

**Project Nexus**  
**SET 1 Workgroup Minutes**  
**Wednesday 09 February 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
Chris Warner	(CW)	National Grid Distribution
Elaine Carr	(EC)	ScottishPower
Fiona Cottam	(FC)	xoserve
Gareth Evans	(GE)	Waters Wye Associates
Graham Wood*	(GW)	Centrica
James Hill	(JH)	EDF Energy
Joanna Ferguson	(JF)	Northern Gas Networks
Joel Martin	(JM)	Scotia Gas Networks
Jonathan Wisdom	(JW)	RWE npower
Lisa Harris*	(LH)	Shell
Michael Payley	(MP)	xoserve
Michele Downes	(MD)	xoserve
Sallyann Blackett	(SB)	E.ON UK Ltd
Sean McGoldrick	(SMc)	National Grid NTS
Steve Nunnington	(SN)	xoserve

\* denotes via a teleconference link

**1. Introduction**

BF welcomed all to the first meeting of the Project Nexus Settlement Workgroup.

**2. Consider Terms of Reference**

*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/090211>.*

xoserve (FC) opened by provided a review of the Project Nexus – Development of Smart Metering Settlement Requirements – Meeting 1 presentation.

The following items were discussed during the course of the presentation:

Slide 5 – Objectives of the Workgroup

When asked if there were any up front cost indications for the two business rule definitions, FC indicated that whilst there were not, she could provide comparative assessments at a later stage in the process.

Slide 6 – Scope of “Settlement”

Asked if the diagram considers market interactions surrounding how the reads are received & how often, FC confirmed that this would be part of the scope.

Slide 7 – Approach to Workgroup

FC advised that current indications suggest that additional DECC information would be available around March time.

Slide 10 – Outline Approach to Settlement Workgroups - cont

It was noted that progress for meeting 3 and beyond, is heavily dependent upon the progress made in meetings 1 & 2.

FC suggested that the preferred aim should be to adapt / develop existing processes, rather than creating new ones where ever possible.

#### Slide 11 – High Level Allocation Principles Preferred Option

FC pointed out that this is the first stage of item 3.1 on the agenda, recapping the high level allocation v's AMR requirements for meter reading.

Looking at the preferred option leg, FC pointed out that there is no reconciliation link as it is not required for this workgroup, will be covered under a different workgroup. However, the fallback reconciliation should have a dotted line back into the 'Apply balancing correction to all sites' step.

#### Slide 12 – High Level Allocation Principles Preferred Option – Transition

Examining the two blue boxes on the Smart Fallback & Pre-Smart (dumb) legs, FC suggested that there would need to be robust calculations (of some form or other) for estimating consumption under this approach.

She went on to add that separate meetings would be required at a later date to consider the reconciliation aspects.

#### Slide 15 – Overview of AMR Meter Reading Requirements

In considering the final bullet point, FC indicated that these represent four optional processes for managing meter points.

#### Slide 16 – Summary of AMR Meter Reading processes

Looking at process 2, FC advised that this option assumes that allocation closes at D+5.

Considering process 3 and its associated batch read frequencies, FC suggested that these could be either weekly, fortnightly, monthly etc.

Moving on to process 4, FC drew attention to the UNC modifications 0359 & 0353 looking at the Market Sector Flags and Codes.

#### Slide 17 – Comparison of AMR Meter Reading Processes

When asked, FC advised that the issue of gas nominations had not been looked at in any detail at this point.

#### Slide 18 – AMR Meter Reading v Allocation Principles

JW wondered if, when the AMR meter reading requirements become 'defacto' post any transitional period, process 4 would become the transitional arrangement for Smart meters – a potential option, depending on the eventual outcome of discussions.

#### Slide 19 – Questions for Discussion Today

In debating what constituted a transitional world with regard to smart metering rollout, AR suggested that it really boils down to degrees of transition as he questions if we would ever reach a 100% smart meters world.

In considering bullet 1, several parties questioned whether xoserve would be the only provider of allocation services as their view is that, any 3<sup>rd</sup> party information provider could provide the information. Some suggested that if 'restricted' to xoserve only, this would bring into question the role of the DCC. SB pointed out that allocation can only be performed by one party as it involves sharing out total energy, which must remain whole. SN added that previously PNAG has stated that settlement is outside the scope of the DCC.

JW suggested that consideration of the risks and benefits associated to utilisation of either consumption (energy) or a reads provision would be needed in due course. FC highlighted that uncertainty surrounding the role and scope of the DCC has delayed discussion of the matter, especially the issue of how best to resolve the 'gaps' in reads – do not forget utilising energy rather than readings makes this more difficult to resolve. FC then reminded those present that the DCC is a service provider and as such, the industry will be involved in scoping / defining its role. GE advised that it is looking increasingly likely that the spring announcement may suggest a 'thin' model for the DCC.

SB went on to state that she would support removal of the reconciliation (RbD) risks in the future as the more you can utilise real reads the better in her view. However, she acknowledged that in practical terms, some form of 'fallback' provision would be needed.

In summarising discussions up to this point, it was agreed that the transitional period commences now and goes all the way through until the fully smart world is up and running.

Moving on to consider whether an action should be placed on Shippers to consider whether or not they would prefer to submit energy (consumption) or readings, some felt unsure that they could commit to one or the other at this stage. SN pointed out that initially the DCC would simply be a meter reading agency and therefore a conduit for information. In the end it was agreed that there was merit in placing an action on Shippers and the Gas Transporters to clarify their respective positions regarding provision of either energy (consumption) or read related information.

Moving on, SN advised that it had been suggested elsewhere that the various fuel markets would one day become 'aligned' (i.e. DCC model) and wondered if this should also be considered as it is possible a 'fly in the ointment' since the Electricity industry already works in KWh terms – no clear view was forthcoming.

Returning to the consider future principles, FC suggested that the increasing clarity on the scope and role of the DCC indicates that they will charge on a read/day basis and wondered if this should also be considered by the group to develop a viable, economic solution. SB responded noting that the government is driving towards provision of daily information via a smart world and the costs will be what they will be !. However, FC pointed out that the SMIP Prospectus indicated that consumer billing would remain on a monthly (calculation of consumption) basis. JW suggested that this again raises the issue of what happens with unallocated gas.

Discussion then moved on to whether or not the provision of daily reads should be compulsory. Parties noted that this could boil down to balancing out costs and care will be needed to consider those who cannot / would not provide daily reads. Perhaps an optional solution would be preferable. SN pointed out that xoserve are keen to appreciate potential traffic volumes to enable them to plan accurately. Thereafter, xoserve would seek to build their system to cater for read traffic predictions – there could be a vast cost difference associated here. AR suggested that the issue of system scalability would hinge on clearly defining the business requirements. He went on to suggest that the problem is complicated, by trying to predict the potential traffic levels associated with each process.

In remarking that the big challenge with today's demand estimation processes is getting access to the appropriate information, FC wondered if this would actually improve in a smart (monthly sample) world.

CW enquired if it had already been decided if RbD would completely disappear. FC responded by stating that the current Reconciliation Principles are meter point reconciliation for all sites, although the AMR Requirements are based on the assumption that RbD still exists in the interim. SB suggested that as long as there was a mechanism to smear (clearing) reconciliation across the whole market, RbD

could be removed in future. AR suggested that all you are doing in this case is rebranding RbD !

FC pointed out that the AUGÉ could allow the SSPs to come out of RbD for process 4 and if we were to build something now for AMR this would possibly be utilised to 'tweak' the AUGÉ at a later date to ensure that you could smear across the whole market. GE attempted to summarise discussions stating that whilst accepting that the detailed solution still needs consideration, Shippers see the proposed four AMR processes as a good starting point where process 4 provides the transitional arrangements. In this case, the only issue is costs and specifically the cost associated with replacing / removing RbD.

SMc reminded those present that any Nexus system performance enhancements are restricted to software (i.e. source code rewrite) only, which may mean that part of these aspirations may not be achievable. FC suggested that this is the *raison d'être* for inclusion of the information gathering stage.\*

It was then agreed to place a new action on Shippers to confirm their views on the four proposed process options and the possible move to a (mandatory) daily read regime. At the same time, xoserve (SN) and Joint Office (BF) agreed to take a new action to engage with some of the smaller Shippers/Suppliers and encourage their participation in this workgroup.

FC recapped discussions that the future world for Smart meters would involve processes 2 & 3 supported by daily balancing and batch processes – this met with the agreement of those present. FC challenged whether this was realistic for the whole of the smaller supply point market. SN commented that smaller domestic Shippers might not have the resources for a daily balancing regime.

In closing it was agreed that further consideration of this matter would be required at the second workgroup meeting scheduled for 02 March 2011.

**New Action SET001: Shippers and GTs to clarify their respective positions regarding provision of either energy (consumption) or read related information.**

**New Action SET002: Shippers to confirm their views on the four proposed process options and the possible move to a (mandatory) daily read regime.**

**New Action SET003: xoserve (SN) and Joint Office (BF) to engage with some of the smaller Shippers/Suppliers and encourage their participation in this workgroup.**

*\* Post meeting note: xoserve confirm that the GTs' capital allowance in the current Price Control Review includes an estimate for the replacement of UKLink on a like-for-like basis. This could include the re-writing and re-platforming or porting of software as necessary.*

### 3. 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/020211>.*

#### 3.1 Recap of H/L Allocation Principles v's AMR Requirements for Meter Reading

Please refer to item 2. Above.

#### 3.2 Confirmation / Determination of H/L Future Principles for Allocation for Smart Meters

Not considered.

#### 3.3 Initial Capture of Advantages / Disadvantages

Not considered.

#### 3.4 Alignment of IRR Requirements

Not considered.

### 3.5 Transitional Arrangements

Not considered.

## 4. Workgroup Report

### 4.1 Preparation of Monthly/Final Report

BF advised that he would provide a verbal report in due course.

## 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 SET001: Shippers and GTs to clarify their respective positions regarding provision of either energy (consumption) or read related information.**

**New Action SET002: Shippers to confirm their views on the four proposed process options and the possible move to a (mandatory) daily read regime.**

**New Action SET003: xoserve (SN) and Joint Office (BF) to engage with some of the smaller Shippers/Suppliers and encourage their participation in this workgroup.**

## 6. Diary Planning

The following meetings are scheduled to take place during Feb/Mar/Apr 2011:

Title	Date	Location
Workgroup & AMR18	22/02/2011	ENA, 52 Horseferry Road, London.
SET2	02/03/2011	NG Office, 31 Homer Road, Solihull.
Workgroup & AMR19	14/03/2011	NG Office, 31 Homer Road, Solihull.
SET3	23/03/2011	NG Office, 31 Homer Road, Solihull.
AMR20	05/04/2011	ENA, 52 Horseferry Road, London.
Workgroup & SET4	19/04/2011	NG Office, 31 Homer Road, Solihull.

## 7. Any Other Business

None.

## Appendix 1

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
SET001	09.02.11	2.	Clarify their respective positions regarding provision of either energy (consumption) or read related information.	Shippers & GTs	Update to be provided in due course.
SET002	09.02.11	2.	Confirm their views on the four proposed process options and the possible move to a (mandatory) daily read regime.	Shippers	Update to be provided in due course.
SET003	09.02.11	2.	Engage with some of the smaller Shippers/Suppliers and encourage their participation in this workgroup.	xoserve (SN) & Joint Office (BF)	Update to be provided in due course.