

Project Nexus Workgroup Minutes

Monday 18 February 2013

at Energy UK, Charles House, 5–11 Regent Street, London SW1Y 4LR

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Tim Davis (Secretary)	(TD)	Joint Office
Alex Ross-Shaw	(AR)	Northern Gas Networks
Andy Miller	(AM)	Xoserve
Anne Jackson	(AJ)	SSE
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
Dave Corby*	(DC)	National Grid NTS
Elaine Carr*	(EC)	ScottishPower
Fiona Cottam	(FC)	Xoserve
Huw Comerford	(HC)	Utilita
Julie Varney*	(JV)	National Grid NTS
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Edd Hunter	(EH)	RWE npower
Naomi Anderson	(NA)	EDF Energy
Sue Cropper	(SC)	British Gas
Steve Mulinganie	(SM)	Gazprom

* *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 NEX02/01: In respect of ID10 – All parties to consider and possibly rank in order of preference, the three proposed options of GFD+5 throughput / latest consumption / consumption at reconciliation close out and provide their views at the next meeting.

Update: Covered on issues log. **Closed**

Action NEX02/02: In respect of ID16 – Xoserve (MD) to provide a process flow diagram showing resynchronisations compared to the other processes (derived v's non derived etc.).

Update: MD apologised that his had not been completed, but it is less complex than anticipated and will be covered as part of the issues log. **Closed**

Action NEX02/03: In respect of ID26 – All parties to consider the proposed option and specifically whether or not there is benefit in changing the current read frequency regime and moving towards a 6 monthly read frequency provision to Xoserve for annual read meters.

Update: Completed – see issues log **Closed**

2. Workgroups

The following Workgroup meetings took place:

2.1 0432 – Project Nexus – gas settlement reform

(Report to Panel 21 March 2013) – Papers at:
<http://www.gasgovernance.co.uk/0432/180213>

2.2 0434 – Project Nexus – Retrospective Adjustment

(Report to Panel 21 March 2013) – Papers at:
<http://www.gasgovernance.co.uk/0434/180213>

3. Issues and topics for discussion

3.1 Issues Log

MD ran through the latest version of the log.

ID10 – Unidentified Gas Share

FC recapped the presentation on scaling adjustment options, as presented on 5 February. The previous conclusion had been that consumption should be used, and which consumption was now the question – assuming this remained the favoured option.

The suggested choices were:

1. Consumption at Gas Day +5
2. Latest consumption (taking account of reconciliations and adjustments)
3. Consumption at reconciliation close out (month plus 10 days)

SM suggested that option 2 is the most robust and dynamic, taking account of portfolio changes. He felt this should be adopted provided the complexity and consequent costs did not mean this was inefficient. FC questioned, given the limited level of movement, whether Shippers felt the complexity was justified. SM indicated that the past may not be a guide to the future, but he envisaged the difference being a significant sum of money.

CW argued that reconciliation amounts could be reduced as a result of better and more frequent meter reads. However, SM thought there was the prospect of moving to a more granular and dynamic market, with larger scale customer switching than at present (with some suggesting one day switching). This created a risk if the allocation doesn't match the granularity and should be avoided if practical to do so. FC felt that even with more switching, the aggregate would still be used for each individual day and so the impact should not necessarily be large. SC supported SM's view that locking in at GFD+5 is inappropriate, and that flexibility should be built in to the approach.

FC suggested that the third option was a compromise, to give a fixed date but to ensure the majority of reconciliations would have been expected to be captured. NA also supported Option 2 if it could be delivered at reasonable cost. CW was not clear how Shippers would validate invoices against this background, and FC suggested an audit similar to that previously seen for RbD might be called for to give confidence about the numbers emerging from the process.

Shippers were unanimous that, in principle, Option 2 (latest consumption) was preferred provided it is practical and cost effective. Xoserve confirmed that they could not cost the options with any confidence at this stage.

It was agreed that the issue should be closed, but that Xoserve should revisit this if it becomes clear that there will be a material cost increase as a result of the decision. AM felt the implication of the business requirements for the total costs would be available early in 2014.

SM asked if two options could be taken forward. AM said that the legal text could only contain one option. CB suggested that decisions with associated costs should not be driven by the desire to complete legal text. SM suggested two sets of text could be provided, although CW felt this would be unduly costly. Shippers explained that were trying to avoid getting railroaded into a specific solution if this created unanticipated costs that, when known, were regarded as unjustified in relation to the benefits. SC believed that the IT developers should be expected to return with warnings about specific items and decisions that create material costs. SM echoed that he would expect this to be provided, and was looking to manage risks which is difficult in the absence of costs. AM emphasised that there was a parallel difficulty of obtaining benefits to justify any change in costs.

AJ suggested that the position had been reached that this is an indicative decision that could be revisited if cost implications emerged that suggested the decision is not cost effective. CW said that Modification 0432 would progress with one option, and any change would need a further modification in order to change the decision – it is not, as such, a decision that can be readily reopened.

CW asked about Shipper progress in estimating the benefits. It was indicated that Shippers are struggling for resource to carry out significant analysis, as few weeks to produce the analysis is unrealistic. The size of organisations produced different issues – larger organisations had to coordinate across different functions and departments while smaller ones may not have sufficient resources available. By contrast, the benefits of automating iGT processes are relatively easy to quantify, i.e. costing a number of manual processes that would no longer be required.

ID 16 Faulty Meters

It was agreed that the existing DM process should apply for Product 2 sites.

ID26 – MRF (Meter Read Frequency)

CW talked through a chart of read submissions and suggested all the square brackets needed to be removed, with targets and deadlines agreed.

It was agreed there should be no must read provision for Product 1 as this would require the transporter to provide a must read for its own failure to provide a read.

For Product 2, CW suggested the existing DME provisions should be applied, including a target for read submission. CB suggested this would be better considered as part of development of a performance assurance framework, looking at the costs and benefits of achieving specific targets. AJ agreed that it is premature to come up with targets in the absence of any justification. SM added that the implications of not performing also needed to be established – i.e. move to another product rather than have a penalty. It was noted that Ofgem are often critical of the inclusion of arbitrary numbers and would expect to see any proposal justified.

CW emphasised that specific numbers are needed for the legal text, setting read submission requirements. SM suggested that a separate performance document could be referred to in the UNC text, such that the performance figures could be determined subsequently. CW said this would not be possible as the separate document does not exist and, if the industry wanted to delay hard coding requirements, these could be omitted from the modification with no performance requirements. AJ said this seemed reasonable at this stage, with reporting available to inform subsequent setting of performance requirements as necessary. AM confirmed that reporting would be available.

It was agreed that the square brackets around performance targets could be removed on the grounds that the system would be built to allow the values to be readily changed, with no financial liabilities attached to the performance measures,

and reporting instigated with a Performance Assurance framework to be developed separately.

AM asked about the required must-read trigger. It was confirmed that these should be as in the existing UNC but with flexibility to amend these in the system in future.

It was noted that PT had suggested that with a 90% read target, there should be a secondary target that all of the missing 10% should be read in the next year. MJ suggested this went beyond Project Nexus and is a separate debate about changing read submission requirements. SM said that Product 4 will largely involve dumb meters for the initial years, and so the existing requirement should be continued (70% read requirement). CW questioned why 90% had been suggested earlier, and Shippers explained that this was discussed with smart meters in mind, for which 90% could be expected. AJ emphasised that the dumb percentages will be harder to collect as the number of smart meters increases. SM felt this was an issue that the Performance Assurance Framework should cover.

MJ asked whether separate requirements could be set for smart and dumb meters, say with 90% for smart meters and 70% for dumb – bearing in mind that these percentages were only for reporting against at this stage.

It was agreed that, at this stage, monthly read meters should have a 90% requirement, and annual read meters should remain at 70%.

It was also agreed that the submission deadlines and maximum read submissions should remain as now other than for annually read SSPs that should be increased to 25.

The proposed must read obligations were accepted – with no change from the present arrangements.

CB asked about the systems capability to accept reads. FC said that the system would be sized to accept the number expected, based on assumptions about product take-up. AM added that the system will be scalable to support increasing capability if that proves to be necessary.

It was agreed to close this issue.

ID28 – Resync

MD said that this had been discussed previously and could be closed.

ID29 – Single Meter Supply Points

MD said that this is a critical assumption, with all analysis to date based on the assumption that Modification 0428 is implemented. DC asked about Modification 0428A and the risk this carried – AM said it carries the same risk.

ID30 – Meter Read Frequency

MD explained the issue with whether sites should automatically be switched to monthly read if they move above the threshold for being monthly read, and invited views on whether Shippers were looking for any change to force the required change to be imposed. SM asked if you would also force them back if the threshold was crossed back in the following period. FC asked if, for example, one of MDs options should be adopted whereby the change is forced on a three strikes basis. CW said the UNC is clear and the threshold crosser does become monthly read. However, FC said the issue is the enforcement of this, which the system does not deliver at present. SM said materiality and cost needed to be considered: there are points in the process that will ensure the correct classification happens (i.e. contract renewal) but you would not want to impose undue costs for those that briefly and marginally cross the threshold.

CW agreed that there should be no systems requirement to automatically switch a site to monthly read or back when crossing a threshold. But he emphasised that the Code puts a clear obligation on Shippers that the read frequency is changed when the threshold is crossed. It was agreed that this is an existing issue and not within the Project Nexus requirements to be changed.

It was agreed the issue could be closed.

3.2 Project Plan

AM presented a view on functionality implementation sequencing. SM questioned whether the iGT Agency Services item is on the critical path, or could it be delayed if decisions are not taken in time to deliver this element first. AM confirmed this would be possible, but he would expect this to be at a cost to the industry. MJ asked if validation should be before settlement. Xoserve did not think it needed to be – it must occur before reconciliation and rolling AQ. AM said the potential existed to introduce validation earlier, but is not essential to be there before settlement.

SM asked if there was to be a big bang, single cutover to the new systems, or would some elements come in advance of full Nexus implementation, with phased delivery. CW said the legal text assumes an enduring regime, but one or more transitional modifications are likely to be raised in due course.

AM explained that switching on all the new systems on a given day was considered unlikely for practical reasons. The functionality is expected to be deployed over a period of time of perhaps a few months. This will need to be clarified in due course, taking account of Shipper requirements and readiness. SM emphasised that clarity is needed quickly as this impacts systems' ability to move to the different approach, with legacy systems and parallel running being a problem. He had been assuming a hard cutover, but if a modular approach is envisaged he will need an understanding of how this is to be applied. AM agreed that this is an issue for all parties and will have to be faced.

3.3 BRD Updates

MD noted that the non-functional BRD had been published and any comments would be welcome.

3.4 Funding Arrangements

Consideration deferred.

3.6 New Issues

None.

4. Workgroup Approach and Plan

Consideration deferred.

5. Any Other Business

AM outlined progress on the data cleansing exercise and its implications.

7. Diary Planning

The following meetings are scheduled to take place:

Title	Date	Location
Project Nexus Workgroup (inc. Workgroups 0432 & 0434)	05/03/2013	31 Homer Road, Solihull, West Midlands. B91 3LT.
Project Nexus Workgroup (inc. Workgroups 0432 & 0434)	18/03/2013	31 Homer Road, Solihull, West Midlands. B91 3LT.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
NEX02/01	05/02/13	3.1.1	In respect of ID10 - consider and possibly rank in order of preference, the three proposed options of GFD+5 throughput / latest consumption / consumption at reconciliation close out and provide their views at the next meeting.	All	Closed.
NEX02/02	05/02/13	3.1.1	In respect of ID16 – provide a process flow diagram showing resynchronisations compared to the other processes (derived v's non derived etc.).	Xoserve (MD)	Closed.
NEX02/03	05/02/13	3.1.1	In respect of ID26 - consider the proposed option and specifically whether or not there is benefit in changing the current read frequency regime and moving towards a 6 monthly read frequency provision to Xoserve for annual read meters.	All	Closed.