

## Stage 02: Workgroup Report

# 0434:

## Project Nexus – Retrospective Adjustment

At what stage is this document in the process?



This modification is one of a number of complementary modifications seeking to implement the requirements identified under Project Nexus. This modification identifies changes to the UNC to enable the retrospective adjustment of relevant Transportation and Energy Balancing invoices through the entering of revised Meter Information, Meter Readings, relevant Supply Point and Address data to the Supply Point Register.



The Workgroup recommends that this modification should now proceed to consultation.



High Impact:  
Users and Transporters

0434

Workgroup Report

18 October 2013

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## About this document:

This report will be presented by the Workgroup to the panel on 21 November 2013.

The panel will consider whether the modification is sufficiently developed to proceed to Consultation and to submit any further recommendations in respect of the definition and assessment of this modification.


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# 1 Summary

## Is this a Self-Governance Modification

The Modification Panel determined that self-governance procedures were not appropriate for this modification.

## Why Change?

As part of the outcome of the last Gas Distribution price control review, it was agreed that funding should be available to support a major IT systems investment programme by the Transporters agent, Xoserve. This major systems investment for UK-Link Replacement provides an opportunity to consider whether the existing UNC requirements remain appropriate. Rather than asking Xoserve to procure replacement systems that deliver the existing functionality, there is an expectation that introducing regime enhancements at this stage would be the most economic time to implement any such change. This is particularly opportune since it is coincident with the development of smart metering, such that requirements can be specified that recognise changes to metering arrangements rather than any changes to accommodate smart metering being retrofitted in due course. The requirements gathering exercise for the enhancements is entitled Project Nexus. This modification is one of a number of complementary modifications, which reflects the requirements.

Ofgem stated with its Gas Distribution Price Control (GDPCR1) Final Proposals that GDNs' allowed revenues for 2008-13 include funding for the replacement of UK LINK on a like for like basis.

During the GDPCR1 consultation process, Ofgem proposed an industry dialogue leading to an agreement between Users and Transporters on what central information system services would be required from Xoserve in its capacity as the Transporters' agent and how the associated costs should be met. Ofgem prepared a Terms of Engagement for the dialogue, which took place under the auspices of a Xoserve Services Workgroup.

The Workgroup's activities included consideration of the potential high level features of UK-LINK replacement and identified that the contractual and governance framework would be developed by the GTs and Shippers in agreement with Ofgem. The Workgroup identified that following this agreement the Transporters would, through the UNC Modification Process, raise and progress the required UNC Modification.

Entitled 'Project Nexus' the gathering of requirements for the contractual framework was undertaken under UNC governance and a dedicated Workgroup established for this purpose.

## Solution

The output in terms of systems requirements have been published as a Business Requirement Document (BRD)<sup>1</sup>. This identifies arrangements whereby Users are able to retrospectively replace Meter Information, Meter Readings, relevant Supply Point and Address data for the purposes of reconciling consumption at Supply Points. This would lead to more accurate relevant Transportation and Energy Balancing invoices through an improved reconciliation

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<sup>1</sup> <http://www.gasgovernance.co.uk/nexus/brd>

process.

## Relevant Objectives

This modification furthers relevant objective d) as implementation of the changes identified within this modification would be expected to facilitate the securing of effective competition between Users. The changes are expected to lead to more accurate allocation of costs between Users.

## Implementation

No implementation date for the solution identified within this modification is identified at this stage.

## 2 Why Change?

### Background to Project Nexus

At the time of the current Gas Distribution Price Control Xoserve anticipated the need for a major IT systems investment programme. Stakeholder consultation was initiated, under the banner of 'Project Nexus' to inform the scope and nature of Xoserve's future services that IT systems would need to support – the detailed Business Requirement Documents that support this document form a key input to the design of that investment programme.

The initial phase of Project Nexus was a consultation exercise, in which interested parties were asked for their views on the long-term strategic requirements for Xoserve's services. The consultation also developed a preferred approach to further definition of stakeholder requirements.

Following the consultation phase of Project Nexus, an Initial Requirements Register (IRR) was compiled, identifying all the topics that respondents to the Consultation had raised.

Topics were grouped into three broad categories:

- UNC changes
- Independent Gas Transporter (iGT) services
- Data management

A UNC Workgroup was established to consider the UNC topics and develop requirements.

### Development of Requirements

In 2009 the UNC Modification Panel agreed a Workgroup should be set up to define industry requirements for the development and enhancement of the UNC in areas that are relevant to Xoserve's services. The Initial Requirements Register (IRR) formed the basis of the discussions. Consultation responses were grouped into related topics and relevant as-is process models were reviewed and agreed. The Project Nexus Workgroup discussed the responses and reached a consensus on whether to carry forward or close the requirement. The outputs from the Workgroup Topic meetings were baselined Business Requirements Documents (BRDs) and to-be process models (i.e. future state processes).

### Overview of Business Requirements

The original comments in the IRR were grouped into a number of topics, loosely based on existing industry process areas. These topics were tackled in sequential order, to minimise the amount of re-work. The 8 topic areas covered under the UNC Project Nexus Workgroup were:

- Settlement (i.e. submission of Meter Readings and use in Daily Allocation)
- Annual Quantity
- Reconciliation
- Invoicing
- Supply Point Register
- Retrospective Adjustment
- Non-Functional requirements
- iGT Agency Services

Business requirements documents (BRDs) have been documented for each of these topics and have been reviewed by stakeholders.

The scope of this modification is limited to the following BRD:

- Retrospective Adjustment

## 3 Solution

The BRDs identify detailed business rules which form the foundation for the necessary changes to the UNC. The following BRD is relevant to this Modification Proposal:

<i>Document Name</i>	<i>Version and Date</i>	<i>Current Location (12/09/12)</i>
Business Requirements Document for Retrospective Updates	v1.0 16/05/2012	www.gasgovernance.co.uk/nexus/brd

### Introduction

The following information outlines arrangements under which the UNC would be modified to provide for the adjustment of Meter Information and Meter Readings on a retrospective basis.

### Key Proposals

- Facility for the current User to amend Meter Information ('meter asset' data) for their period of Supply Point Registration ('ownership')
- Automatic financial adjustments for amended Meter Information
- Ability for current and previous Users to amend any periodic Meter Reading for their period of Registration
- Automatic re-reconciliations where a Meter Reading is amended
- Retrospective updates to Meter Point/Supply Point and Address data
- Automatic re-reconciliations where relevant updates are made

### Update of Meter Point/Meter Asset Data (Retro Updates BRD Section 8.2)

The current (incumbent) User would be able to amend the key Meter Information for any effective date in their period of Supply Point Registration (e.g. the metric/imperial indicator or the read units). The earliest effective date for any charges would be the first day of their ownership (Registration), although they would submit the correct date of the update.

If applicable, a financial adjustment would be calculated and issued automatically following an update to Meter Information, in the form of a re-reconciliation. The invoicing 'line in the sand' or 'backstop' Code Cut Off Date<sup>2</sup> for reconciliation would continue to apply, so some reconciliation periods may not be adjusted and invoiced if they fall before the Code Cut Off Date. Changes to current backstop arrangements are outside of the scope of this Modification Proposal.

Any 'previous' User/s would not be able to amend Meter Information for their period of Registration and would not receive any notification of changes by subsequent Users. If a User was previously registered at a Supply Point, lost it and subsequently regained it, the amendment facility would apply only in the current period of Registration.

Where a previous User identified an error in the set up of Meter Information for their period of Registration, they would need to request a financial adjustment via the Transporters agent, Xoserve.

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<sup>2</sup> TPD Section E1.3.9

### Retrospective Update to Meter Point/Supply Point (Retro Updates BRD Section 8.3)

The current User would be permitted to make retrospective updates to data held on the Supply Point Register relating to the Meter Point/Supply Point. This includes changes to the Conversion factor and Supply Meter Point status. If applicable, where the current User amended the relevant data, a financial adjustment would be calculated and issued automatically following an update to such data, in the form of a re-reconciliation.

### Replacement of Meter Readings (Retro Updates BRD Section 8.4)

Any User would be able to change any Meter Reading in their period of Registration for all Products<sup>3</sup>, subject to the Code Cut off date. An amended Meter Reading for Products 3 or 4 would usually trigger two re-reconciliations, for the two periods either side of the Meter Reading. For Products 1 and 2 a 'first time' replacement would trigger two reconciliations, for the two days either side of the Meter Reading. Subsequent replacements would trigger re-reconciliations.

Replaced Meter Readings would be subject to validation [as described in Modification Proposal 0432]. Change of User (Opening) Meter Readings can only be expedited with the agreement of both the outgoing and incoming Users.

### Address Amendments (Retro Updates BRD Section 8.5)

Both the User and the Transporter would be able to amend the address details for a Supply Meter Point. Where an address amendment changed the LDZ to which the Supply Meter Point is assigned, this may change the Transportation charging rate for the Supply Meter Point. If applicable, where the current User amended address data, a financial adjustment would be calculated and issued automatically following an update to such data, in the form of a re-reconciliation.

#### User Pays

##### Classification of the modification as User Pays, or not, and the justification for such classification

Since substantial changes to central systems are envisaged in this modification, and those changes involve enhancements to the existing UNC regime, this modification technically could fall within the definition of a User Pays Modification. Xoserve has indicated that the additional costs of implementing this modification, over and above the cost of replacing UK Link systems on a like for like basis with existing functionality, amount to about £18m. The actual difference in costs between a like for like and enhanced systems development will never be known since only one procurement and development exercise will be undertaken, based on the identified requirements. Ofgem believes that all reasonably foreseen costs arising from the UK Link replacement have been considered when price controls were set, and funding provided. If significant additional costs beyond this can be demonstrated and justified, these should be considered in the context of the arrangements for funding which are in place following the review of Xoserve's governance and funding. On this basis, given this change is embedded with a wider system replacement, is not proposed to include a User Pays element in the funding equation.

##### Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

Not applicable

<sup>3</sup> Product definitions are identified within UNC Modification 0432  
<http://www.gasgovernance.co.uk/0432>



Proposed charge(s) for application of Users Pays charges to Shippers
Not applicable
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
Not applicable

## 4 Relevant Objectives

Impact of the modification on the <b>Relevant Objectives:</b>	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	None

Implementation of the changes identified within this modification is expected to facilitate Relevant Objective d) Securing of effective competition between Users. These changes are expected to lead to more accurate allocation of costs between Users. In circumstances where better and more accurate data is available to a User than that prevailing in the Supply Point Register, then it is desirable that the facility is made available for such data to be entered. The resultant more accurate cost allocations through an improved reconciliation facility is a fundamental underpinning for effective competition.

The following benefits were identified in the BRDs and would further competition between Users:

- Shippers would receive correct Supply Point data to provide end consumers with accurate quotes
- Accurate data submitted to Shippers on transfer of ownership
- Accurate energy allocation and transportation charges

Implementation of the changes identified within this modification would further f)  
Promotion of efficiency in the implementation and administration of the Code

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## 5 Implementation

1st October 2015 if an Authority decision is made by 31 March 2014

1st April 2016 if an Authority decision is made by 30 April 2014

With a backstop lead time of 18 months (549 calendar days) should the Authority makes its decision after [1st May 2013]. This is noting that no implementation would take place in the winter operations period for the Gemini system being 2nd October – 31st March and any implementation must be on the first of the month.

## 6 Legal Text

### Text

[The Text for this modification has been prepared by National Grid Distribution and is published along side this report, and no issues were raised by the Workgroup regarding its content.]

## 7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.