

**Project Nexus**  
**Project Nexus Workgroup Minutes**  
**Wednesday 01 June 2011**

at the National Grid Office, 31 Homer Road, Solihull.

**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
Cesar Coelho	(CC)	Ofgem
Chris Warner	(CW)	National Grid Distribution
Elaine Carr*	(EC)	ScottishPower
Fiona Cottam	(FC)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
Graham Wood	(GW)	British Gas
Joanna Ferguson	(JF)	Northern Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
Jonathan Wisdom	(JW)	RWE npower
Lorna Lewin	(LL)	Shell
Michael Payley	(MP)	Xoserve
Michele Downes	(MD)	Xoserve
Phil Blakeman	(PB)	British Gas
Sallyann Blackett	(SB)	E.ON Energy
Sean McGoldrick	(SMc)	National Grid NTS
Stefan Leedham	(SL)	EDF Energy
Steve Mulliganie	(SM)	Gazprom

\* *via teleconference link*

**1. Introduction**

BF welcomed all to the meeting.

**1.1 Review of Minutes**

Due to their close proximity, the minutes of the last meeting (24/05/11) will be approved at the 20/06/11 meeting.

**1.2 Review of (consolidated) actions**

BF pointed out that an abridged actions list had been published as requested at the previous meeting.

**Action NEX0043:** All parties to provide a view on the elements to be considered under Supply Point Register for Project Nexus.

**Update:** Parties agreed that this action was no longer applicable.

**Closed**

**Action AMR054:** National Grid Distribution (CW) to consider drift information (extent & tolerance).

**Update:** CW advised that work is ongoing with National Grid Metering and he intends to provide an update in due course.

**Closed**

**Action AMR055:** All parties to consider if a response detailing read acceptance following GT 'logic checks' is required and whether or not this should apply across all 4 proposed processes.

**Update:** SM asked if this action could be 'held over' as his Business Analyst is currently considering the matter.

**Carried Forward**

**Action NEX0046:** National Grid Distribution (CW) to investigate the statistical information relating to identification of the root causes of derived / un-derived drift, and impact of failed reads (to understand the risk of associated to their errors) and establish an initial definition for what is meant by a 'derived reading'.

**Update:** Related to outstanding action item AMR054 above, CW advised that an update would be provided in due course.

**Carried Forward**

**Action NEX0047:** All to consider the scheduling plan and provide feedback at the next meeting.

**Update:** BF advised that this action had been completed.

**Closed**

**Action NEX0048:** All to consider an appropriate read submission deadline (40 calendar days) for all sites where a daily read is not submitted daily (Process 3 & 4 sites).

**Update:** SM believes that this action forms part of the ongoing Business Rules Document discussions.

**Carried Forward**

**Action NEX0049:** Xoserve (FC/MD) to double check what information is provided to shippers/suppliers in a change of supplier process.

**Update:** MD informed parties that the last read date and inspection dates are provided on transfer via the MRI file (U06 record) between D-7 and D-5 of the confirmation effective date. Furthermore, she has added this update on to the issues log for tracking purposes. When asked, MD advised that she is unsure if these are comprised of actual reads and will investigate and report back. *Post meeting note: the file contains the date the meter was last read therefore would not provide details of an estimated read.*

**Carried Forward**

**Action NEX0050:** All to review the Market Differentiation Process Impacts listing in time to provide suitable feedback at a later meeting.

**Update:** It was agreed that this remains an ongoing consideration.

**Carried Forward**

*Please note that whilst presented numerically, items 2 & 3 were actually undertaken in reverse order.*

## 2. Scope and Deliverables

*Copies of the various presentation materials are available to view &/or download from the Joint Office of Gas Transporters web site at: <http://www.gasgovernance.co.uk/nexus/010611>.*

### 2.1 Further Consideration of Meter Reading Arrangements

#### Project Nexus Workgroup – Reconciliation Meeting 1 presentation

FC opened by suggesting that the aim of this initial meeting is to set the tone for reconciliation and it was by no means necessary to complete 100% of the deliberations today. The focus of the presentation centres on periodic

reconciliation, roll-over tolerances, daily reconciliation, filter failures and reconciliation neutrality. She went on to remind parties that it had been approximately 12 months since the high-level principles were established.

In considering the potential scope for the reconciliation area, and calculation of reconciliation neutrality, FC suggested that this is in essence a replacement for RbD. She went on to point out that a new process for where daily reads are the norm is proposed for NDM reconciliation.

Examining each area in turn, commencing with 'Periodic Reconciliation', SB suggested that we should not assume that the energy factors would remain as-is. It was agreed that somewhere in the BRD it should be noted that energy will be shared out and it is about how we review the D+5 energy (sharing) positions, which is important.

Discussing the three alternative options for the treatment of reconciliation it was suggested that winter influences would impact upon any consumption elements especially if we are reconciling back to reads. In debating the costs associated with each alternative, SB noted that if we propose removing RbD, then we would incur additional costs anyway. It was agreed that a clear business case would be required regardless of which alternative was selected. FC added that it should not be assumed that we can simply 'lift & shift' elements of existing coding. It was not suggested that the existing methodology was unsuitable for going forward rather, that we have an opportunity to review requirements. FC pointed out that it is about being able to look back in future comfortable in the knowledge that we considered the alternatives even if this example is aimed primarily at process 4 – it could be developed to align with all processes if necessary. BF reminded parties that the existing processes have evolved over time to 'match' the market requirements. In the end it was agreed to stay as-is and utilise the existing methodology for distributing energy in proportion to the 'original' daily allocation.

Moving on to consider 'Reconciliation – Rollover Tolerances' FC pointed out that the example provided focused on process 4. JW suggested that an aggregate view (including identification of any potential aggregation costs) would be needed to help parties to fully appreciate the impacts as well as enabling this matter to 'tie-in' with the invoicing topic area. AR warned against over provision of information – i.e. do parties desire provision of 20 million separate (multiple line) reconciliations, or would an individual (single line) aggregated reconciliation be preferable. GE suggested that this could/would boil down to the cost savings associated with fewer invoices 'flying' between interested parties, although it should be recognised that there are possible settlement 'knock on' costs associated with this and it really comes down to how best to manage (individuals) commercial risks.

When asked about the costs associated to either sending, or not sending out invoices FC indicated that the bulk of the cost comes from generating the invoice in the first place and that the 'real' costs could/would centre around Shippers having to validate a large number of transactions. SL indicated that he would happily support tolerances applied at a site level, supported by aggregated invoicing at a portfolio level. SB felt that her billing colleagues would prefer a line-by-line approach to enable them to address their issues.

A new action was placed against all parties to consider whether or not they want to adopt a line-by-line or aggregated invoicing solution and indicate their respective views regarding a possible MPRN tolerance regime threshold requirement.

Moving on next to consider the 'Daily Reconciliation' requirements, and process 3 scenario 1 in particular, SB remained unsure as to whether or not

we would need to see all profiling information as tolerances would not change. SM had a different view suggesting that if he had paid for daily (granularity) information, then he would wish to utilise it. In the end the question revolves around whether or not you want daily or monthly information provision.

Discussing where a read estimation overshoots the next actual reading, FC suggested that this would be managed by energy smearing across the days – similar in concept to process 4 proposals. In considering over writing estimated reads with actual reads down the line, FC suggested that this is pre-empting future discussions around retrospective updates and must read process requirements, although she did point out that whilst there are SAP differences between processes 3 & 4, the energy values remain identical. GE suggested that the real issue is around imbalance costs.

There was discussion as to whether a GT must read process might include a full download of historic data, which could then be used for daily reconciliation purposes. SL reminded parties that access to this type of information is only granted for regulatory purposes, or where customer approval is given in writing. He suggested that a legal view maybe required before proposing a solution. FC advised that from a Transporter perspective, only a single (period) closing off read is required, so questions why Shippers would want access to all the 'other' information – the actual requirements would be discussed in more detail in later retrospective updates debate.

Examining scenario 2, FC pointed out that 'gaps' in this case refer to missing and not estimated reads. SL believes that the issue relates to the potential profile impacts (i.e. different types of sites) and that this therefore almost supports the argument for retention of the EUC bandings, especially for flat profile sites. SB went on to suggest that you could possibly consider applying weather correction factors as well. However, if proposing a solution similar to process 4 she would need to see some analysis before committing to a solution. Further, she reminded those present that there is a difference between methodologies for estimations and smearing for processes 3 & 4. GE wondered if the crux of the matter is whether we opt for a process 4 style model, or alternatively, an allocation based model especially as we are talking about a rare back-stop process.

Agreement could not be reached over the merits of a central estimation provision as it was suggested that licence obligations mitigate against abuse of process. However, a better understanding of what estimation methodology, including identification of appropriate trigger level and potential costs is required before a final decision can be made. It was noted that DESC consideration maybe required in due course. FC advised that this matter would be added to the issues log.

Moving on again to consider a 'Reconciliation Filter Failure Regime', and specifically the areas for consideration, SL suggested that adoption of an appropriate suppression mechanism was being considered under DCC discussions and wondered if you would possibly want validation taking place in two places (DCC or Xoserve). This was not a universally supported view.

During ongoing discussion, SL agreed to a new action to provide suppression tolerance information and propose an incentive for consideration at the next meeting.

FC stated that she believes a move away from a monetary based solution to a reconciled energy option (e.g. proportion of AQ) is preferable. Summing up, FC added that the settlement tolerance tables (as discussed at the 24/05/11 meeting) would need to be revised and their related levels reviewed. Consideration of how 'warranted reads' will be managed and dealt

with is also required, and put forward a suggestion for utilisation of a kWh test for suppression by exception.

Looking at the final item, 'Treatment of Reconciliation Neutrality', JW proposed possibly using a process similar to the electricity market 'group' allocation at LDZ level for treatment of scaling after reconciliation. In response, FC suggested that it is the principle that is important although she did acknowledge that this could be applied at an LDZ portfolio level. When asked if the scaling factors would apply to DM sites, FC confirmed this to be the case. CW suggested that this also relates to AUG requirements.

GE sees this as a wholesale uplift factor regardless of which of the four processes it is applied to and it is up to the Shipper to address this matter via their respective customer contracts.

SM believes that option 2 almost negates the current AUG processes and believes that the market is slowly edging towards adoption of an aggregated scaling factor solution.

In considering the billing at Shipper level and what would be an appropriate transportation (commodity) rate, SL felt that this made little difference at a Gas Distribution Network level, so why have it.

In closing, CW agreed to undertake a new action to investigate how best to apply an appropriate transportation commodity charge in future and what any possible transitional impacts there maybe, whilst FC agreed to a new action to draft a rough cut business rules document based around discussions.

#### Project Nexus Workgroup (Settlement) – Shipper & Regime Transfer Scenarios presentation

Focusing on the final slide (4), SL suggested that there are possible DCC impacts relating to who would be configuring meters in future.

Considering the options, SM believed that you would need to retain a read window (D-5 to D+5 with reads submitted by D+10) style approach for dumb metered sites.

In examining the role of the outgoing/incoming shipper it was suggested that the priority 'pecking order' for read submissions should be the incoming shippers read first, followed by the outgoing shippers read, and finally the estimated read where utilised.

SL believed that a shipper agreed reads process would still be required in future and feels that you may need a different set of rules for different types of site. FC reminded parties that at this stage Nexus deliberations are all about scoping the project and not building the systems.

GE suggested that whilst accepting that the DCC could possibly 'throw a spanner' in the works, we should still progress this matter. Agreement on whether or not to continue, or even the future role of the DCC could not be reached. A new action was placed against all parties to put further consideration of the transfer scenarios 'on hold' until either new DCC information is forthcoming or we meet in August (whichever is the sooner).

CW indicated that he would prefer adoption of a single transparent approach across all 4 processes, rather than a fragmented approach. There was general support for the 'Ideal Solution' presented on Slide 4. However, there was also concern from some parties on whether this was reasonable for dumb sites and not yet knowing what DCC will provide on Change of Supplier only compounds these concerns. GE summarised discussions as agreeing to take the current as-is processes as a starting point before enhancing the utilisation of estimation elements.

Business Requirements Document review

MD made reference to the latest version of the document, which will be updated in-line with today's discussions. When asked, parties approved the changes undertaken to the document following the 24/05/11 meeting.

PN UNC Workgroup (Settlement topic) presentation

Consideration deferred.

**2.2 Issues Log Update**

Consideration deferred.

**2.3 Alignment of IRR requirements**

No items to discuss.

**2.4 Transitional Arrangements**

No items to discuss.

**3. Progress Tracker (workplan)**

**3.1 Review of progress to date**

Topic Workgroup Timeline Tracking

In providing an overview of the timeline tracking plan, FC drew attention to the changes highlighted in **RED** before suggesting that it would be beneficial to keep a close eye on the end dates, as this remains the 'key' progress record. The meeting agreed to baseline the planned dates, for tracking purposes.

Project Nexus Workplan

FC provided a brief overview of the workplan and reminded parties that there would need to be an element of 'flexibility' in the approach to completing the necessary meetings. Additionally, by the end of today's meeting agreement will be needed on what areas to cover at the 20&21/06/11 meeting.

**4. Workgroup Report**

**4.1 Preparation of Monthly/Final Report**

Not covered.

**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 NEX0051: All parties to consider whether or not they want to adopt a line-by-line or aggregated invoicing solution and indicate their respective views on a possible MPRN tolerance regime threshold requirement.**

**New Action NEX0052: EDF Energy (SL) to provide suppression tolerance information and propose an incentive for consideration at the next meeting.**

**New Action NEX0053: National Grid Distribution (CW) to investigate how best to apply an appropriate charge in future and what any possible transitional impacts there maybe.**

**New Action NEX0054: Xoserve (FC/MD) to draft a 1<sup>st</sup> rough-cut business rules document based around the reconciliation discussions to date.**

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**New Action NEX0055: All parties to revisit the Shipper & Regime Transfer Scenarios when either new DCC information is forthcoming or we meet in August (whichever is the sooner).**

**6. Diary Planning**

The following meetings are scheduled to take place during June/July 2011:

<b>Title</b>	<b>Date</b>	<b>Location</b>
Project Nexus Workgroup (inc. 0357, 0359, 0377 & 0380)	20 & 21/06/2011	Holiday Inn, 61 Homer Road, Solihull.
Project Nexus Workgroup	05/07/2011	ENA, 52 Horseferry Road, London
Project Nexus Workgroup (inc. 0357, 0359, 0377 & 0380)	18 & 19/07/2011	NG Office, 31 Homer Road, Solihull.

## Appendix 1

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
NEX0043	29.04.11	3.1	Parties to provide a view on the elements to be considered under Supplier Switching for Project Nexus	All	Update provided. <b>Closed</b>
AMR054	04.05.11	1.2	To consider drift information parameters (extent & tolerance).	All	Update provided. <b>Closed</b>
AMR055	04.05.11	2.1.2	Parties to consider if a response detailing read acceptance following GT 'logic checks' is required and whether or not this should apply across all 4 proposed processes.	All	Update to be provided in due course. <b>Carried Forward</b>
NEX0046	24/05/11	1.2	To investigate the statistical information relating to identification of the root causes of derived / un-derived drift, and impact of failed reads (to understand the risk of associated to their errors) and establish an initial definition for what is meant by a 'derived reading'.	National Grid Distribution (CW)	Update to be provided in due course. <b>Carried Forward</b>
NEX0047	24/05/11	2.1	To consider the scheduling plan and provide feedback at the next meeting.	All	Update provided. <b>Closed</b>
NEX0048	24/05/11	4.2	To consider an appropriate read submission deadline (40 calendar days) for all sites where a daily read is not submitted daily (Process 3 & 4 sites).	All	Update to be provided in due course. <b>Carried Forward</b>
NEX0049	24/05/11	4.2	To double check what information is provided to shippers/suppliers in a change of supplier process.	Xoserve (FC/MD)	Update to be provided in due course. <b>Carried Forward</b>
NEX0050	24/05/11	4.2	To review the Market Differentiation Process Impacts listing in time to	All	Update to be provided in due course.



Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			provide suitable feedback at a later meeting.		<b>Carried Forward</b>
NEX0051	01/06/11	2.1	Consider whether or not they want to adopt a line-by-line or aggregated invoicing solution and indicate their respective views on a possible MPRN tolerance regime threshold requirement.	All	Update to be provided.
NEX0052	01/06/11	2.1	Provide suppression tolerance information and propose an incentive for consideration at the next meeting.	EDF Energy (SL)	Update to be provided.
NEX0053	01/06/11	2.1	Investigate how best to apply an appropriate charge in future and what any possible transitional impacts there maybe.	National Grid Distribution (CW)	Update to be provided.
NEX0054	01/06/11	2.1	Draft a 1 <sup>st</sup> rough-cut business rules document based around the reconciliation discussions to date.	Xoserve (FC/MD)	Update to be provided.
NEX0055	01/06/11	2.1	Revisit the Shipper & Regime Transfer Scenarios when either new DCC information is forthcoming or we meet in August (whichever is the sooner).	All	Update to be provided.