

**Project Nexus**  
**Project Nexus Workgroup Minutes**  
**Monday & Tuesday 20 & 21 June 2011**

at the Holiday Inn, 61 Homer Road, Solihull. B91 3QD

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MiB)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Brian Durber	(BD)	E.ON UK
Cesar Coelho	(CC)	Ofgem
Chris Warner	(CW)	National Grid Distribution
Claire Silk (20 <sup>th</sup> only)	(CS)	npower
David Goodwin	(DG)	Xoserve
Fiona Cottam (pm only 20th)	(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
Karen Kennedy	(KK)	ScottishPower
Lorna Lewin (20 <sup>th</sup> only)	(LL)	Shell
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Phil Blakeman	(PB)	British Gas
Sallyann Blackett (20 <sup>th</sup> only)	(SB)	E.ON Energy
Sean McGoldrick	(SMc)	National Grid NTS
Stephanie Shepherd (21 <sup>st</sup> only)	(SS)	npower
Stefan Leedham (20 <sup>th</sup> only)	(SL)	EDF Energy
Steve Mulliganie	(SM)	Gazprom
Steve Nunnington (am only 20th)	(SN)	Xoserve

**1. Introduction**

BF welcomed all to the meeting.

Following a brief discussion it was agreed to take the following agenda items out of sequence, commencing with discussion of item 2.1.

**1.1 Review of Minutes**

The minutes of both the 24 May and 01 June 2011 meetings were approved.

**1.2 Review of (consolidated) actions**

**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:** It was agreed that a high level summary report supported by a rejected reads notification would suffice.

**Closed**

**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:** Breaking the action down into its constituent parts, CW provided an update on each aspect as follows:

- Was the pulsing issue a one-off systematic issue or is this a typical one-off issue?

The 61.05% statistic reflects 'one-off' pulsing issues. Any systematic issues are captured in the scores relating to 'AMR device set up incorrectly'. CW noted that Onstream had been asked to provide an interpretation of 'systematic' in this context.

- Scale of drift (spread of drift) – are the drifts fairly constant?

Analysis of a significant volume of data is necessary. National Grid Distribution has commissioned Onstream to undertake a further assessment of data based on the NDM sample sites. We have requested that a 6 month period be examined. The output of the analysis will be available in due course.

- Are there any tolerances – i.e. if there is a small figure is it included or not?

The extent to which meter pulses are utilised depends on the size and expected throughput of the site. Typically if there is a large flow of gas anticipated, the read equipment would be configured such that 1 pulse denotes e.g. 1000 kWh but in the case of a smaller consumption, 1 pulse may equal e.g. 100 kWh.

If a pulse of 15 or less is recorded over a two-year period at a particular site, the relevant equipment would not be included in any drift analysis which forms the pre-requisite for an investigation. If over 15 pulses occur the first step of investigation would be to consider the daily consumption and then determine if further investigation is required. An engineer will then be instructed to visit the premises.

- Is there an opinion regarding derived and un-derived reads and how would you differentiate between the two. E.g. what types of kit fall into derived pot and what falls into the un-derived pot?

All of National Grid's NDM 'sample' sites are monitored by remote read equipment, which uses the pulse output of the Supply Meter. Therefore, by definition these can be described as derived readings. Onstream advises that optical readers which are attached to the meter index are available and in use. Such equipment could be described as being able to obtain non-derived readings. Onstream noted that while such equipment is not susceptible to 'drift' as would otherwise be the case for equipment using a pulse output from a meter, optical readers could be physically dislodged from the meter and result in non-availability of read data.

CW expects to obtain the outstanding statistical information in due course.

FC pointed out the fact that currently the business rules identify various (check) read provision timeframes depending upon which of the four (4) process options is selected. Considering items such as derived reads, AMR corrector (live time) synchronisation of data and must read requirements, FC suggested that some form of 'asset flag' maybe beneficial. She went on to state that regardless of developments within the SMART metring arena there would still be issues associated with the treatment of drift in the AMR market. In essence it boils down to 4 key considerations:

- how often should we go and look for drift;
- where should we look;
- if shippers have not investigated, is there really a need to pursue drift, and
- in light of the previous points, is there a need for a GT must read, check read requirement.

Thereafter, SM agreed to a new action to ascertain a view on the potential treatment of drift in the AMR market at the next SMD group meeting and report back. Transporters also undertook a new action to consider what potential solutions for the future treatment of drift would be in the best interests of the industry.

### Carried Forward

**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:** Parties discussed what could possibly constitute a realistic deadline and agreed that possibly 56 or 60 days would be preferable to the 40 days previously suggested, as either of these would provide a balance between costs and practicality. Concern was voiced that the SMART metering trial runs appeared to focus mainly on sites with easy access.

Unanimous agreement over whether or not process option 3 sites would fall under the read submission deadline criteria could not be reached. When asked, MD confirmed that the 'originally touted' 40 days applied from the read date.

A more detailed view on this action would now be undertaken as part of the detailed BRD discussions.

**Closed**

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

**Update:** MD drew attention to the post-meeting note, provided within the 01/06/11 meeting minutes.

**Closed**

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

**Update:** To be covered under ongoing BRD discussions.

**Closed**

**Action NEX0051:** All 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.

**Update:** To be covered under ongoing BRD discussions.

**Closed**

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

**Update:** When asked, SL indicated he was happy with the tolerance levels as he stated elsewhere in the meeting. (*Please refer to the 2<sup>nd</sup> presentation under item 5.2.1 for more details*)

**Closed**

**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.

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

**Carried Forward**

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

**Update:** BF advised that a draft reconciliation BRD had been provided for consideration on 21/06/11. *(Please refer to the 3<sup>rd</sup> presentation under item 5.2.2 for more details)*

**Closed**

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

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

**Carried Forward**

**Action WG0377 05/01:** First Utility (GE) to update the modification based on the comments received within the Workgroup.

**Update:** It was agreed that this remains an ongoing consideration and would be covered at the next 0377 Workgroup meeting.

**Carried Forward**

## 2. Modification Workgroups

*Copies of the various presentation materials are available to view &/or download from the Joint Office of Gas Transporters web site.*

### 2.1 0380 – Periodic Annual Quantity calculation

A copy of the minutes for this meeting are available to view &/or download at: <http://www.gasgovernance.co.uk/0380/200611>.

### 2.2 0377 – Use of Daily Meter Reads\*

Consideration deferred.

### 2.3 0359 – Use of Market Sector Flag to determine Customer Status\*

Consideration deferred.

### 2.4 0357 – Enhanced Supply Point Administration Process\*

Consideration deferred.

*\* denotes a status update only.*

## 3. Workgroup Approach and Plan

### Project Nexus Workplan

MD provided a brief overview of the workplan pointing out that the start dates for the items marked in **ORANGE** had been swapped over.

SN reminded parties that they would need to adhere closely to the plan to achieve an end of year completion.

### Topic Workgroup Timeline Tracking

In providing an overview of the timeline tracking plan, MD drew attention to the fact that we may require to plan additional August meeting dates to ensure we stay on track.

#### 4. Terms of Reference (issues and topics)

Not covered.

#### 5. Issues and topics for discussion

##### 5.1 High Level Workgroup Issues

No new issues raised for discussion.

##### 5.2 Further Consideration of Meter Reading Arrangements

###### 5.2.1 AQ & Settlement – Discussed on the 20th

###### PN UNC Workgroup (Settlement topic) presentation

MD provided a brief overview of the presentation.

###### Settlement Topic – additional slides on Tolerances presentation

Opening, FC advised that this had been compiled in response to an action item from a previous meeting. MD then provided a brief overview.

In the main, discussions centred on the two tolerance tables (ref: BRD 5.13.2 Shipper validation on daily reads and BRD 5.13.2 Shipper validation on periodic reads). At one point, FC advised parties that should it become impossible for them to agree on an appropriate set of tolerance levels, the assumed default position would be utilisation of the current regime levels.

Looking closely at the suggested tolerance bands in 5.13.2, SL indicated that he would be happy to retain the proposed levels for the 0 – 73,200kWh band (equating to approximately 21million sites), but would prefer to retain current regime validation tolerance levels for the remaining bands, as the potential impact of these is low, relating to only 1 to 2 million sites. SM's view was slightly different, in so far as he indicated that whilst happy with the basic principles, he believes we need to identify a more reflective set of tolerances.

KK questioned why shippers would appear happy to expose themselves to risks on a daily, but not a periodic basis. In response SM stated that, he believes that the regime should protect the market rather than protect individual players from them selves.

MJ suggested that it maybe prudent to split the 0 – 73,200kWh band further to cater for sites with a low AQ value.

When asked how the proposed tolerances align with current Code validation rule requirements, FC indicated that she was unsure about the inner/outer tolerance levels. SM however, believes that the current regime is not fit for purpose on the grounds that it assumes a level of smoothing is involved.

When asked, MD confirmed that the figures provided in the right hand column are based on a per (meter point) site / day before going on to point out that the values (£14,640 & £117,200) for bands 2 and 3 highlight issues with the tolerances previously agreed in BRD discussions.

In closing, a new action was placed on ALL parties to review the tolerance levels provided in the tables and provide alternative suggestions where appropriate.

###### BRD for Meter Read Submission and Processing and Settlement Arrangements for All Gas Meter Points (v0.4) Review

In opening, FC suggested that in light of the discussions elsewhere in this meeting it was unlikely the BRD would be completed at this meeting.

During discussions, several items of interest were considered, the most notable amongst these being day-ahead nominations to cater for after the day settlement and the need to identify potential benefits and volumes. Parties then debated whether or not, Project Nexus was the correct forum in which to consider potential changes to the ALPs & DAFs and should DESC be requested to undertake the analysis. It was also suggested, although not universally supported, that commissioning an expert review could deliver industry benefits. Regardless of who models new algorithms, these would need to reflect new 'green' initiatives. In the end it was suggested that DESC is a more appropriate body at which to consider these matters. BF suggested, that from a BRD perspective, we need to record the fact that ALPs/DAFs appear to no longer 'match' new world requirements and a more robust (NDM) estimation process is required to facilitate energy allocation. He went on to suggest that raising a UNC modification could/would generate industry interest in this area. FC pointed out that in a future RbD'less world, the issues and risks should reduce. GE felt that this only served to place the onus on getting accurate algorithms in the first place.

Continuing the review of the document, and specifically paragraph 3.7 Volumes, FC suggested that we probably only need an indication of possible take up volumes.

In considering Gas Nominations (before the day), FC suggested that an outline process would be required sooner, rather than later to be able to identify the scale of the proposed changes including development of scaling factors – it is essential to fully understand future requirements before commencing work on this area.

In discussing 5.11 Election for change in regime where there is no change in Shipper, GW questioned whether a 'bulk' upload feature is envisaged. In response, FC suggested that if it was felt that there was a sufficiently strong business case a new requirement could be added. To assist understanding, GW agreed to undertake a new action to consider and provide a set of business requirements (inc. viability of) for a bulk read upload facility.

FC reminded those present that at some point soon we would need to finalise the benefits and volumes.

In closing, MD made reference to the latest version of the document, which would now be updated in-line with today's discussions.

## **5.2.2 Reconciliation & Resynch – Discussed on the 21st**

### Project Nexus UNC Workgroup - Resynchronisation presentation

FC provided a brief overview of the presentation advising that this area focuses on what to do when drift is found, whereas the Settlement area looks at identifying where drift takes place.

Examining the actual v derived readings example, FC indicated that how the dates for submission of derived and eyeball reads would be processed is yet to be determined, especially with regard to 'bulk' submissions. It should also be remembered that a GT backstop process had also been tabled. One suggestion was the adoption of a form of resynchronisation/safety inspection flag supported by a cost

v's benefit (throw away/rollover) style threshold – a possible hybrid being mooted.

When asked, CW confirmed that analysis of drift (volume) related materiality was ongoing. JM quoted the current Code (DM) tolerance range as being + or – 1% (accuracy of daily read equipment threshold). GE suggested that the level of tolerance would/could/should reflect the level of system automation. AR thought that one solution could use a 30 day SAP average price. FC pointed out that whatever the solution adopted, care would be needed to avoid generation of a significant number of low value invoices.

BF wondered if in a world where optical devices have no drift associated to them, why not simply advocate the installation of these types of device on all in situ meters. It was felt that whilst a sound idea, cost and technology would prohibit such as step.

Looking at the 'Treatment of Drift – DM Regime' example, FC agreed that we could possibly require differing solutions for process options 1&2, and thereafter, 3&4 with possibly the addition of a standalone 'tailor made' solution for process 3 as well. She went on to suggest that AR's previous SAP based solution could also work here as well.

In discussing the treatment of resynch alternatives, FC suggested that we may well end up using a combination of the suggested alternatives and that it may be beneficial to consider the alternatives across all four (4) process options.

Focusing on alternative 2, AR suggested that this would apply for small applications, rather than being a whole market solution. In considering adopting a 30 day (rolling) low SAP approach, FC reminded parties that whilst the energy element would still be reconciled correctly you could/would be paying a lower rate of SAP which could be deemed as being detrimental to the remainder of the market. It was suggested that this problem maybe addressed by some form of threshold compensation (materially based) corrected tolerance or by utilising the next read (similar to, but not, an actual resynch) to reset the read. Another alternative would be to add extra pulses in to the convertor to correct the AMR device, however, it was noted that care would be needed to avoid triggering ratchets or potentially losing energy. Parties briefly referenced current Code (TPDM paragraph 4.7.4(c)) obligations in this area before concluding that whilst the principle is agreed, the actual tolerance levels / bands and rollover principles would need further consideration in due course.

Quickly looking at the treatment of resynchs – periodic reconciliation, alternative 1 example, SM voiced concern over the period you would smear back across – possibly between the previous and last eyeball reading. However, he believed a single rule based around the previous discussion points would suffice. SM wanted to understand why a Shipper provided estimate would not be used for reconciliation purposes if there were an actual opening and closing read for the sequence.

When asked, parties agreed that further consideration of this matter should be covered under ongoing Reconciliation discussions.

[Project Nexus UNC Workgroup – Reconciliation Meeting 2 presentation](#)

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MD provided a brief overview of the presentation.

BRD for Project Nexus Workgroup Reconciliation (v0.1) Review

Both MD and FC provided an overview of the document focusing attention on the highlighted elements.

The main points of discussion being:

- addition of a re-reconciliation item in the function list in 5.1;
- whilst potentially out of scope for this meeting, a brief debate ensued over whether or not we require a business rule that Primes & Sub configurations only apply to process option 1, 2 or 3;
- discussions were on going with Ofgem about ownership of Primes & Subs configurations and whether these should be 'absorbed' within the networks – a view challenged by the Transporters, as the true meaning of 'engineering out' needs clarifying – it potentially boils down to who takes responsibility;
- possible adoption of a transitional support process for reconciliation for the four process options;
- possibly 'cover' NDM CSEP sites under unallocated gas considerations;
- whilst the aspiration maybe market harmonisation across all sites, the reality is we would always need some form of reconciliation mechanism – highlighting potential funding issues;
- Xoserve have insufficient data (meter readings, asset data etc.) to accurately identify the reconciliation of the energy involved highlighting a fundamental issue around CSEP sites and the apparent lack of incentives on iGTs to provide the information;
- Xoserve are currently reviewing future information provision and access controls as part of the new DCC proposals;
- development of a system 'plug in' feature to cater for P&S's in future would be beneficial;

At this point a new action was placed against CC to provide an update on Ofgem's work looking at the SMART rollout impacts on the iGTs.

- 6.1 assumptions - it was suggested and agreed that the AUGE statement should be removed;
- parties debated shipper estimated read provisions for reconciliation purposes along with smearing issues and concluded to remove the statement;
- 8.2.5 - it was noted that the aspiration is for one meter point per supply point to simplify process and AQ derivation;
- retrospective adjustments (re-reconciliation) could utilise a solution similar to existing functionality but further discussions possibly under the retrospective updates area would be needed in due course;



- 8.7.6 – may need a form of hybrid solution based around daily and monthly reconciliation, but may require several ‘bridging’ processes to support the solution;
- 8.7.7 – concerns about retaining site level scaling factors – a deemed rate approach maybe preferable;
- current caps on the ‘k’ revenue facilitate difficulties in over/under recovery (on commodity revenue) – the ‘missing’ transportation (unallocated gas) element could be captured via a simple solution, rather than a complex one – a regime change of this magnitude would/could be accommodated within DN Price change considerations;
- 8.8 – agreement that ‘up front’ validation potentially negates the need for file formats (FF’s) except under exceptional (unique) circumstances;
- will need to consider materiality impacts of individual meter point and portfolio application of FF’s, especially invoicing implications – dealing with spurious reads is critical to the success of a rapid AQ validation process – may need a manual override (acceptance) process along with a portfolio level ‘safety net’ to protect the industry;
- recognition that a manual override process could/would potentially expose players reconciliation processes via invoicing impacts;
- adoption of an annual re-validation style process for manual override sites could bring benefits;
- Xoserve would seek a facility to suspend the process in the event that spurious reads trigger a concern;
- development of an end of process safety net to catch the exceptions (spurious reads) based on high tolerance fail safes maybe appropriate;
- 8.10 – ‘line in the sand’ reconciliation time period could be addressed via a UNC modification – concerns remain around potentially constraining the availability of information and inappropriate cost apportionment;

At this point a new action was placed against Transporters to consider the potential ‘line in the sand’ requirements and timescales.

- 8.11 – further consideration and development required in due course – current regime is a good starting point.

Concluding, FC advised that the BRD would be revised in-line with discussions.

### **5.3 Transitional Arrangements**

Not discussed.

### **5.4 Issues logs (external and Project Nexus)**

Not discussed.

### **5.5 Alignment of IRR requirements**

Not discussed.

### **5.6 New Issues**

Not discussed.

**6. AOB**

No new items raised.

**7. Workgroup Process**

**7.1 Agree actions to be completed ahead of the next meeting**

The following new actions were discussed and assigned:

**New Action NEX06/01: Gazprom (SM) to speak to the SMD group and ascertain their view on the future potential treatment of drift in the AMR market.**

**New Action NEX06/02: Transporters to consider what potential solutions for the future treatment of drift would be in the best interests of the industry.**

**New Action NEX06/03: All parties to review the tolerance levels provided in the (BRD) tables and provide alternative suggestions, where appropriate.**

**New Action NEX06/04: British Gas (GW) to consider and provide a set of business requirements (inc. the viability of) a bulk read upload facility.**

**New Action NEX06/05: Ofgem (CC) to provide an update on Ofgem's work looking at the SMART rollout impacts on the iGTs.**

**New Action NEX06/06: Transporters to consider what 'line in the sands' requirements and timescales would be appropriate.**

**8. Diary Planning**

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

Title	Date	Location
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
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 provided. <b>Closed</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>
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 provided. <b>Closed</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 provided. <b>Closed</b>
NEX0050	24/05/11	4.2	To review the Market Differentiation Process Impacts listing in time to provide suitable feedback at a later meeting.	All	Update provided. <b>Closed</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 provided. <b>Closed</b>
NEX0052	01/06/11	2.1	Provide suppression tolerance information and propose an incentive for	EDF Energy (SL)	Update provided.

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			consideration at the next meeting.		<b>Closed</b>
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 in due course. <b>Carried Forward</b>
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 provided. <b>Closed</b>
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 in due course. <b>Carried Forward</b>
NEX06/01	21/06/11	1.2	Speak to the SMD group and ascertain their view on the future potential treatment of drift in the AMR market.	Gazprom (SM)	Update to be provided.
NEX06/02	21/06/11	1.2	Consider what potential solutions for the future treatment of drift would be in the best interests of the industry.	Transporters	Update to be provided.
NEX06/03	21/06/11	5.2.1	Review the tolerance levels provided in the (BRD) tables and provide alternative suggestions, where appropriate.	All parties	Update to be provided.
NEX06/04	21/06/11	5.2.1	Consider and provide a set of business requirements (inc. the viability of) a bulk read upload facility.	British Gas (GW)	Update to be provided.
NEX06/05	21/06/11	5.2.2	Provide an update on Ofgem's work looking at the SMART rollout impacts on the iGTs.	Ofgem (CC)	Update to be provided.
NEX06/06	21/06/11	5.2.2	Consider what 'line in the sands' requirements and timescales would be appropriate.	Transporters	Update to be provided.

