

## **Workgroup 0380 – Periodic Annual Quantity calculation Workgroup Minutes**

**Monday 20 June 2011**

at the Holiday Inn, 61 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       |
| Brian Durber                | (BD)  | E.ON UK                          |
| Cesar Coelho                | (CC)  | Ofgem                            |
| Chris Warner                | (CW)  | National Grid Distribution       |
| Claire Silk                 | (CS)  | RWE npower                       |
| David Goodwin               | (DG)  | Xoserve                          |
| Gareth Evans                | (GE)  | Waters Wye Associates            |
| Graham Wood                 | (GW)  | British Gas                      |
| Joanna Ferguson             | (JF)  | Northern Gas Networks            |
| Joel Martin                 | (JM)  | Scotia Gas Networks              |
| Karen Kennedy               | (KK)  | ScottishPower                    |
| Lorna Lewin                 | (LL)  | Shell                            |
| Mark Jones                  | (MJ)  | SSE                              |
| Michele Downes              | (MD)  | Xoserve                          |
| Phil Blakeman               | (PB)  | British Gas                      |
| Sallyann Blackett           | (SB)  | E.ON Energy                      |
| Sean McGoldrick             | (SMc) | National Grid NTS                |
| Stefan Leedham              | (SL)  | EDF Energy                       |
| Steve Mullinganie           | (SM)  | Gazprom                          |
| Steve Nunnington            | (SN)  | Xoserve                          |

### **1. Introduction and Explanation of Workgroup Operation**

BF welcomed all to the meeting before explaining that the intention is to cover discussion of this modification under the Project Nexus arena following referral by the UNC Modification Panel on 19 May 2011.

A Workgroup Report is scheduled for submission to the 15 December 2011 Panel meeting.

### **2. Outline of Modification**

*A copy 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/0380>.*

A brief explanation of the modification was provided by CW on behalf of the proposer, National Grid Distribution. The main aim of the modification being to implement a rolling AQ regime consistent with that proposed by Modification 0209 "Rolling AQ", which was recently (27/05/11) withdrawn by the proposer, E.ON UK.

He went on to add that he proposes a review of the 0209 business rules and SOQ aspects seeking a possible move toward an annual calculation based approach.

BF reminded parties that as a good starting point for costing's would be to consider the Modification 0209 Rough Order of Magnitude (ROM) costs.

### 3. Consider Terms of Reference

BF advised that the Terms of Reference had been published on the Joint Office web site and if anyone had any comments these should be submitted to the Joint Office at: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk) or during a meeting of the Workgroup.

### 4. Initial Discussion

#### 4.1 PN UNC Workgroup (AQ topic) presentation

MD provided a brief overview of the presentation.

In considering the potential business rules requirements, CW pointed out that development of these would need to be mindful of the ongoing Nexus AQ work.

Examining the scope of AQ determination, it was noted that areas such as validation, manifest error challenges and correction factors (AQ/SOQ links) would also need further consideration although the main aim is to develop a more automated solution with a potential reduction in the reliance on 'manual' workarounds. Some concern was voiced over the use of historic rather than live time data, and whether or not, 'linking' AQ, rolling AQ and transportation (model) elements would really be capable of delivering market stability. However, AR pointed out that the Transporters are keen to reduce SOQ movements that potentially trigger transportation charge changes as shippers had previously requested fewer changes.

It was acknowledged that the game had moved on somewhat since the 'original' high level principles were identified.

Looking at the AQ Review Timeline, SN advised that this takes roughly 6 months to complete (roughly a 50:50 split between system and manual workload), although the actual AQ calculation element is around 6 weeks – a good reason for Nexus consideration.

In considering the Modification 0209 principles, CW suggested that it maybe prudent to reconsider the potential role and utilisation of estimated meter readings in the 'new world'. Some concerns were voiced over how validation failure notifications fit in with recent Nexus discussions, especially with regard to how legacy validations would be managed. Whilst this maybe an interim period only concern, it was felt that there was merit in considering how this issue would work in respect of the four (4) proposed process options (as defined in the BRD). MJ suggested that consideration of the Electricity market model could provide some useful guidance/tips. National Grid Distribution and Xoserve agreed to undertake a new action to investigate and report back.

Asked whether or not daily read data could be utilised should the modification be implemented, SN warned that the current system capacity limitations, which Project Nexus is seeking to address, could prevent the utilisation of such data. It was noted that a one-off cut over adjustment process maybe required in due course. Looking at the Annual Parameter Changes, some questioned if the last two bullets were consistent with recent BRD discussions.

Moving on to consider the progress of related modifications 0378 and 0379/0379A, BF advised that these are tabled for consideration at the 06/07/11 meeting. GE wondered why the workgroup are examining these proposals whilst CW suggested that this new proposal (0380) could in time, supersede the others as further development of Modification 0380 maybe able to dispel parties various read related issues and concerns. This was not necessarily a universally supported view and SL shared the view that the rollout of SMART metering provides an opportunity to look deeper at the background data. He also went on to state that he is of the opinion that the ScottishPower modification still has merit as incentives to ensure appropriate behaviours are

still needed. KK advised that the issues are not just related to meter readings, but also data cleansing. CC suggested that the impact of this modification (0380) on both 0378 and 0379/0379A would need to be considered. However, he acknowledged that should 0380 be implemented first, the status of the other modifications could be reviewed thereafter.

Moving on to consider the questions and issues, it was suggested that shortcomings in the current DM process would need consideration and SN suggested that a more NDM based solution maybe preferable. SL questioned the value of potentially undertaking in the region of 22 million reads/month (for cash flow purposes) in a new world solution designed around individual meter point reconciliation. He wondered if going to a bi-monthly or quarterly cycle would not be better. Asked about the potential cost associated with Modification 0209, CW confirmed this was in the region of £1.5 to £2 million – as a consequence, GE wondered if this was really an issue in that case. Xoserve agreed to capture this item on the Issues Log.

In discussing the assumptions, SM suggested that there are still issues to be addressed relating to SOQ ratchets which would need resolving before he could agree to the concept of annual revisions (to reflect User commitments). Looking at the ratchet regime incentive for shippers nominating their site SOQs, it was felt that the workgroup would need to revisit SOQ derivation for process options 1, 2 & 3 within the ongoing BRD discussions, especially in light of the aim of ensuring that commercial drivers incentivise users to choose between options 2 & 3. Transporters agreed to undertake a new action to provide a view on AQ/SOQ issues and timing aspects ready for consideration at the next meeting.

Moving on to examine the 'Strawman for a Rolling AQ process in the new Regime', SN suggested that whilst the system could/would calculate AQs on a daily basis, it could prove beneficial to provide monthly notifications. In discussing the daily read and submitted sites (last 365 reads) bullet, SN warned that removing this process could result in skewed Weather Correction Factors. SB agreed to undertake a new action to look into the impact of weather correction on the daily read and submitted sites: AQ calculated monthly (last 365 reads) requirement and ascertain if it actually makes a difference. SN was not sure that data is available to support this. SM suggested that identification of a single threshold rule to apply across all four (4) process options, is preferable to separate rules for each of the options.

Looking at process 1 & 2 AQ monthly calculations, it was suggested that these would not be needed for process 2. In the end, MD suggested that utilisation of AQ for tolerance purposes should be considered in future settlement discussions.

In concluding, SN advised that should the business rules for the modification (0380) be completed quickly, it would take approximately 2 months for Xoserve to then consider matters before being in a position to provide an indication of potential costs and timescales.

**New Action WG0380 06/01: National Grid Distribution (CW) and Xoserve (MD) to consider validation and read acceptance proposals in respect of the four (4) proposed process options.**

**New Action WG0380 06/02: Xoserve (MD) to amend the Issue Log to record concerns surrounding the frequency of meter readings in an individual meter point reconciliation based solution.**

**New Action WG0380 06/03: Transporters (CW/AR) to provide a view on AQ/SOQ issues and timing aspects ready for consideration at the next meeting.**

**New Action WG0380 06/04: E.ON (SN) to look into the impact of weather correction on the daily read and submitted sites: AQ calculated monthly (last 365 reads) requirement and ascertain if it actually makes a difference.**

**4.2 Mod 0209 Rolling AQ Business Rules (v1.0) and Validation Rules (v1.0) presentation**

MD provided a brief overview of the presentation.

In response to a request, Xoserve (MD/SN) agreed to undertake a new action to realign the document to the four (4) proposed process options (as defined within the BRD).

**New Action WG0380 06/05: Xoserve (MD/SN) to realign the Rolling AQ and Validation Rules listing document to the four (4) proposed process options (as defined within the BRD).**

**5. Diary Planning for Workgroup**

The following meetings are scheduled to take place during July 2011:

| Title  | Date            | Location                            |
|--|-----------------|-------------------------------------|
| Project Nexus Workgroup (inc. 0357, 0359, 0377 & 0380) | 05/07/2011      | ENA, 52 Horseferry Road, London     |
| Project Nexus Workgroup (inc. 0357, 0359, 0377 & 0380) | 18 & 19/07/2011 | NG Office, 31 Homer Road, Solihull. |

## Appendix 1

Action Table

| Action Ref      | Meeting Date | Minute Ref | Action  | Owner  | Status Update               |
|-----------------|--------------|------------|---|--|-----------------------------|
| WG0380<br>06/01 | 20/06/11     | 4.1        | Consider validation and read acceptance proposals in respect of the four (4) proposed process options.  | National Grid Distribution (CW) & Xoserve (MD) | Update due at next meeting. |
| WG0380<br>06/02 | 20/06/11     | 4.1        | Amend the Issue Log to record concerns surrounding the frequency of meter readings in an individual meter point reconciliation based solution.  | Xoserve (MD)                                   | Update due at next meeting. |
| WG0380<br>06/03 | 20/06/11     | 4.1        | To provide a view on AQ/SOQ issues and timing aspects ready for consideration at the next meeting.  | Transporters (CW/AR)                           | Update due at next meeting. |
| WG0380<br>06/04 | 20/06/11     | 4.1        | Look into the impact of weather correction on the daily read and submitted sites: AQ calculated monthly (last 365 reads) requirement and ascertain if it actually makes a difference. | E.ON (SB)                                      | Update due at next meeting. |
| WG0380<br>06/05 | 20/06/11     | 4.2        | Realign the Rolling AQ and Validation Rules listing document to the four (4) proposed process options (as defined within the BRD).  | Xoserve (MD/SN)                                | Update due at next meeting. |