

Project Nexus Workgroup Minutes

Tuesday 15 May 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
Alan Raper	(AR)	National Grid Distribution
Anne Jackson	(AJ)	SSE
Andy Miller	(AM)	Xoserve
Brian Durber	(BD)	E.ON UK
Cesar Coelho	(CC)	Ofgem
Chris Warner	(CW)	National Grid Distribution
David Speake	(DS)	ES Pipelines
Edward Coleman	(EC)	E.ON UK
Edward Hunter	(EH)	RWE npower
Elaine Carr	(EC)	ScottishPower
Emma Smith	(ES)	Xoserve
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
Paul Orsler	(PO)	Xoserve
Peter Thompson	(PT)	Customer Representative
Sean M ^C Goldrick	(SMc)	National Grid NTS
Steve Mullinganie	(SM)	Gazprom
Tim Davis	(TD)	Joint Office of Gas Transporters

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 NEX04/01: ES 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.

Update: DS advised that discussions with the 'Green Deal' parties have identified that the requirements are mostly electricity market centric and any gas market regulatory impacts are uncertain as yet. Again, the iGTs and GTs had not yet met to discuss this matter, although a meeting is now planned for 28 May 2012.

Carried Forward

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 he had consulted with his legal colleagues and subsequently a discussion paper focusing on the contractual arrangements between the various impacted parties had been prepared for discussion at the 28 May meeting. Thereafter, he intends to provide suitable feedback to this Workgroup.

Carried Forward

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).

Update: Opening, BF explained that to date no responses had been forthcoming.

SM advised that at a recent PNAG meeting, parties discussed various aspects associated with information granularity along with potential like for like (bundled) cost v's benefit analysis based on high level assessments – in short, parties would provide their analysis to align with Xoserve's high level (£20 million) cost figure.

The matter was once again debated in more detail during discussions under item 2.2 Pre-Modification Consultation Process.

Carried Forward

Action NEX04/05: All parties to review the iGT BRD document with a view to ascertaining whether or not what is outlined within the document is correct and whether in their opinion anything is missing.

Update: MD advised that two responses had been received and further detail would be provided under discussion of item 2.1.2 below.

Closed

Action NEX04/06: Ofgem (CC) to consider what approach may prove the most beneficial in identifying and assessing potential costs and provide both an example and an Authority view at the next meeting.

Update: Please refer to the Ofgem presentation under item 2.2 below.

Closed

Action NEX04/07: All parties to consider what groupings they believe would prove beneficial and try to identify their potential high-level benefits and costs associated to these.

Update: It was agreed that this matter is covered under NEX04/03 above.

Closed

Action NEX04/08: All parties to consider the benefits outlined within the pre-modification consultation response template and think about these benefits and how best to incorporate these into a 'grouped' approach.

Update: It was agreed that this matter is covered under NEX04/03 above.

Closed

Action NEX04/09: Xoserve (FC/MD) to look at providing more cost breakdown information alongside consideration of any project delivery sequencing issues and their potential impact upon the benefit and cost analysis.

Update: FC believed that this matter was discussed in more detail at the recent PNAG meeting and had no additional information to provide.

Closed

2. Issues and topics for discussion

2.1 High Level Workgroup Issues

2.1.1 Retrospective Updates

PN UNC Workgroup Retrospective Updates presentation

MD provided a brief overview of the presentation, drawing attention to the fact that at a previous meeting it had been agreed that IRR13.3 was no longer required. In considering the 'Objectives for Today's meeting', she advised that one response (industry comment) had now been received.

BRD for Retrospective Updates (v0.8) review

MD provided a brief update explaining that one set of comments had been received. She then went on to highlight the points raised against v0.8 of the BRD (as published for the previous meeting).

Reviewing reference 9.1 to 'particular' in the table in 3.4.1, MD pointed out that these statements are in fact direct copies of the Project Nexus Consultation Responses (IRR) submissions. She would however, add the respective owners of the statements in the table in the updated version of the BRD.

In considering the challenge to the 8.5.2 text, parties concluded that the statement is correct.

In reviewing 8.6.1, parties agreed that paragraphs 8.6.3 and 8.6.10 could now be deleted.

BD enquired as to what is happening with respect to the D+5 'cross over' with Settlement. Responding, MD advised that resolution of this will be discussed during Settlement Issues under AOB and the impacts of any changes agreed will be reflected in an updated version of the BRD & published.

When asked, parties indicated that they would be happy to baseline the BRD – consequently, MD will now provide an updated (final) copy to the Joint Office for publication.

2.1.2 iGT Agent Services

PN UNC Workgroup iGT Services presentation

AM provided a brief overview of the presentation.

BRD for iGT Agency Services review

Before commencing a brief review of the document, AM advised that he also expected that the BRD would be updated following the 28 May iGT/GT meeting and republished thereafter. A brief resume of the main discussion points follows.

In considering 4.1 - Industry Benefits AM advised that this had been beefed up since last meeting and any additional comments would be welcomed. When asked, if the iGTs deal with MPRNs differently, AM confirmed that they do and this would be included in discussions at the iGT/GT meeting. Asked if there could be any benefit in trying to align the iGT and GT processes, AM suggested that this is unclear at this time and may not fall under the scope of Project Nexus anyway. DS added that without access to detailed analysis it is difficult to

identify the various interactions and he very much doubted that the iGTs would support changes to their processes where they do not perceive any problems. However, having said that, the matter of provision of common processes (i.e. nominations, registrations etc.) would be discussed in more detail on the 28 May. SM advised that he would prefer to see adoption of a 'one stop shop' style approach.

TD reminded parties that it might not just be the iGT processes that are amended - it could be the other way around, which would see the GT or Shipper processes changing.

Continuing, AM pointed out that a new paragraph 5.1.10 had been added to the 'In Scope' section and that further information would be forthcoming on sections 6.3 – Risks & Issues and 6.4 – Outstanding Workgroup Questions.

Looking at 8.3.7, AM advised that the background to the proposed early warning report would be discussed at the iGT/GT meeting. Asked if it is envisaged that the CSEP (maximum) AQs would be amended via Xoserve, AM responding by highlighting that this remains an iGT/GT matter although the Supply Point AQs would be amended through normal routes.

When asked about iGT Must Reads and DM, AM confirmed that these would also be discussed in more detail on the 28 May. JF pointed out that currently the iGT UNC must read terms are the same as the equivalent UNC ones. AM confirmed that once all of the iGT and GT data is entered into the system, it would be treated in the same way.

When asked whether Xoserve are considering how best to handle iGT meter asset details, DS suggested that the iGTs could choose to act as the MAM. SM indicated that he would support the principle as long as there was no (additional) cost attached to it. AM suggested that if Xoserve were to build in RGMA functionality it could be offered as an optional service in future. When asked, AM agreed to add a broad statement to clarify the matter.

Moving on to consider paragraph 8.7.12, NA enquired when instances such as this would possibly happen to which AM responding suggesting that it might occur in instances where the wrong end date had been entered into the system.

AM then went on to point out that paragraph 8.13.1, is also subject to ongoing discussions.

Moving on to focus on 9.1 – Migration activity, AM advised that currently this is the initial proposal. He asked people to note that the migration database may be required for anywhere between 6 to 12 months and that industry wide assistance would be required to facilitate the data cleansing elements. SM enquired if the cleansing and migration aspects would potentially have a direct bearing upon the Project Nexus workplan. AM suggested that whilst these aspects had not been directly considered within development of the workplan, the planners had indirectly considered requirements when drawing up the plan so he does not anticipate any major impact on the project end date. He suggested that the basic rule is there would still be requirement for reconciliation and CSEP reads going forward.

2.2 Pre Modification Consultation Process

Introducing this item, TD opened by informing parties that the Authority remains keen that there is an industry wide Project Nexus impact assessment undertaken at some point. He went on to remind those present that at the previous meeting parties discussed the issue of how best to identify potential costs and benefits and to this end Ofgem (CC) has provided the following presentation.

Project Nexus Approach to modelling costs and benefits presentation

Opening discussions and focusing on the overall approach, BD advised that he thought that Ofgem had recently adopted a subtly different approach to NPV modelling, although TD felt that this related more to the pricing arena. Discussion then focused on what would / could be deemed as a suitable payback (cost of capital) timeline with suggestions ranging from 20 to as low as 5 years being considered. TD reminded those present that Nexus is NOT an I.T. project, it is an enduring regime change. Furthermore, during discussions at the previous meeting, parties agreed to a 2020 regime timeline. SM felt that whilst the costs relate to system changes, the benefits are related more to the proposed regime changes. CC believes that there are both system and implementation costs involved and the question of a suitable timeline could be included as part of the formal consultation process. It was felt that product line take-up should also be included as an uncertainty factor.

Asked whether or not the assessment of industry costs included additional and consequential costs, CC advised that the cost question would be aimed at all parties (including the Networks) to consider and the same could be said for the benefits.

Moving on to consider the Step 1 – Take-up scenarios – Settlements slide, SM believed that it would also be beneficial to factor in changes in product line usage over time which would then include consideration of any ongoing movement between the 4 product lines as various new technological initiatives came on line – however, as product 1 relates to DM mandatory he would not expect significant changes to take place. In considering the ‘counterfactual’ aspects, parties believed that the question is whether or not we (the industry) could achieve DM settlement without Nexus being in place, especially when considering aspects, such as the DM Elective (DME) regime and the removal of the DMV service.

Moving on to consider the settlement time reference slide, CC advised that Ofgem proposes excluding the transitional period as Users may struggle to understand the impact of take-up over this period. He then asked parties to note that the proposed timeline applied to the ‘counterfactual’ elements as well.

In looking at the settlement questions slide, SM remarked that his predicted DME take up is zero, his minimum/maximum values would also be zero and wondered how best to rationalise this fact, especially in light of the fact that there are no technical barriers to him opting to utilise DME now – the real issue is that there is no commercial value in using DME as it currently stands. BD suggested that if DME was similar to how product 2 is scoped, parties might then choose to opt for it. CC questioned if, by assuming that Nexus did not happen (the counterfactual), would DME have to change in future for parties to consider using it. He also noted that the industry would need to identify costs for both Nexus implementation and the counterfactual position. SM doubted whether or not changing DME to align more closely with product 2 could actually be achievable especially when there are capacity constraints and re-platforming issues to resolve. TD reminded everyone present that whilst there is always the (minimum) option of doing

nothing, there would be an Xoserve cost, associated with moving to a non Nexus world and rebuilding the existing system.

Moving on to consider AQ and Meter Point Reconciliation (MPR) frequencies, MD confirmed that rolling AQ and MPR reconciliation processes would be automated in the new Nexus world, so use of this facility would not be optional, although the choice for Shippers would be how many more reads to submit. NA suggested that Rolling AQ was just an interim arrangement until Meter Point Rec was implemented. CW pointed out that the rolling AQ is an enduring arrangement and returning to an annual AQ regime is not an option. In assuming that metering technology is in place, SM believes the question boils down to whether or not he chooses to submit reads on a daily or otherwise basis.

Continuing on the theme of AQ and MPR frequencies, there then followed an extensive debate around aspects such as whether or not consideration of the counterfactual elements would potentially drag parties into more expensive detailed (granular) cost v's benefit analysis which may delay the project. Whilst there were subtly different interpretations around the table on what is actually required, the general consensus appeared to be to opt for a simple solution based around comparing the high level cost (£20 million) against high level benefits (i.e. £50 million for argument sake) – the question remains as to whether or not Ofgem would deem this sufficient for them to undertake a meaningful Impact Assessment (IA).

CC wondered whether the 'counterfactual' elements could be based on a like-for-like basis, whilst FC advised that Xoserve would need to be able to fully appreciate any (assuming SMART is in place) potential rollout programme impacts, as it remains her view that providing a full solution for day 1 (assuming 100% Smart capability) is unrealistic. BD suggested that Suppliers could/would/should provide an indication of their respective rollout programmes to assist Xoserve to make informed decisions – this would help Xoserve to understand whether or not they would be over / under delivering on Nexus.

Asked whether or not the £20 million cost projection included consideration of capacity ramping up requirements alongside the assumption of full market take up, FC indicated that it did, but warned that it should not be assumed that everyone would be utilising product 2 by the end of rollout in 2020. FC went on to add that Xoserve would welcome both rollout and potential take up information if parties would be happy to provide it.

SM^C enquired as to whether or not Xoserve had included any consideration of counterfactual elements in their 'original' cost estimate of £20 million. Responding, FC agreed to undertake a new action to investigate what elements are included (or not) within Xoserve's original £20 million cost figure.

Continuing the debate around counterfactuals, TD suggested that as far as these are concerned, parties do not need to directly consider benefits, as only the potential cost difference between Nexus and a non Nexus based solution, is of prime importance.

As far as the frequency intervals (i.e. submission of meter reads etc.) are concerned, CC believes this to be a fundamental question, whilst PT suggested the answer would be heavily dependent on a party's position within the industry.

Extensive debate continued in which it was suggested that one assumption should be that full technology would be available and any cost v's benefit analysis should therefore mainly focus on product utilisation aspects. In

considering AQs update frequency, TD questioned whether this is appropriate as he remains uncertain as to how parties would be able to respond, and more importantly assess any potential benefits. Furthermore, he questions the benefit of opting for differing frequencies as this has the potential to split up analysis thereby potentially making it more difficult to obtain meaningful results. Some parties felt that if Ofgem were seeking to unbundle the cost v's benefits (more granularity of information) then they would need to understand in more detail how Xoserve compiled their 'original' £20 million cost assessment across the BRDs so that we would be able to compare like-for-like. Responding, CC suggested that Ofgem are keen to ensure receipt of a level of consistency to any consultation responses, before suggesting that may be this workgroup would consider establishing some basic response parameters. It was felt that the real issue boiled down to the potential level of individual granularity of analysis and the subsequent cost v's benefit analysis – this highlighted ongoing concerns around a potential unbundled approach to the cost v's benefit question.

CC asked parties to consider how they would best justify any cost v's benefit analysis provided to Ofgem, as this would be key to any IA undertaken. Some parties felt that a better understanding of what Ofgem actually believe they need would prove beneficial in enabling them to provide meaningful information and justifications – in short, the question remained as to whether Ofgem are seeking a Detailed Cost Assessment (DCA) level of information provision, or would they be happy with a less expensive Rough Order of Magnitude (ROM) level.

Further debate centred around the benefits of increased accuracy of information and allocations along with the establishment of a sensible methodology to identify and quantify (specifically relating to product 4) any costs and benefits, especially the counterfactual related aspects – some questioned the value of adopting a common approach as this would not prevent parties from deliberately providing misleading information. TD noted that in assuming that parties are able to identify benefits (e.g. £50 million) and compare these to a cost (i.e. £20 million), they would still need to support their findings with narrative evidence.

Asked for a view on parties that decline to respond during the consultation process, CC believes that Ofgem would seek to actively engage with these individuals/organisations in the first instance before considering whether or not to make the consultation mandatory. AJ observed that where it is perceived that undertaking any cost v's benefit analysis provides for a marginal benefit, parties may prefer to not undertake the analysis in the first place.

Whilst CC may be expecting Xoserve to provide a more detailed breakdown of their £20 million figure, MD pointed out that at a recent PNAG meeting, those present agreed that any cost benefit analysis to be provided to Ofgem would be aimed at a (consistently) high level.

In trying to agree on a sensible way forward, parties discussed in some detail what would possibly constitute a sensible set of (consistent) questions to put before the industry during the consultation (one example being, do parties have any concerns surrounding the implementation of the full Nexus suite of changes). It was also acknowledged that now might be an appropriate time to take a step back and consider the wider commercial aspects of Nexus to enable informed thinking to take place to assist development of any accompanying UNC modifications in due course.

Concerns relating to the potential impacts associated with a phased Nexus rollout were voiced (the fundamental assumption being that SMART would

be in place before Nexus), as this has the potential to significantly change the (cost v's benefits) analysis picture. Accepting the concerns raised, CC advised that Ofgem would obviously prefer to include transitional considerations within their IA, but accepts that this may not be a realistic goal, especially in light of the fact that the enduring (post SMART rollout) solution may need to follow on after Nexus.

In continuing to try to identify a suitable way forward, the question of what level of detail would be sufficient for Ofgem's IA requirements was asked – consensus was that there would be benefit in Ofgem providing a list of their potential questions in time for suitable consideration by organisations and feedback at the next meeting. CC agreed to undertake a new action to seek a view from his Ofgem colleagues on what would constitute a suitable level of detail for information which is to be provided by the industry during the consultation process and to also provide a draft set of related questions for consideration at the next meeting.

When asked, parties indicated that they are happy at this juncture to propose providing high level information only based around the BRDs. CC did go on to point out that should the provision of high level only information be deemed insufficient by Ofgem for its IA purposes, the matter may need to be revisited in due course.

2.3 Transitional Arrangements

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

2.4 New Issues

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

3. Workgroup Approach and Plan

Topic Workgroup Timeline Tracking

MD advised that there had been no significant changes to the document since the last meeting. When asked parties agreed that an additional iGT meeting would be beneficial.

Project Nexus Workplan

MD provided a quick summary.

Project Nexus Workgroup Outstanding Areas Log

Consideration deferred until the next meeting.

4. Any Other Business

Project Nexus Workgroup Settlement Issues presentation

MD and ES provided a joint overview of the presentation.

In considering the 'Submission of Estimated Reads' proposal, SM advised that his colleagues have indicated that they would be happy to support the approach – other attendees at the meeting also agreed. It was noted that 'incentives' would need to be considered further by the group.

Looking at the 'Replacing Actual Reads' slide, and the replacing of actual reads with estimated ones, SM felt that another reason for doing this could be when erroneous reads are present in the system. When asked, PT for one, supported a consumption based solution whilst ES pointed out that the eventual aim is to develop an automated consumption adjustment mechanism. However, SM remained concerned about the continued misuse of ratchets (a Code breach) and the potential removal of the invaluable tool set that currently assist parties to

identify and resolve malicious actions. In the end the consensus was to opt for a consumption adjustment based solution rather than replacing actual meter reads.

Considering the 'DM Unbundling' slide, parties agreed to the proposed approach and amending the Settlement BRD to reflect the changes agreed.

In considering the question of whether or not, there is any difference in process between SMART or AMR when considering a change of Shipper, it was considered to be desirable if the new Shipper adopted any equipment present, it was felt that both processes would be very similar.

Parties moved on to briefly debate the 'Shipper Transfers' issues before moving on to consider the 'Transfer Read Principles'. When asked if the proposal is referring to the current SARs process, ES confirmed that it is not – it is looking at an enhanced solution instead.

Moving on to finally consider the 'Transfer Scenarios' (for the transfer read window), it was concluded following a brief discussion that a resynchronisation would be the correct process where derived reads are concerned. In considering how switching an AMR provider would actually work, SM suggested that the issue is really about drift related risks (similar to current DM processes).

MD suggested that in an ideal world, a read would be taken on D and sent before D+5 to closeout the outgoing Shipper's position. In essence the real issue only relates to moving from or to Products 1, 2 or 3.

Concluding discussions, a new action was placed against 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.

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 NEX05/01: Xoserve (FC) to investigate what (counterfactual) elements are included (or not) within Xoserve's original £20 million cost figure.

New Action NEX05/02: Ofgem (CC) to seek a view within Ofgem on what would constitute a suitable level of detail for information which is to be provided by the industry during the consultation process and to also provide a draft set of related questions for consideration at the next meeting.

New 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.

6. Diary Planning

Parties briefly discussed what suitable meeting dates should be arranged concluding that the proposed 06/06/12 meeting should be cancelled and replaced with a face-to-face meeting scheduled to take place on 13 June 2012.

The following meetings are scheduled to take place:

Title	Date	Location
Project Nexus Workgroup	13/06/2012	NG Office, 31 Homer Road, Solihull.
Project Nexus Workgroup	03/07/2012	Teleconference.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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.	ES Pipelines (DS)	Update to be provided in due course. Carried Forward
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
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 and benefits (subject to final agreement on the approach).	All parties	Update to be provided in due course. Carried Forward
NEX04/05	25/04/12	2.1.1	To review the iGT BRD document with a view to ascertaining whether or not what is outlined within the document is correct and whether in their opinion anything is missing.	All	Update provided. Closed
NEX04/06	25/04/12	2.2	To consider what approach may prove the most beneficial in identifying and assessing potential costs and provide both an example and an Authority view at the next meeting.	Ofgem (CC)	Update provided. Closed
NEX04/07	25/04/12	2.2	To consider what groupings they believe would prove beneficial and try to identify their potential high-level benefits and costs associated to these.	All	Update provided. Closed
NEX04/08	25/04/12	2.2	To consider the benefits outlined within the pre-modification consultation	All	Update provided.

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			response template and think about these benefits and how best to incorporate these into a 'grouped' approach.		Closed
NEX04/09	25/04/12	4.	To look at providing more cost breakdown information alongside consideration of any project delivery sequencing issues and their potential impact upon the benefit and cost analysis.	Xoserve (FC/MD)	Update provided. Closed
NEX05/01	15/05/12	2.2	To investigate what (counterfactual) elements are included (or not) within Xoserve's original £20 million cost figure.	Xoserve (FC)	Update to be provided in due course.
NEX05/02	15/05/12	2.2	To seek a view within Ofgem on what would constitute a suitable level of detail for information which is to be provided by the industry during the consultation process and to also provide a draft set of related questions for consideration at the next meeting.	Ofgem (CC)	Update to be provided in due course.
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.