any real value in the workgroup undertaking a mini impact assessment.

Moving on, BF reaffirmed a previous workgroup agreement, that the pre-consultation process would facilitate a high level, broad brush approach to help to determine if we wish to continue with the project. TD added that the basic principle that was agreed was to undertake a quick and dirty industry (sense) check to give all parties, especially the smaller players (not just regular Nexus attendees and participants), sufficient time to consider their requirements – his concern being that Ofgem's proposed approach would potentially now make this a redundant exercise.

One suggested option was to commence both approaches (pre-consultation and more detailed cost v's benefit analysis) simultaneously. When asked,

TD confirmed that any preliminary analysis is not looking to move away from examining costs – its about identifying net benefits and therefore must include costs.

GE remained concerned about the suggested ‘pick it apart’ approach as to date there has been very little objection voiced against adopting the high level (single) deliverable solution to cost and benefits, especially when he doubts that parties would be prepared to undertake end-to-end process analysis to try to deliver robust and more detailed cost v’s benefits information. Furthermore, on the subject of possible alternative UNC modifications being raised, he does not believe that any party who may wish to raise an alternative modification would be keen to show their hand this early in the process, as they would see this as potentially giving an early ‘heads up’ to those parties who support the high level (single) approach. CW advised that this is one of the reasons why he has advocated development of a single Nexus modification. He went on to add that National Grid Distribution would like to see the pre-consultation process completed prior to developing the draft UNC modification(s) sometime in Q4, 2012.

AM advised that as far as Xoserve are concerned they still lean towards favouring a single large modification approach and are currently looking at the release order for the various aspects of functionality – they will be looking to demonstrate the logical sequencing process model sometime soon as they believe that the modification(s) would need to identify and address the appropriate sequencing and the associated costs and benefits therein. He sees the big question as being, whether any proposed alternative modifications would be able to provide similar information.

TD enquired when we could expect Ofgem’s SMART analysis to be made available as this could provide benefits to the Nexus workgroup, especially around the various settlement aspects and identification and justification of the associated benefits. Responding, AW advised that he expects the report to be available late July, although he pointed out that it is not an impact assessment, and would not therefore directly identify any benefits – it seeks to focus attention on areas of potential benefit that would then need subsequent examination at a later date.

Whilst still reluctant to support Ofgem’s proposals for gathering more detailed information, GE indicated that he would be happy to immediately kick start both approaches. However, he is of the opinion that obtaining a true view (either collectively as a workgroup, or on an individual basis) from parties may be extremely difficult, and a more honest set of responses would be gained if Ofgem asked the questions – AW acknowledged the point and indicated that Ofgem would consider an appropriate approach.

In trying to move discussions along, AM provided a brief non scientific Xoserve assessment of the £20 million projected cost as based on the delivery of the 7 BRDs, as follows in the table below:

Number of Business Requirements Document (BRD)	1	2	3	4	5	6	7
Approximate Cost (£ million)	7	11	15	17	18	19.5	20

AM went on to explain the rationale behind the scaling of the costs – at the delivery of each subsequent BRD the cost reduces on the basis that the preceding BRD(s) have laid the foundation for the following one(s). Furthermore, as far as this example is concerned, from an Xoserve delivery point of view, the BRD order is largely irrelevant – the example is merely trying to explain the interaction of how the costs would work. GE was keen

that this is not seen as a ranking mechanism for the BRDs before adding that he believes that the example also serves to highlight the flaw in trying to 'cherry pick' between the BRDs with the potential for the whole process to fall apart.

Focusing discussions on how best to move the project forward it was suggested that one possible option would be to develop a (cost v's benefits) 'strawman' for consideration by the workgroup. TD pointed out that in his opinion, this is a task that could not be undertaken by the Joint Office, as it is not a market player as such. AW wondered in that case, whether or not 3rd party assistance should be sought to develop the strawman. GE felt that the issue relates more to where you obtain the information from, rather than who does it – he believes that the Joint Office could do the work just as well as anyone else as long as the information was provided to them.

TD once again reiterated the fact that the JO are not a market participant and as a consequence are not in a position to accurately assess costs and benefits and furthermore, it should be noted that these are identified within the BRDs anyway. When asked whether or not the pre-consultation exercise would request an indication of the sources behind the costs and benefits information, TD responded by suggesting that whilst it currently does not specifically request the information, it could be included.

TD went on to suggest that the crux of the matter is related to whether or not we conduct a pre-consultation exercise to help tease out and identify costs and benefits and then refine the information during the modification process that follows. Responding, AW indicated that whilst he really does not mind at what stage the cost / benefit analysis is completed, he does remain keen that any information that is provided is of a robust nature. Additionally, he would also like to see a view of a process timetable outlining the various key stages from now until completion of the project. SK made reference to the indicative project plan as presented to the June meeting and provided a brief resume highlighting the fact that any changes made to the information gathering approach would/could have a direct impact on the delivery timeline. AM also pointed out that in the event that an April 2013 sign off was not achieved, this would have funding implications.

CW advised those present that he believes that the BRDs could be used to develop the business rules required to support a UNC modification(s) and he would support commencing the pre-consultation process as soon as practicably possible. With this in mind he thinks that starting work on drafting the UNC modification(s) in September is feasible, although he would like it noted that legal text may not be available straight away.

It was suggested, and generally supported by those in attendance, that the pre-consultation response period should be set to 20 business days following issue of the associated documentation. Whilst disagreeing with Ofgem's desire to obtain more detailed information, some parties advocated immediate commencement of the pre-consultation process to avoid any undue delay in delivering the project solution – it was suggested that whilst the pre-consultation exercise and seeking more detailed (cost v's benefits) information are two separate tasks, they could be undertaken simultaneously.

Debate then focused on whether or not it would prove advantageous to undertake a separate sub-group meeting between Ofgem, the Joint Office, Xoserve, Transporters and Shipper/Supplier representative(s) to try to identify what constitutes 'robust' information along with trying to align both Ofgem and the workgroups aspirations via development of a cost v's

benefits strawman. Whilst not a universally supported approach, in the end it was agreed to set up a sub-group meeting to discuss requirements.

Summarising discussions, it was agreed (in no particular order of preference) that:

- that a sub group would meet to consider cost / benefit strawman development;
- pre-consultation process to commence as soon as practicably possible following completion of strawman requirements review and sign off by the workgroup;
- National Grid Distribution would commence drafting a UNC modification in early September;
- Xoserve to notify the Shipper/Supplier industry that the BRDs are available as a means of kick starting the industry cost / benefit thought processes;

2.3 Transitional Arrangements

BF advised that there were no items to consider at this time.

2.4 New Issues

PN UNC Non-functional Topic Issues presentation

MP provided a brief overview of the presentation.

Discussions centred around consideration of the four main items, namely Data/File Transfer & Processing, Online Data Access, Data Retention and Documentation.

As a consequence of several parties indicating that they would like to consider various aspects of the proposals outlined within the presentation with their respective colleagues, it was agreed to place a new action on all parties to review the Non-functional Topic Issues presentation and provide their responses by no later than three (3) weeks following issue of the guidance document and questionnaire. At the same time a new action was also placed against Xoserve (MP/MD) to provide a guidance document outlining the current governance and ownership provisions and to also provide a supporting questions matrix for the industry to consider alongside the presentation.

Thereafter, the Joint Office agreed to a new action to include 'general principles' as an agenda item to consider any/all responses received on the matter.

Project Nexus Workgroup Settlement Issues presentation

MD advised that this would now be covered in more detail at the 07 August 2012 meeting.

3. Workgroup Approach and Plan

Project Nexus Workplan

MD provided a quick summary explaining that there had been no significant changes to the document since the last meeting.

Topic Workgroup Timeline Tracking

MD advised that there had been no significant changes to the document since the last meeting.

Project Nexus Workgroup Outstanding Areas Log

Consideration deferred until the next meeting.

4. Any Other Business

Consideration of Transfer Reads & Smearing Methodology

MD requested that parties give due consideration to discussing transfer read and smearing methodology requirements at the August meeting.

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 NEX07/01: Xoserve (AM) to notify the Shipper/Supplier community of the presence of the BRDs as a means of kick starting the industry cost / benefits thought processes.

New Action NEX07/02: Xoserve (MD/MP) with regard to the Non-functional topic Issues presentation to provide a guidance document outlining the current governance and ownership provisions and to also provide a supporting questions matrix for the industry to consider alongside the presentation.

New Action NEX07/03: All parties to undertake consideration of the Non-functional topic Issues in time for consideration at the August meeting.

New Action NEX07/04: Joint Office (BF) to include General Principles on the agenda to consider any/all responses received in line with Action NEX07/03.

6. Diary Planning

Parties discussed whether or not a face to face or teleconference meeting would be preferable for the 07 August 2012 meeting – it was decided to go ahead with a teleconference meeting as previously planned, but to offer any party the option of attending the meeting in person in the Joint Office meeting room should they wish to.

The following meetings are scheduled to take place:

Title	Date	Location
Project Nexus Workgroup	07/08/2012	Teleconference.

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 to be provided in due course. Carried Forward
NEX05/03	15/05/12	4.	To consider the issues around not getting a read on the transfer date (as currently proposed within the settlement BRD) and to provide their views at the next meeting.	All	Update to be provided in due course. Carried Forward
NEX06/01	13/06/12	2.2	To review the updated pre-consultation document (v0.4), and where possible, provide a high level indication of potential take-up and identify any potential migration issues they may have in time for discussion at the July meeting.	All	Update provided. Closed
NEX06/02	13/06/12	2.4	To review the Reconciliation Issues presentation and provide their views on the most appropriate reconciliation scaling adjustment, market share and transition from RbD to meter point reconciliation approaches and finally the reconciliation invoice creation options.	All	Update to be provided in due course. Carried Forward
NEX07/01	03/07/12	2.2	To notify the Shipper/Supplier community of the presence of the BRDs as a means of kick starting the industry cost / benefits thought processes.	Xoserve (AM)	Update to be provided in due course.
NEX07/02	03/07/12	2.4	With regard to the Non-functional topic Issues presentation to provide a guidance document outlining the current governance and ownership provisions and to	Xoserve (MD/MP)	Update to be provided in due course.

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			also provide a supporting questions matrix for the industry to consider alongside the presentation.		
NEX07/03	03/07/12	2.4	To undertake consideration of the Non-functional topic Issues in time for consideration at the August meeting.	All	Update to be provided in due course.
NEX07/04	03/07/12	2.4	To include General Principles on the agenda to consider any/all responses received in line with Action NEX07/03.	Joint Office (BF)	Update to be provided in due course.