
UNC Workgroup 0609S Minutes
Transitional arrangements for gas settlement and replacement of
Meter Readings (Project Nexus transitional modification)
Friday 03 February 2017
at Consort House, 6 Homer Road, Solihull. B91 3QQ

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Amrik Singh*	(AS)	Good Energy
Andrew Margan	(AM)	British Gas
Andy Clasper	(AC)	National Grid Gas Distribution
Chris Warner	(CW)	National Grid Gas Distribution
Colette Baldwin	(CB)	E.ON Energy
David Addison	(DA)	Xoserve
David Tennant	(DT)	Dentons
Emma Smith	(ES)	Xoserve
Fraser Mathieson*	(FM)	Scotia Gas Networks
Helen Bennett	(HB)	Joint Office
John Welch	(JW)	npower
Kelly Docherty	(KD)	British Gas
Kishan Nundloll	(KN)	ES Pipelines
Mark Jones*	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Phil Lucas	(PL)	National Grid NTS
Shanna Key*	(SK)	Northern Gas Networks
Steve Mulinganie	(SM)	Gazprom
Sue Hilbourne*	(SH)	Scotia Gas Networks

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0609/030217>

The Workgroup Report is due to be presented at the UNC Modification Panel by 16 March 2017.

1.0 Outline of Modification

1.1. UNC Panel Presentation Modification Overview

AC provided a brief overview of the presentation provided at the 19 January 2017 UNC Panel meeting during which he explained that the modification is expected to follow a similar timeline to UNC Modifications 0608S and 0610S.¹

¹ A copy of the 19 January 2017 Panel minutes are available to view and/or download from the Joint Office web site at: <http://www.gasgovernance.co.uk/panel/190117>.

1.2. Review of the Modification

The Workgroup undertook an onscreen review of the modification (v1.0, dated at 09 January 2017) during which it was suggested that the wording within the solution section would benefit from some tweaks in order to better clarify the AUG Table related aspects.

BF enquired as to why a supposedly self-governance modification with a low materiality impact indicates that it has a potentially high impact upon the Large Transporters and Shipper Users on the title page. Responding, CW accepted the point and suggested that the Workgroup would need to consider and clarify this point during development of the Workgroup Report. He also indicated that as this is only a transitional modification, he would be happy to make the necessary amendments to reflect these concerns.

Attention then focused on previous industry wide debate and concerns relating to the proposed AQ review process solution and how any impacts of a further delay to the Project Nexus Implementation Date (PNID) would be managed.

In short, if this was a 'normal' year the AQ Review would conclude on 01 October 2017, however should the PNID of 01 June 2017 be delayed beyond 30 September, there would be insufficient time and (Xoserve) resources available to support both Project Nexus delivery and a full AQ Review process, so the modification is proposing to NOT undertake an AQ Review should Project Nexus be delayed. It was noted that should PNID be by 30 September, the new Settlement Rules would overwrite the AQ process so that it wouldn't be needed.

AM advised that British Gas (BG) has major concerns around the proposed (AQ) solution and its removal from Code without adequate industry consultation, and as a consequence is considering raising an alternative modification proposal which seeks to mirror the 0609 provisions, minus the removal of the full AQ Review process aspects (i.e. retain the AQ Review with Xoserve managing the process accordingly). AM went on to point out that from a BG perspective, failure at IDR1 has removed a level of certainty around the 01 June 2017 PNID which only serves to fuel their concerns.

BG is of the view that Xoserve have basically not responded (positively) to previously voiced industry concerns around the AQ issue. He went on to explain that BG has already planned and committed resources to establish their AQ team as a risk mitigation should the PNID be moved beyond 30 September and he was unsure why Xoserve had not made a similar commitment to manage this risk.

During a detailed discussion, it was noted that should PNID remain as 01 June 2017 then there would not be any real industry concern. One alternative view suggested that assuming that PNID was before 30 September 2017, then NO AQ Review would take place, however should PNID be 01 October 2017 or later then an AQ Review would be required. Several parties indicated that they shared BG's concerns and believe that the obligations to undertake an AQ Review should remain in place and therefore oblige Xoserve in its role as the CDSP to undertake the validation process should PNID become a post 30 September 2017 date – in other words Xoserve should be incentivised to deliver an AQ Review should they fail to deliver PNID before 30 September 2017. Responding, DA reminded those present that Xoserve's historic AQ validation processes are not a direct Code obligations whilst CW explained that he does not envisage being in a position to raise a modification that potentially results in the CDSP or Transporters not being able to meet their Code obligations.

Referencing the 'Impacts of Project Nexus Implementation Date to AQ17' presentation previously provided at the 27 October 2016 Distribution Workgroup meeting, DA provided an in depth explanation behind the 'Normal Year AQ Activity' timeline on slide

3.² He went on to suggest that as far as processing the circa 250k SSPs validations (based on 2016 SSPs that fell out of the process and required manual validation) is concerned the opportunity (time) has already passed. He went on to explain that in terms of whether or not Xoserve would be able to meet their Code obligations up to 01 June 2017, he believes that they would, although he asked parties to note that the processes would not be supported by the 'value added' manual validation activities. However, Xoserve would still be able to provide SSP non validated files at the 30 April 2017 stage, although it should be noted that this would place a potential risk on Shippers on the grounds that there would/could be insufficient supporting information available in order to address any erroneous elements – it relates to a significant number of failed validations that have a large amount (TWh) of gas involved (i.e. in 2016 the circa 250k SSP validation failures equated to approximately 5TWh with the resulting AQ calculation going to >345TWh).

SM explained that whilst he is happy to manage his own (energy) risk he remains unhappy to incur the additional risk associated with a potential 340TWh energy swing due to Xoserve not planning to resource the manual AQ validation processes and believes that this debate is taking place too late in the timeline. Some parties believe that there would be hidden benefits in Xoserve continuing to undertake the validation process regardless.

When asked whether or not National Grid Gas Distribution Ltd (NGGDL) as Proposer of 0609S, could envisage removing the AQ Review elements from the modification, CW responded by indicating that this would be highly unlikely.

At this point BF suggested that the Workgroup Report would clearly need to identify any potential Consumer impacts and that an assessment would be required.

When several parties indicated that in their opinions, an alternative modification³ should be raised which seeks to leave the (full) AQ Review process in place and therefore ensure that Xoserve undertakes the validation exercise, regardless of the cost to itself should the PNID change, DA asked parties to be aware that in order to get the AQ Review (validation) process consistent with a 'normal' historical activity, Xoserve would need to redirect Project Nexus delivery resources (as well as recruiting additional external temporary resources), thereby placing a material risk on Project Nexus delivery. DA went on to summarise the situation by indicating that in his opinion should PNID be before 30 September 2017 then any retained AQ process would not deliver any real values, but in the case where PNID slips past 30 September 2017 he could envisage there being some value.

SM suggested that seeking a regulatory (Ofgem) view around these matters would be beneficial.

1.3. Draft Legal Text Review

Transitional Business Rules for Project Nexus

MD provided a brief overview of the origins of these transitional rules whilst also explaining that Xoserve are still considering where best to provide such documentation.

Transition Document Part IIF - amended 0528 Legal Text

DT once again explained the colour coding behind the proposed legal text changes.

² A copy of the Xoserve AQ17 presentation (and other supporting materials) are available to view and/or download from the Joint Office web site at: <http://www.gasgovernance.co.uk/dist/271016>.

³ Please note: British Gas raised alternate proposal 0609AS on 08 February 2017. A copy of the modification can be found on the Joint Office web site at: <http://www.gasgovernance.co.uk/0609>.

During a brief onscreen review of the proposed 0609S legal text amendments (mainly change marked in **GREEN**), parties discussed various aspects with the most notable matters captured by exception, as follows:

- Paragraph 1.1.6 – regardless of the fact that the provision is covered off elsewhere, it is felt this paragraph is still needed;
- Paragraph 3.6.3 – is subject to the new AUG Table approval (see also TPD Section E amendments);
- Paragraph 5.3.1 – expected to be changed subject to British Gas raising their alternative modification;
- Paragraph 5.3.2 – regardless of whether the CDSP retains an obligation to continue to support the AQ manual validation process, this will remain largely ‘as-is’.

When It was requested that the term ‘OR’ is amended to read as ‘Old Rules’ in order to avoid confusion and misunderstanding, DT agreed to consider;

- 5.3.3(b) – when it was suggested that the proposed dates could/would potentially undermine approval of the modification, DT agreed to reconsider;
- 5.3.3(c) & (d) – seen as being consequential to sub paragraph (b).

It was noted that subject to British Gas raising an alternative modification proposal, the some potential tweaks – this was not a universally shared view as some believe that the alternate proposal is only seeking to retain existing Code provisions and NOT change the legal text per se.

CW advised that should the alternate proposal be raised, he would provide a copy to Dentons for their consideration when amending the legal text;

- Paragraph 5.4.6 – introduces the concept of a formula year AQ.

When asked whether this assumes we ignore the Rolling AQ, DT referred back to 5.3.3(b) above;

- Paragraph 7.6 – provides for a transition rule (mainly UNC Modification 0434 related);
- Paragraph 7.6.3(a) – caters for reconciliations that straddle the PNID;
- Paragraph 7.6.3(b) – it was noted that whilst there would be no SSP reconciliation there would be LSP reconciliations going forward;
- Paragraph 7.9 – is introduced in accordance with 0576 / 0583 provisions, and
- Paragraph 7.9.1 – it was noted that at PNID it reflects looking back to 3.5 years ago, although the specified 01 April 2011 date reflects 0576 provisions (i.e. formula year minus 6, with estimate to minus 3).

Whilst it was noted that 0583 provisions are amended at this point, it was also suggested that CB’s concerns around opening meter reads is addressed under the auspices of UNC Modification 0610S.

New Action 0101: Dentons (DT) and NGGDL (CW) to amend the legal text inline with Workgroup discussions, and thereafter provide an updated version ahead of the 13 February 2017 Workgroup meeting.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

None.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference has been published alongside the Modification at: <http://www.gasgovernance.co.uk/0609>.

As there were no adverse comments from those in attendance, it was deemed that the Workgroup had approved the Terms of Reference.

3.0 Next Steps

BF confirmed that subject to receipt of an alternative modification proposal from British Gas, the Workgroup would look to consider any amended / alternative modifications and possibly supporting legal text, at the 13 February meeting.

4.0 Any Other Business

None.

5.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:30 Monday 13 February 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> • Specific PNID Modification Agenda items 0609S
10:30 Monday 20 February 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> • Specific PNID Modification Agenda items 0609S • Consideration of Draft Workgroup Report
10:30 Friday 10 March 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> • Specific PNID Modification Agenda items 0609S • Completion of Workgroup Report

Action Table (as at 03 February 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	03/02/17	1.2	To amend the legal text inline with Workgroup discussions, and thereafter provide an updated version ahead of the 13 February 2017 Workgroup meeting.	Dentons (DT) & NGGDL (CW)	Pending