

# 0536:

## Project Nexus – deferral of implementation of elements of Retrospective Adjustment arrangements

This Modification Proposal identifies requirements relating to the deferral of implementation of elements of the Retrospective Adjustment arrangements to be implemented under UNC Modification 0434 – Project Nexus Retrospective Adjustment.



The Proposer recommends that this modification should be:

- treated as urgent and should proceed as such under a timetable agreed with Ofgem



High Impact: Large Transporters and Shipper Users

01	Modification
02	Workgroup Report
03	Draft Modification Report
04	Final Modification Report

<b>Contents</b>		 <b>Any questions?</b>												
<b>1 Summary</b>		<b>2</b> Contact:												
<b>2 Why Change?</b>		<b>4</b> <b>Code Administrator</b>												
<b>3 Solution</b>		<b>4</b>  <b>enquiries@gasgovernance.co.uk</b>												
<b>4 Relevant Objectives</b>		<b>5</b>  <b>0121 288 2107</b>												
<b>5 Implementation</b>		<b>6</b> <b>Proposer:</b>												
<b>6 Legal Text</b>		<b>8</b> <b>Chris Warner</b>												
<b>7 Recommendation</b>		<b>9</b>  <b>chris.warner@nationalgrid.com</b>												
<b>8 Appendix 1</b>		<b>10</b>  <b>07778 150668</b>												
<b>9 Appendix 2</b>		<b>Transporter:</b> <b>National Grid Distribution</b>												
<b>About this document:</b>		<b>Systems Provider:</b> <b>Xoserve</b>												
The Proposer recommends that this modification should follow urgent procedures based on the timetable below:		 <b><a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a></b>												
<table border="1"> <tr> <td>Panel Recommendation on Urgency</td> <td>01 May 2015</td> </tr> <tr> <td>Ofgem Decision on Urgency</td> <td>05 May 2015</td> </tr> <tr> <td>Consultation commences</td> <td>05 May 2015</td> </tr> <tr> <td>Consultation Close-out for representations</td> <td>18 May 2015</td> </tr> <tr> <td>Final Modification Report presented to Panel</td> <td>19 May 2015</td> </tr> <tr> <td>UNC Modification Panel recommendation</td> <td>21 May 2015</td> </tr> </table>		Panel Recommendation on Urgency	01 May 2015	Ofgem Decision on Urgency	05 May 2015	Consultation commences	05 May 2015	Consultation Close-out for representations	18 May 2015	Final Modification Report presented to Panel	19 May 2015	UNC Modification Panel recommendation	21 May 2015	
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## 1 Summary

### Is this a Self-Governance Modification?

Self-Governance procedures are not requested as this Modification is expected to have a material impact on existing gas consumers. This is because its effect would be to delay the implementation of improved system capability to allow Shipper Users to retrospectively adjust relevant Transportation and Energy Balancing invoices through the entering of revised Meter Information and relevant Supply Point and address data to the Supply Point Register.

## Is this a Fast Track Self-Governance Modification?

Fast track procedures are not requested for the reasons described above.

## Why Change?

UNC Modifications, 0432 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation Reform', 0434 'Project Nexus – Retrospective Adjustment' and 0440 'Project Nexus – Single Service Provision' are planned to be implemented on the Project Nexus Implementation Date being 1<sup>st</sup> October 2015.

Following industry discussions and consultation by the Transporter Agency Xoserve, it has been determined by the Project Nexus Steering Group that it is not possible to implement the full functionality of Modifications 0432, 0434 and 0440 in a single release. It is therefore proposed that the scope of Modification 0434 is split with some elements to be delivered as a later release. This will enable the remainder of the Project Nexus Modifications to remain scheduled for a 1<sup>st</sup> October 2015 delivery.

Urgent procedures are sought to provide absolute clarity to the industry at the earliest possible opportunity on the content of the Project Nexus regime to be implemented as part of the UK-Link replacement programme on 1<sup>st</sup> October 2015.

Whilst timescales for implementation are provided there are still both the challenges in delivering core UK-Link Programme and the transition to steady state operating to consider before committing resource to the deferred scope. The timescales provided are a best assessment that can be made on the information currently available.

## Solution

Modification of the UNC is required to establish a new implementation timescale being 6 months following the Project Nexus Implementation Date for Modification 0434 retrospective updates to Meter Information and Meter Point/Supply Point and address data. Retrospective adjustment arrangements concerned with Meter Readings are not included and will be implemented as scheduled in accordance with Modification 0434 timescales.

## Relevant Objectives

This Modification is required in order to maintain the current implementation timescales in respect of the 'core' arrangements for the 'Project Nexus' regime (as identified principally within UNC Modifications 0432 and 0440) scheduled for implementation on 1<sup>st</sup> October 2015.

The Modification can consequently be expected to better facilitate Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code.

## Implementation

This Modification is essential to the implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus'). In the absence of this Modification Xoserve has advised that Project Nexus cannot be implemented on 1<sup>st</sup> October 2015.

This Modification needs to be implemented and to be effective from 1<sup>st</sup> October 2015.

## Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification Proposal impacts the industry programme for replacement of UK-Link systems.

## 2 Why Change?

UNC Modifications 0432 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation Reform', 0434 'Project Nexus – Retrospective Adjustment' and 0440 'Project Nexus – Single Service Provision' have been approved by Ofgem and are planned for implementation on the Project Nexus Implementation Date - 1<sup>st</sup> October 2015.

UNC Modification 0434 identifies the enduring arrangements concerned with reform of reconciliation invoice adjustments.

The Transporter's Agency, Xoserve has advised that it is not possible to implement the full functionality of modifications 0432, 0434, 0440 in a single release.

Xoserve issued a consultation to the industry on 20th March 2015 seeking views on its proposals to defer implementation of elements of the modification 0434. The matter was subsequently discussed with Shipper Users and Gas Transporters in the Xoserve Change Overview Board on 14<sup>th</sup> April 2015. Later that day a formal vote was taken by the Project Nexus Steering Group which supported a "recommendation to decouple .....Retrospective adjustments from the core system delivery to allow the core to go-live on 01 October 2015".

The Steering Group subsequently identified that the following information be provided as part of any subsequent proposal for change:

- Supporting information (to form an appendix to the Proposal) setting out in detail why, and the process/criteria by which Xoserve has determined that deferral is necessary.
- Identification of 'contingency' measures (forming a second appendix) which Xoserve might be able to implement/operate to minimise the effect of deferral on Users, being sufficient to mitigate any consequences of constraints arising from the new regime.

This information is provided in appendices 1 and 2.

Urgent procedures are sought to enable the Modification to be approved well in advance of the Project Nexus Implementation Date thereby providing industry certainty on the build requirement for supporting systems.

## 3 Solution

Modification of the UNC is required to defer implementation of elements of the arrangements identified within UNC Modification 0434 for a period of 6 months from the Project Nexus Implementation Date.

Deferral is limited to those retrospective invoice adjustments associated with:

1. Retrospective updates to Supply Meter Point/Supply Point and address data
2. Retrospective updates to Meter Information

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

## 4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
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.	None
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

Although there would be an impact on the overall benefits being delivered through Modification 0434 on 1<sup>st</sup> October 2015, this Modification would mitigate a significant risk to the UK Link replacement programme. This would increase industry confidence of timely implementation of the proposed 'Project

Nexus' regime due for implementation on 1<sup>st</sup> October 2015. Consequently this can be expected to better facilitate Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code.

## 5 Implementation

Notwithstanding that this modification would not be effective prior to the Project Nexus Implementation Date, an early decision date by the Authority would provide certainty to the industry as the expected delivery of systems on 1<sup>st</sup> October 2015. This modification is essential to the implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus') as it would mitigate a significant programme delivery risk.

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This modification is essential to implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus'). The rationale for this is explained in appendix 1.

#### Pre Project Nexus Implementation

This modification is not required to be implemented in advance of the Project Nexus Implementation Date

#### Post Project Nexus Implementation

Implementation of this modification is not proposed to occur following the Project Nexus Implementation Date.

## 6 Legal Text

### Text Commentary

The text makes changes to the text proposed in respect of UNC Modifications 0528 and 0529. It will be noted that these modifications are not presently implemented or approved by Ofgem.

### Text

#### NEXUS TRANSITION - DRAFT LEGAL TEXT

#### UNIFORM NETWORK CODE – TRANSITION DOCUMENT

#### PART IIE – NEXUS IMPLEMENTATION

#### DELAY IN IMPLEMENTATION OF RETROSPECTIVE ADJUSTMENTS

*Amend paragraph 1.1.2(c) of TD Part IIE to read as follows:*

1.1.2

...

- (c) **Implementation Date** means, subject to paragraph 5.6.1, the Nexus Implementation Date;

*Amend paragraph 3.2.3(a) of TD Part IIE to read as follows:*

3.2.3 For the purposes of this Part IIE:

- (a) Transitional Offtake Reconciliation means, subject to paragraph 5.6.1, an Offtake Reconciliation where the Reconciliation Metered Period starts before the Implementation Date and ends on or after the Implementation Date;

...

*Amend paragraph 5.6 of TD Part IIE to read as follows:*

## **5.6 Retrospective Adjustment**

5.6.1 For the purposes of this paragraph 5.6:

- (a) **"relevant"** Implementation Date means:
- (i) in relation to Retrospective Data Updates, such date falling 6 (six) months after the Implementation Date;
  - (ii) in relation to Updated Meter Readings, the Implementation Date;
- (b) in relation to Retrospective Data Updates an Affected Offtake Reconciliation will be a Transitional Offtake Resolution where the Reconciliation Metered Period starts before, and ends on or after, the date determined in accordance with paragraph (a)(i).

5.6.2 The New Rules (as to Retrospective Data Updates and Updated Meter Readings) are effective on and after the relevant Implementation Date, subject to the further provisions of this paragraph 5.6.

5.6.23 In the event a User submits:

- (a) a Retrospective Data Update Notification and the Update Effective Date;
- (b) an Updated Meter Reading for which the Read Date,

is earlier than the relevant Implementation Date, then for the purposes of TPD Section M6.7.4 and M6.8.3 paragraph 5.6.34 shall apply.

5.6.34 Where this paragraph applies:

- (a) in relation to a System Exit Point which was Individually-Reconciled:
  - (i) for each Affected Offtake Reconciliation, the determination (or re-determination) of the Reconciliation Values shall be carried out by reference to the Updated Data or Updated Meter Reading in accordance with the New Rules and on the basis referred to in paragraph 3.2.4(a);
  - (ii) where an Affected Offtake Reconciliation is a Transitional Offtake Reconciliation, the determination (or re-determination) of the Reconciliation Quantity and the Reconciliation Clearing Value shall be carried out for the First Period and the Second Period on the basis referred to in paragraph 3.2.4(b) for the purposes of

Unidentified Gas Reconciliation (under the New Rules) and Aggregate NDM Reconciliation (under the Old Rules);

- (b) in relation to a System Exit Point which was not Individually-Reconciled:
- (i) no determination (or re-determination) of the Reconciliation Values shall be carried out in relation to an Affected Offtake Reconciliation in respect of which the Reconciliation Metered Period ended prior to the Implementation Date;
  - (ii) in respect of an Affected Offtake Reconciliation which is a Transitional Offtake Reconciliation the determination (or re-determination) of Reconciliation Values shall be carried out in accordance with the New Rules by reference to the Updated Data or Updated Meter ~~r~~Reading for the Second Period only and on the basis referred to in paragraph 3.2.5.

5.6.45 Where a Previous Registered User submits a request to the Transporter under TPD Section M6.7.5(b) in relation to an Affected Offtake Reconciliation to which paragraph 5.6.34 applies, the replacement of Reconciliation Values in relation to the part of the Reconciliation Meter Period(s) in respect of which such User was the Registered User of the System Exit Point shall also be in accordance with paragraph 5.6.34.

## 7 Recommendation

The Proposer invites the Authority to:

- Agree urgency on the basis that if standard non-urgent procedures were applied there would be insufficient notice provided to the industry in time to implement this modification by 1<sup>st</sup> October 2015.
- Permit the modification to progress to consultation on the basis that it is fully developed.

This modification requires approval by the end of May 2015 and the recommended that the urgent modification timetable below is followed:

- Modification Panel view on urgency and consultation requested – 1<sup>st</sup> May 2015
- Ofgem grants urgency – 5<sup>th</sup> May 2015
- Joint Office issues for consultation – 5<sup>th</sup> May 2015
- Close out for representations – 18<sup>th</sup> May 2015
- Joint Office to prepare Final Modification Report and issue to Modification Panel – 19<sup>th</sup> May 2015
- Modification Panel meeting to make recommendation – 21<sup>st</sup> May 2015
- Final Modification Report issued to Ofgem – 21<sup>st</sup> May 2015
- Ofgem decision by end May 2015

## 8 Appendix 1

### **Appendix 1 Supporting information setting out in detail why, and the process/criteria by which Xoserve has determined that deferral is necessary.**

Xoserve provided a paper (see link below) to the 14 April 2015 Project Nexus Steering Group.

[Project Nexus Modification 0434 deferral paper](http://www.gasgovernance.co.uk/NexusSG/140415) (<http://www.gasgovernance.co.uk/NexusSG/140415>)

This sets out, to a reasonable extent, the details why and the process/criteria by which Xoserve has determined deferral is necessary.

Xoserve is not in a position to undertake further analysis to explain the deferral. Any further work would require the use of resources already fully committed to the UK Link Programme and Xoserve cannot afford this at present.

## 9 Appendix 2

**Identification of 'contingency' measures by which Xoserve might be able to implement and operate to minimise the effect of deferral on Users being sufficient to mitigate any consequences of constraints arising from the new regime.**

### **Background to Retrospective Adjustments**

Modification 0434 - Project Nexus Retrospective Adjustments, sets out the rules by which retrospective updates to Meter Information (asset data), Supply Point data and replacement of Meter Readings after the read submission window can be submitted, and sets out the conditions for processing of any consequential financial adjustment.

The partial deferral of Modification 0434 applies only to Meter Information and Supply Meter Point/Supply Point and address updates. The replacement of Meter Readings, including any consequential financial adjustment, remains within the core delivery.

There are existing query processes for financial adjustments that support the current regime. At present these are only used by the Larger Supply Points (LSPs), as Smaller Supply Points (SSPs) are subject to the aggregate reconciliation (reconciliation by difference) process. Post 1<sup>st</sup> October, and the implementation of universal Individual Meter Point Reconciliation, the existing processes need to be extended to SSPs for the purpose of financial adjustments (Note: only where the financial adjustment is post 1<sup>st</sup> October 2015).

The following processes are the interim arrangements that will apply to both LSPs and SSPs, until the implementation of the deferred retrospective adjustments functionality.

### **Scope**

The following processes will be deferred;

- Meter Information (meter & convertor) updates as part of the retrospective updates file (RTO)
  - o Installation
  - o Exchange
  - o Amendment to billing related asset data e.g. metric/imperial
- Supply Meter Point update
  - o Correction Factor

### **Meter Information updates (install, exchange, removal, updates to billing related data items) and Supply Meter Point updates**

The deferral of the Meter Information (asset) and Supply Meter Point/Supply Point update Retrospective Adjustment functionality will mean that the existing validations will apply and Shipper Users will need to prepare data for submission that will pass these validations and the new read validation routines. For example, an existing validation rule is that a meter asset update will not be accepted if the date of the asset update pre-dates an existing activity recorded on UK Link e.g. a Meter Reading.

Following acceptance of the update the Shipper User will need to submit a consumption adjustment for the period aligned to reads recorded to ensure the energy is correct for that period, as this will be required for the calculation of future Annual Quantities (AQs).

The financial adjustment (where required) will only be processed for the Registered Shipper User as per Modification 0434 principles. Any previous Shipper User will need to submit a consumption adjustment, via CMS, for the financial adjustment relevant for their period of ownership.

The consumption adjustment to be submitted via CMS, contact code RFA.

For SSPs any financial adjustment will only be applied from 1<sup>st</sup> October 2015.