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**UNC Workgroup 0440 Minutes  
Project Nexus – iGT Single Service Provision**

**Wednesday 27 March 2013**

**31 Homer Road, Solihull B91 3LT**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Mike Berrisford (Secretary)	(MB)	Joint Office of Gas Transporters
Adam Pearce	(AP)	ES Pipelines
Alison Jennings	(AJ)	Xoserve
Andy Miller	(AM)	Xoserve
Anne Jackson	(AJ)	SSE
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
David Mitchell	(DM)	Scotia Gas Networks
Elaine Carr	(EC)	ScottishPower
Gethyn Howard	(GH)	Inexus
Jon Dixon	(JD)	Ofgem
Lorna Lewin	(LL)	DONG Energy
Martin Connor	(MC)	National Grid NTS
Mayokun Alonge	(MA)	Gemserv
Michele Downes	(MD)	Xoserve
Mike Payley	(MP)	Xoserve
Trevor Peacock	(TP)	Fulcrum
Zoe Murphy*	(ZM)	RWE npower

\* via teleconference link

**1. Introduction**

BF welcomed all to the meeting.

**1.1 Review of Minutes**

The minutes of the previous meeting were accepted.

**1.2 Review of Actions**

**0440 01/01:** In respect to the ITAD and specifically the iGT framework agreement versus iGT UNC definitions, National Grid Distribution (CW) agreed to double check the actual meanings behind the various statements with the legal team.

**Update:** CW advised that the actual meanings that sit behind the statements would become apparent during the ongoing development of the legal text to support the modification. **Carried Forward**

**0440 01/02:** iGTs and Shippers to seek views on what iGT Shrinkage mechanisms may be required going forward.

**Update:** CW explained that consideration of the iGT Shrinkage mechanisms is ongoing and any views would be welcomed.

AJ suggested that perhaps the Workgroup should consider whether or not, to apply the existing shrinkage formula to the iGT pipelines (assuming that their length is known). Responding, GH advised that iGT Shrinkage discussions

undertaken in 2008 concluded that iGTs requirements are subtly different to the GTs in this respect, however, he will liaise with CW to seek an appropriate way forward. **Carried Forward**

**0440 01/03:** All parties to consider the potential (future) role of iGTs on the UNC Panel.

**Update:** It was agreed by those parties present that this matter could be picked up under the ongoing governance arrangements considerations.  
**Closed**

## 2. Discussion

### Modification 440 Project Nexus iGT Single Service Provision

*A copy of this presentation can be found at: <http://www.gasgovernance.co.uk/0440/310113>*

CW provided a brief overview of the presentation that was first discussed at the 31 January 2013 meeting.

In considering the first pictorial representation on slide 5, CW advised that the new defined terms also allow for a transparent charging mechanism. When asked, he also agreed to request that the lawyers amend the legal text to reflect the fact that it would be better if it read as independent Gas Transporters (iGTs) and not Independent Transporters (ITs).

Moving on to consider the 'Naming conventions' slide 6, AM suggested that the aim is to ensure that we have one reference to serve for both processes (iGT/GT).

In considering the second pictorial representation on slide 8, AM suggested that again the principle aim is to avoid having two different references for both iGT and GT systems. Additionally, he pointed out that the crucial consideration is the new defined terms.

### Project Nexus iGT Agency Services pre-modification consultation.

AM provided a brief overview of the presentation explaining that it was first presented at the 05 March Project Nexus Workgroup meeting – a summary of the discussions can be found within the minutes for the meeting available on the Joint Office web site at: <http://www.gasgovernance.co.uk/Nexus/050313>

In providing a background, AM explained that the consultation document had been developed with the support of the Project Nexus Workgroup and Ofgem, and was issued on 26 November 2012 with responses requested by 18 January 2013.

In short, 6 Shippers and 4 of the 5 iGT organisations had provided a response. It should be noted that a number of organisations had provided confidential information to Ofgem and that this information had not been provided to Xoserve. He then advised that all respondents supported the iGT Agency Services initiative and that sufficient financial information had been provided to establish a benefits case. Thereafter, the financial information provided to him had been extrapolated to create an overall financial position for the respondents.

Mindful of Xoserve's position within the pre-modification consultation, (i.e. that of the organisation seeking to provide the services and being responsible for the pre-modification consultation) he had met with JD and had presented the extrapolation method alongside the basis behind the assessment of the benefits, whereupon JD confirmed the approach was an acceptable one.

Continuing, AM advised that the benefits were circa £4m for a one-off benefit and circa £6m in annual savings. AM further advised that only 6 of the 23 organisations that ship / supply to iGT networks had responded. Benefits had not

been extrapolated for the remaining 17 or so organisations as there was no extrapolation basis, but he considers that these organisations must receive a benefit and so the figures provided are considered to be a conservative assessment.

AM advised that whilst all iGT responses were supportive of the initiative each had argued the case that, as they were not beneficiaries to the arrangements, they should be cost neutral to the future arrangements.

In considering the next steps, AM advised the pre-modification consultation report would now be finalised, prior to being presented to the Modification 0440 / iGT039 Workgroup for review before submission to Ofgem.

On the grounds that the benefits case looks very positive, Xoserve have considered that the iGT Agency Services initiative would proceed and were now commencing system analysis in the full expectation of developing the systems to support the initiative. JD suggested that if Ofgem had any major reservations around the Xoserve assumption, these would have surfaced by now.

When asked whether or not Ofgem would include consideration of the confidential information (responses) provided by some of the iGTs in their assessment of the justification(s) behind the modification(s), JD advised that in essence the answer is yes, although they (Ofgem) are also mindful of all the variable factors involved and recognise that it is difficult to obtain accurate (quantifiable) cost / benefit analysis. Additionally, Ofgem are looking at a lengthy (>5yr) return, possibly as long as 20 years and they are still considering how best to 'package' their views.

When asked if he was confident that the predicted (marginal) benefits are reasonably accurate, JD suggested that as the basis for an initial 'sense check', he believes that the figures are acceptable, however he recognises that further work may be needed which could include engagement with those parties who have provided a response to double check their initial (cost v's benefit) views still stand.

Discussions then moved on to consider the concerns being (continually) voiced around the potential (iGT) funding arrangements. In acknowledging that this remains a concern, JD suggested that this matter does need resolving, however whilst nothing is being ruled out at this stage of the proceedings, no clear resolution model has yet been identified. The proliferation of views and the iGTs position on cost neutrality only serve to 'cloud' the issue – hopefully a meeting scheduled to take place towards the end of April will work towards a solution. It was noted that Shippers remain keen to avoid potentially paying for the same service(s) twice. When asked if Ofgem would be prepared to take the lead on resolving this matter, JD suggested that their key role is more about facilitation although they are willing to listen and consider all views.

#### iGT Single Service Provision – Requirements Update

Opening, MP explained that the presentation is based loosely around a previous presentation given at the Project Nexus Workgroup on 18/03/13.

A brief discussion took place around which body would be best placed to sign off on the 'Project Nexus Workgroup iGT Agency Services Business Requirements Definition' (BRD) document - the choice being between this 0440/iGT039 Workgroup or the main Project Nexus Workgroup. It was concluded that whilst the information flow between the various Workgroups is two way, perhaps sign off of the BRD should reside within this Workgroup, especially bearing in mind that there are already links in to the legal text development, so nothing should be missed. BF

reminded everyone present that the 'kingpins' are the modifications themselves as Project Nexus is simply the 'umbrella' under which the various modifications sit.

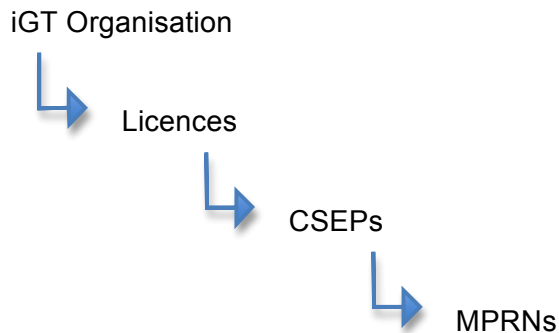
Moving on to consider the 'CSEP Creation Process' flow map, it was suggested that consideration of capacity booking aspects aligns more to iGT / GT contractual arrangements and considerations. CW advised that work in this area remains ongoing and engagement with the iGTs would be undertaken in due course. As far as the Master and Nested CSEP iGT information provisions are concerned, the system will generate the appropriate notifications in response to the information coming in from either (iGT) party A or B.

Attention then moved on to the two 'CSEP Supply Meter Point Creation Process' flow maps with MP advising that the assumption has been made that all contractual arrangements (PSR's etc.) between the relevant parties are already in place. Thereafter, quite an extensive debate around the CSEP and MPRN creation processes was undertaken. A number of points were raised on these processes, particularly around process failures. MP advised that these diagrams were high level and the next level down (more detailed process maps and consideration of challenge / dispute mechanisms along with consideration of more general governance arrangements which may sit better under the iGT039 Workgroup arena) were still to be developed and shared with the industry. A separate meeting has been scheduled for 22 April to go through these in detail with Shipper, iGT and GT representatives. It was acknowledged that involving people from the various organisations who manage their day-to-day processes would be beneficial.

Moving on to examine the 'Deviations From GT Processes' slide, it was advised that matters relating to the nominations for an I&C SSP CSEP Supply Meter Point bullet had been discussed in more detail (inc. consideration of potential Shipper risk aspects) during a recent Project Nexus Workgroup meeting. It was noted that it is currently envisaged that Xoserve would be providing the data (as per agreement reached in the Project Nexus Workgroup) to feed in to the iGT invoicing arrangements.

In considering the 'Required iGT Referrals' slide, MP advised that it is not expected that the proposed AQ corrections process (bullet point 2) would have a significant impact on the forthcoming rolling AQ regime. When asked whether or not, the Xoserve systems would allow a complete change of address (ref: bullet point 3), MP suggested that this would not be the case, although further consideration may be necessary in due course. Concerns were then raised around the need to seek iGT verification for Market Sector Code changes as this is seen as having the potential to impact upon switching arrangements and thereby hold up the transfer processes. Some parties suggested that allowing the change(s) to take place immediately and thereafter follow these up with a 'tidy up' style process would be more appropriate. Responding, GH felt that these concerns and possible solutions could / would be addressed and he is happy to discuss the matter with his iGT colleagues and other interested parties in due course – a new action was placed against GH to discuss the issue of iGT verification for Market Sector Code changes (including consideration of the potential to impact upon switching arrangements and potentially delaying of the transfer process) with his iGT colleagues with a view to providing feedback at the 10/04/13 meeting.

Moving on to consider the areas for further consideration, a brief debate around licences took place with CW confirming that the relationship remains one Shipper to one Licence and that there is NO proposal to change this fundamental rule within the UNC. It was agreed that the Workgroup would need to consider multiple entity related issues (i.e. iGT and ILP mergers etc. where each party has their own licence). AM provided a brief overview of the proposed system hierarchical (map) model, as follows:



The underlying concept being to map the CSEPs to the relevant licence and whilst this is an existing provision, it is expected that this feature would be enhanced going forwards. GH indicated that the iGTs are happy that Xoserve can handle the requirements, but suggested that (impacted party) education is needed in due course.

In considering the 'Next Steps' slide, parties discussed how best to evolve requirements, either through this Workgroup or through the establishment of a sub-group. Following a brief discussion it was agreed that a dedicated Xoserve process flow development workshop or workshops should be organised to look into the more detailed aspects of the various processes involved – it was agreed that Xoserve should look to arrange the first Process Review Workshop to take place on Monday 22 April 2013, most probably at a Solihull location. In closing a new action was placed against all parties to review the various process flow diagrams within the 'iGT Single Service Provision – Requirements Update' presentation alongside the 'Project Nexus Workgroup iGT Agency Services BRD' prior to consideration at the 22/04/13 Process Review Workshop.

#### Legal Text Development update

CW opened by explaining the rationale behind the development of the legal text for the (0440) modification – this will follow a similar approach as the one adopted for UNC Modification 0432 'Project Nexus – gas settlement reform', the text for which he expects will be formally published by the end of the week.

CW and AM provided an overview of the proposed contractual framework diagram for which an updated version was handed out during the meeting, explaining that the previous references to licence steps have been removed for clarity purposes. CW went on to advise that the proposed **Independent Transporter Arrangements Document (ITAD)** would become a new section within the Uniform Network Code (UNC) and serves to 'lock' the GTs into the ITAD provisions. AM pointed out that any emboldened defined term is new to the UNC.

CW then went on to provide a brief overview on the various sections of legal text developed so far, but as yet unpublished, as they are simply working documents at this time<sup>1</sup>.

- **UNC GTB – General:** this seeks to enshrine the ITAD within the UNC whilst acknowledging the existence of the iGT UNC. GH requested that references to 'Independent Transporter' be changed to read as 'Independent Gas Transporter'. CW suggested that Code liabilities would need bottoming out during the ongoing development of legal text;

<sup>1</sup> the current intention is to hopefully be in a position to review the legal text in more detail at the 30/04/13 meeting with any documentation issued well in advance of the meeting.

- **UNC ITADH – General:** it is envisaged that this would replace LDZ CSEP NExA going forward whilst the updated (and approved) CSEP NExA table would be incorporated within this section in due course. This section also covers how new Transporters would be incorporated into the ITAD;
- **UNC ITADA – Scope and Classification:** In the case of the ‘Transporter’s Agency’ reference within paragraph 1.1.1(c), this is assumed to be Xoserve. CW advised that the actual contractual relationships would be more clearly defined within the ongoing section G legal text development. As far as paragraph 1.2 is concerned, individual NExAs will still be required going forward;
- **UNC ITADD – IT Code Rules and Data Exchange:** this section sets out the fundamental principles for delivering gas to the CSEPs, whilst paragraph 2 seeks to align the iGT UNC and GT UNC principles, although it should be noted that the iGT remains responsible for provision of the Supply Point Register data. Considering paragraph 3, CW suggested that whilst the Shipper provides the Meter Reading information, this seeks to also place an obligation on the iGTs – this reflects current LDZ CSEP NExA aspects at the same time. CW suggested that in time we may need transitional modifications should UNC 0440 / iGT039 be implemented in advance of Project Nexus;
- **Modification 0440 Amendments to TPD Sections A, C, E, F & G:** whilst this remains a work in progress it should be noted that all references to LDZ CSEP NExAs are gone, and finally
- **UNC TPDJ – Exit Requirements:** it is anticipated that this section of the UNC would be subjected to significant changes during the ongoing development of legal text.

In closing, CW indicated that he expects to publish the ‘full’ drafting in due course and intends to provide an early copy to GH (in his capacity as iGT039 Chair). He believes that more than one dedicated legal text review meeting may be required.

#### Modification 0440 – governance issues in relation to ITAD

CW provided a brief overview of the document focusing attention on the questions for the Workgroup to consider in paragraph 5. The initial views of those present being:

- Paragraph 5(a) – it was suggested that the iGTs should be ‘limited’ to those UNC Code Modifications that impact upon them. JD viewed this as more of a ‘self policing’ matter in so far as, where parties have little or no interest in the matter they are unlikely to raise a UNC Modification – he sees little reward (benefit) in attempting to develop complex legal text around this matter. Consensus was that proposed text is reasonable;
- Paragraph 5(b) – it was noted that currently the Independent Transporters are a non-voting UNC Panel member. When asked whether or not, the iGTs would seek full Panel voting rights, GH suggested that whilst this could be beneficial, he does acknowledge the potential to imbalance the Panel voting – it was suggested that perhaps the addition of another Shipper vote would address this potential imbalance. It was noted that currently there are 11 votes on the UNC Panel and introducing a 12<sup>th</sup> vote could potentially lead to more ‘hung’ decisions;
- Paragraph 5(c) – whilst the simple answer is NO, it is recognised that they can, and do, actively participate in UNC Workgroups that may impact upon them;
- Paragraph 5(d) – it was felt that there could be benefit in having a ITAD Committee, similar in style and role to the current UNC Offtake Committee. Whilst the iGTs are expecting to point their iGT UNC to specifically reference

sections of the UNC, issues around aspects of dual governance and how matters of implementation (under the UNC this falls to the Uniform Network Code Committee (UNCC)) are dealt with require further consideration;

- Paragraph 5(e) – consideration deferred as this is still being developed;
- Paragraph 5(f) – considered a mute point and in need of further consideration in due course;
- Paragraph 5(g) – unclear at this time and needs further consideration;
- Paragraph 5(h) – consensus is yes, this is / would be needed;
- Paragraph 5(i) - consideration deferred as this is still being developed;
- Paragraph 5(j) – it was recognised that this crucial consideration is dependant upon how the iGT / Agency contractual (and licence) relationship develops over time – the equivalent electricity model may provide some pointers. It was also recognised that care is need to avoid iGT UNC / GT UNC dual governance issues, and finally
- Paragraph 6 – JD suggested that excluding changes to the iGT Standard (Special) Licence provisions, some other licence changes may be required, although it is preferable to have a Code rather than licence change approach in his view. A new action was placed against JD to provide an Ofgem view on potential iGT / GT Licence change requirements (inc. consideration of any potential funding issues / aspects).

In closing, a new action was also placed against all parties, in reference to the 'Modification 0440 – governance issues in relation to ITAD document, to consider providing feedback on the questions posed at the next Workgroup meeting.

### 3. Any Other Business

#### iGT039 Meeting Update

GH advised that the date for the next iGT039 Workgroup meeting would be confirmed w/c Monday 01/04/13.

### 4. Workgroup Process

#### 4.1 Agree actions to be completed ahead of the next meeting

The following new actions were discussed and assigned.

**New Action 0440 03/01: iGTs (GH) to discuss the issue of iGT verification for Market Sector Code changes (including consideration of the potential to impact upon switching arrangements and potentially delaying of the transfer process) with his iGT colleagues with a view to providing feedback at the 10/04/13 meeting.**

**New Action 0440 03/02: All parties to review the various process flow diagrams within the 'iGT Single Service Provision – Requirements Update' presentation alongside the 'Project Nexus Workgroup iGT Agency Services BRD' prior to consideration at the 22/04/13 Process Review Workshop.**

**New Action 0440 03/03: In respect to question 6 of the 'Modification 0440 – governance issues in relation to ITAD document, Ofgem (JD) to provide an Ofgem view on potential iGT/GT Licence change requirements (inc. consideration of any potential funding issues / aspects).**

**New Action 0440 03/04: In reference to the 'Modification 0440 – governance issues in relation to ITAD document, to consider providing feedback on the questions posed at the next Workgroup meeting.**

## 5. Diary Planning

The following meetings are scheduled to take place:

<b>Title</b>	<b>Date</b>	<b>Location</b>
Process Review Workshop <i>(please note that this is an Xoserve managed meeting)</i>	22/04/2013	Location to be confirmed, but likely to be Solihull.
0440 Workgroup	30/04/2013	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull. B91 3QQ.
0440 Workgroup	29/05/2013	Consort House, Princes Gate Buildings, 6 Homer Road, Solihull. B91 3QQ.
0440 Workgroup	24/06/2013	Gemserv, 10 Fenchurch Street, London. EC3M 3BE.



**Action Table**

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
0440 01/01	31/01/13	2.0	In respect to the ITAD and specifically the iGT framework agreement versus iGT UNC definitions - to double check the actual meanings behind the various statements with the legal team.	National Grid Distribution (CW)	Update to be provided in due course. <b>Carried Forward</b>
0440 01/02	31/01/13	2.0	To seek views on what iGT Shrinkage mechanisms may be required going forward.	iGTs and Shippers	Update to be provided in due course. <b>Carried Forward</b>
0440 01/03	31/01/13	2.0	To consider the potential (future) role of iGTs on the UNC Panel.	All	Update provided. <b>Closed</b>
0440 03/01	27/03/13	2.0	To discuss the issue of iGT verification for Market Sector Code changes (including consideration of the potential to impact upon switching arrangements and potentially delaying of the transfer process) with his iGT colleagues with a view to providing feedback at the 10/04/13 meeting.	Inexus (GH)	Update to be provided in due course.
0440 03/02	27/03/13	2.0	To review the various process flow diagrams within the 'iGT Single Service Provision – Requirements Update' presentation alongside the 'Project Nexus Workgroup iGT Agency Services BRD' prior to consideration at the 22/04/13 Process Review Workshop.	All	Update to be provided in due course.
0440 03/03	27/03/13	2.0	In respect to question 6 of the 'Modification 0440 – governance issues in relation to ITAD document, provide an Ofgem view on potential iGT/GT Licence change requirements (inc. consideration of any potential funding issues / aspects).	Ofgem (JD)	Update to be provided in due course.

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<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
0440 03/04	27/03/13	2.0	In reference to the 'Modification 0440 – governance issues in relation to ITAD document, all parties to consider providing feedback on the questions posed at the next Workgroup meeting.	All	Update to be provided in due course.