

Project Nexus Market Differentiation Workgroup Minutes
Tuesday 04 August 2009
31 Homer Road, Solihull B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	(LD)	Joint Office of Gas Transporters
Alan Raper	(AR)	National Grid Distribution
Bali Dohel	(BD)	Scotia Gas Networks
Brian Durber	(BD1)	E.ON UK
Chris Hill	(CH)	RWE Npower
Elaine Carr	(EC)	Scottish Power
Gareth Evans	(GE)	for GDF Suez and Total
Joanna Ferguson	(JF)	Northern Gas Networks
Lisa Harris	(LH)	Shell Gas Direct
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	xoserve
Richard Street	(RS)	Corona Energy
Sean McGoldrick	(SM)	National Grid NTS
Shirley Wheeler	(SW)	xoserve
Simon Trivella	(ST)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Steve Mulinganie	(SM1)	for Gazprom
Steve Nunnington	(SN)	xoserve

1. Introduction

BF welcomed all to the meeting of the Workgroup. All materials relating to the Workgroup will be published on the Joint Office website at:
<http://www.gasgovernance.com/Code/Workstreams/nexus/>.

2. Minutes of last meeting and actions arising**2.1 Review of minutes**

Subject to a couple of minor amendments, the minutes of the previous meeting (14 July 2009) were accepted.

2.2 Review of actions

NEMD0002: xoserve (SW) to undertake detailed AQ Market Sector Flag analysis to identify confirmation date/shipper split.

Update: SN gave a presentation in response to this action, and commented that there was a lot of energy that was not defined by a flag contained within the systems. He pointed out that the codes (A, B, C, etc) used in the analysis were anonymous and not consistent in their use from sector to sector. Shippers were encouraged to contact xoserve (Michele.downes@xoserve.com) in order to ascertain their individual codes for each piece of analysis or for further information. Big numbers did not necessarily mean that a particular Shipper had been lax in this area, as there were a number of valid reasons why a Supply Point may have

remained as 'Blank'. The analysis under Market Sector Flag 'D' demonstrated where parties had been quite active in populating the field. SN confirmed that profiles could be 'cleansed' and notifications of fields could be sent in without requiring a reconfirmation to be submitted. The analysis under Market Sector Flag 'I' indicated that these Supply Points changed hands more frequently than other domestic sites. SN confirmed that although it was mandatory to populate the field as 'D' or 'I' there was no validation confirm domestic or industrial nature of the entries.

SN then summarised the analysis and observed that the group needed to consider what the validation rules might be, or whether there should be any.

Post meeting note: The Market Sector Code can be amended at any time by submitting a Market Sector Amendments Request File (MSI, T73 record). The valid codes are 'D' or 'I'. The file format states the field should be populated by "A code that specifies that the site is used for domestic or industrial & commercial purposes". A response is issued via the MSO file.

Action closed

NEMD0003: xoserve (SW) to prepare a draft scope document for consideration by the Workgroup at the 04 August meeting.

Update: SN had prepared a document for discussion/amendment later in this meeting. SN distributed a paper copy at the meeting. It was agreed to defer review until later in the meeting as it was thought that amendments were likely to be required following today's discussions, in which case a new action would be agreed. **Action closed**

NEMD0004: xoserve (SW) to prepare the workgroup report for presentation to the Project Nexus Workstream meeting on 23 July 2009.

Update: The July report was presented to the Project Nexus Workstream. This is now a standing agenda item. **Action closed**

3. Transitional Customer Treatment

GE, on behalf of GDF Suez, gave a presentation and began by recapping the discussion to date, followed by a brief overview of the current processes. The debate over customer classification in settlement could be split into two issues: firstly, improving the current process by increasing the reliability of the current flag for safety reasons, customer treatment, and reporting; and secondly, the use of the customer flag to allow market segments to be identified and treated consistently.

GE explained the assumptions he had made and pointed out various issues that may need to be addressed given an assumption that a straight cutover would be made to a new regime with all customers moving at the same time.

As an alternative he proposed a tapered regime using an additional flag, whereby shippers would be given the option of moving to line by line reconciliation for their customers as systems and smart metering becomes available. Bulk processing of threshold crossers might prove to be more difficult.

It would avoid the need for a separate transition regime to be developed to manage transition between RbD and the smart metering regime. Effectively RbD would experience a phased run down as a legacy system. MJ pointed out that this may result in a large increase in the RbD pot at some point and may require transitional arrangements in its own right.

SM said that individual companies should be able to opt in or out based on their market type and system capability.

SL said that the Reconciliation Group should review which approach worked better and not be tied to a solution driven from this group. RS said that some parties may find this proposal an attractive option as it gives the option to move to a more accurate regime and consumers would be better off.

ST added that the group should recommend a strategy and not a solution as the Reconciliation Group may recommend a new code and not utilise a flag.

The meeting was then adjourned for 30 minutes in response to a FIRE ALARM.

When the meeting reconvened BF asked if the group was happy to consider GE's proposal as part of the guidance for other groups to consider. GE pointed out that the key point was that it should be an optional transition regime based on some indicator other than consumption based on AQ.

SN observed that this Market Differentiation group may need to come back at various times during the process to review recommendations or suggestions from other Workgroups. ST pointed out the need to be able to identify different markets or customer types for different purposes, of which settlement is just one. SM1 supported the use of market sector code rather than AQ, and pointed out that it was for the other groups to consider consequences that have been identified. JF commented that it should be made clear that every group needs to consider transitional arrangements when considering their Workgroup topics.

ST noted that Shippers may want to differentiate for settlement purposes, and suggested that a system would be required that allows differentiation for a multitude of purposes. It should be questioned whether a certain narrowness or bars would prevent the accommodation of future market changes.

Recommendation should be made to different groups to take into consideration a requirement for degrees of flexibility/multi differentiation. Any clear preference for a particular model should be identified by the appropriate Workgroups.

SM pointed out that smart/advanced metering will become more material to the way the market is developing and could become a good reference point, which parties may choose to use in new ways according to their own requirements. The principle is to be able to opt in or out (line by line reconciliation) and it is up to other groups to define whether or not this would be possible, and provide reasons.

AR said that factual data could be used to derive whatever market sector code you want, and questioned how this could be defined, as all sorts of classifications were possible but were defined so differently by different parties, eg SMEs, microbusinesses, etc, that they lacked any consistency in application.

It was pointed out that the group should be setting the high level principles, let others identify solutions and return findings to this group which may then be in a position to assist in resolving any issues.

RS was concerned that there was a risk that 7 groups might be going off and creating their own splits - Shippers do not want to have to capture 7 different items of information before they can go and quote a customer – this would be worse than present situation.

The Workgroup confirmed that recommendations developed by other Workgroups should be reviewed within the Market Differentiation Workgroup to agree a consistent approach and strategy.

A short discussion took place to decide other topics that required consideration:

- A number of processes run off the AQ and more detail is required

- Requirements of various Acts/Licence conditions and what they cover
- Safety aspects and reporting
- An understanding of the underlying reasons why current differentiation takes place/purposes used for
- The benefit (if any) of having more/fewer Market Sector Flags
- The consequence(s) of moving away from what we currently have.

It was understood that SPAA was looking at the nomination processes, and this Workgroup should be looking at developing guidance documents to pass to other Workgroups.

It was recognised that this was an evolving area and this Workgroup needs to keep meeting to review reports on what has been found, though it should be borne in mind that there was no need to create change for sake of it.

SM1 pointed out that AQ will be irrelevant to the smart/advanced metering world and asked which Workgroup was addressing this? For example, if the Licence says 732,200kWhs is the cut off point for installing advanced metering solutions; there needs to be recognition and an understanding of where the market is eventually going. Customers will be defining their technical position and a solution would be needed to fit with this.

AR added that someone somewhere has to make a decision/categorise a site; and questions need to be addressed such as where does it go on UK Link, and what is done with the information once it is there?

SL thought that the work should be done to government timelines (AMR by 2020) rather than individual company timelines, which were likely to be different. Options should be proposed then, depending on how other Workgroups are progressing, the Workgroup can facilitate, coordinate thinking, and influence practical outcomes.

Other points for consideration:

- The market sector flag needs to be more robust – define what we think it/ the structure would look like and put out to other groups to work on it.
- How do current processes/rules work to split sites up
- What is the current legal position/drivers/obligations around D and I – need to document this first and establish what takes precedence.

4. Next Steps

The group will reconvene to sign off the amended paper and then issue as a level of guidance; the group can then work on other areas identified.

Action NEMD 0005: Identify Transporter/Shipper/Supplier Licence requirements and any other appropriate legislative obligations.

Action NEMD 0006: Identify how Market Sector Flag is currently used to treat customers differently and how the processes work.

Action NEMD 0007: The Workgroup to review the scope document for discussion at the next meeting.

SM1 volunteered to carry out further analysis relating to the benefits of increasing the reliability of the current flag and present the results at the next Workgroup meeting.

Action NEMD 0008: Carry out further analysis relating to the benefits of increasing the reliability of the current flag.

5. Project Nexus Workstream Report

It was agreed to defer compilation of the Report until next meeting.

6. Diary Planning

The next meeting will take place at the Holiday Inn, 61 Homer Road, Solihull on Thursday 10 September 2009 starting at 10:00, and will be followed by the Project Nexus Workstream at 13:30.

All proposed meeting dates are listed on the Joint Office web site events diary and a separate spreadsheet has also been published.

Action Table – 04 August 2009

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
NEMD 0002	14.07.09	4.	Undertake detailed AQ Market Sector Flag analysis to identify confirmation date/shipper split.	xoserve (SW)	Closed
NEMD 0003	14.07.09	4.	Prepare a draft scope document for consideration by the Workgroup at the 04 August meeting.	xoserve (SW)	Closed
NEMD 0004	14.07.09	4.	Prepare the workgroup report for presentation to the Project Nexus Workstream meeting on 23 July 2009.	xoserve (SW)	Closed
NEMD 0005	04.08.09	3.	Identify Transporter/ Shipper/Supplier Licence requirements and any other appropriate legislative obligations.	xoserve (SN/SW)	Pending
NEMD 0006	04.08.09	3.	Identify how Market Sector Flag is currently used to treat customers differently and how the processes work.	xoserve (SN/SW)	Pending
NEMD 0007	04.08.09	3.	The Workgroup to review the scope document for discussion at the next meeting.	xoserve (SN/SW)	Pending
NEMD 0008	04.08.09	3.	Carry out further analysis relating to the benefits of increasing the reliability of the current flag.	SM1	Pending