

Development Work Group 0270 Minutes
Thursday 30 September 2010
at 31 Homer Road, Solihull, B91 3LT

Attendees

Tim Davis (Chair)	TD	Joint Office
Helen Cuin (Secretary)	HC	Joint Office
Brian Durber	BD	E.ON UK
Chris Hill	CH	First:Utility
Chris Warner	CW	National Grid Distribution
David Watson	DW	British Gas
Fiona Cottam	FC	xoserve
Joanna Ferguson	JF	Northern Gas Networks
Jonathan Wisdom	JW	RWE npower
Linda Whitcroft	LW	xoserve
Mark Jones	MJ	SSE
Simon Trivella	ST	Wales & West Utilities
Stefan Leedham	SL	EDF Energy
Steve Mulinganie	SM	Gazprom
Tabish Khan	TK	Ofgem

1. Introduction and Status Review

TD welcomed all to the meeting.

1.1. Minutes from previous meeting

The minutes of the previous meeting were accepted.

1.2. Review of actions from previous meeting(s)

Action RG0270/011: British Gas to provide evidence on consumption reductions following PPM installation.

Action Update: DW confirmed that the data had been collated. However, due to its commercial sensitivity, it would be provided to Ofgem on a confidential basis.

Complete.

Action RG0270/012: DW and FC to establish the likely volume of British Gas PPMs able to use this service and assess if this would materially impact what service is available.

Action Update: DW and FC confirmed that the potential volume would materially impact system capability. **Complete.**

Action RG0270/013: xoserve to consider the appropriate changes to the Network Code Reconciliation Suppression Guidelines and discuss these at the July Distribution Workstream.

Action Update: FC confirmed that a discussion did take place at the Distribution Workstream however it was deemed not necessary to progress a change to the Suppression Guidelines until a Modification had been raised. **Carried Forward.**

Action RG0270/015: Transporters to consider meter read frequency and the costs associated through the provision of a ROM.

Action Update: TD confirmed the ROM had been published. **Complete.**

Action RG0270/017: CH to develop the club-based concept.

Action Update: CH confirmed that this has been considered. See item 2.1. **Complete.**

2. Development Group Discussions

2.1. Business Rules

CW outlined the content of the ROM.

CH asked if the costs were based on providing one million slots. CW explained that the ROM indicates the cost of the system functionality changes: it did not address the costs of accommodating any particular volume and that would need to be assessed as and when demand was clearer. FC added that the reference to one million was lifted from the Business Rules rather than this volume featuring in the requirements. SM suggested, given this, that the ROM should be amended to avoid any confusion.

Action RG0270/018: xoserve to clarify the ROM with regard to the one million reference.

CH expressed concern that the ROM does not take into account a consideration of costs of delivering a range of potential slot numbers. FC explained that the ROM provided the estimated costs to build the system capability. A ROM analysis does not support the level of detail that would be needed to assess how many slots could be processed and the consequent costs – a Detailed Cost Assessment (DCA) would be needed to address this. The ROM costs represent ongoing operation and development, testing and implementing the changes are therefore irrespective of potential capacity.

CW suggested discussing what options are available to deliver the requirement in the most efficient manner within the current system constraints. SM asked if a service could be provided within the existing system constraints without additional costs. CW suggested that he did not believe any simple change would be possible to meet the suggested scope and hence costs would be incurred.

CW suggested a DCA analysis would need to be undertaken to obtain further details and indicated that a typical DCA might be expected to cost somewhere of the order of £50-£70k. TD added that if this proposal is implemented, the work involved in the DCA would have to be undertaken and hence these were not additional costs but part of any implementation costs.

LW explained that there would be impacts on other processes beyond the identified systems changes. The change was not simply processing the read submissions, with SUVs being an example.

CH questioned the costs of the DCA and who undertakes this process. FC explained that an offshore service provider would need to undertake the analysis due to the in-depth analysis required. She explained that the UK Link system is a unique bespoke system and any changes are therefore bespoke and need to be specifically analysed and assessed. FC added that xoserve would need to understand the likely demand in order to assess the impact to systems.

SM expressed concern about the suggested costs and the concept of having to pay for an estimate, which he would not expect in a commercial environment. However, he wanted to understand within the process of making system capability how many slots xoserve could process within any identified constraints.

To illustrate the challenge of analysis, LW asked about the potential demand and whether the million slots would be a peak day and when any peak is likely to occur, for example, would submissions peak at the end of each month. LW explained that the current read volumes are already reaching the capacity caps on specific days and so further capacity would not be universally available. It would be incumbent on xoserve to

ensure that existing processes were not jeopardised by any implementation. CW said that it needed to be remembered that this would be a fundamental system change.

SM asked about the DME concepts and how the concept of increasing slot numbers was analysed and implemented. SL explained that this is not directly comparable due to the different reconciliation implications.

SL felt it was important to understand the potential costs at different demand levels. FC explained that the DCA would be able to provide this. However, CH expressed concern about the costs of the DCA and its justification – which was disappointing since this cost would not be expected in a commercial environment.

SM asked if this change could sit within Project Nexus and be funded within the project's budget. FC suggested the requirement was a pre-Nexus solution. Even if the approach was adopted as part of Nexus, this might fall into the latter stages of the Project given the interactions with smart metering and its roll out. More generally, however, there could be no guarantee that the industry would conclude that this was an appropriate requirement to include within Nexus.

FC then set out the monthly reconciliation processing cycle, including consideration of the existing capacity and mechanisms that could be utilised to smooth out the workload. FC gave a word of caution that Shipper quotas may add further complication if there was a requirement for policing of quota use. In the absence of policing, JF highlighted that Transporters would need to understand from any analysis the breaking point of where the system may be unable to catch up if read quotas are continually breached.

CH then provided information on a club based concept. He had developed this since one of the big six suppliers had confirmed in writing that they would not use the proposed service. It may not be appropriate, therefore, to expect them to contribute to the costs. However, he highlighted that if one party does not take part this creates feasibility problems with costs and available slots. He explained that a club based approach could be based on charging for the development costs up front based on the meter point share amongst those opting in, and where there are available slots, members can use this capacity on a first come first serve basis. Slot numbers could also be constrained based on market share. Any slots not used would be offered to the market, i.e. the slots will be on a take or pay basis. If the slots are not used on a continual basis, even if paid for, they could be re-allocated at the next quarter as an anti-hoarding measure.

SL was concerned with the concept of losing slots when they are not used especially when members would have paid for the allocation of slots without the ability of gaining them back. SL would prefer a system where the slots allocated and paid for are guaranteed, albeit that if these slots are not used they can be utilised by others.

CH explained a process for new entrants whereby a share of the development costs would still have to be picked up and a credit provided to the other club members. SM expressed concern about the product becoming redundant and whether a consideration would need to be given to the systems depreciation over a period of time, such that the cost of entry should reduce over time. The group also considered disallowing new entrants once the development costs have been paid for. CH added that new entrants might only be permitted to enter at the start of each year. It was suggested that once a supply point has secured a slot this would not be lost - only unused slots would be available for new entrants.

2.2. Development Work Group Report

CH did not believe the group was in a position to complete the Development Workgroup Report. He expressed frustration about the lack of information regarding the costs of serving different demand levels and the need to incur a substantial charge to overcome the inability to provide the information needed to enable proper consideration and development of the proposal. He indicated that, given the potential DCA costs and the

suggested minimum timescales for implementation, there was little incentive to proceed with developing the proposal. CH was particularly concerned about spending money on a DCA which may determine that the options available may not be able to provide the benefits hoped for - it would not be a good commercial decision to spend money simply to ascertain that developing the system to be capable of processing the required demand could only be achieved at substantial, unjustifiable, cost.

DW believed that the proposal had merit and it would be disappointing if it could not be progressed, especially given the amount of development undertaken so far. DW added that he was frustrated it had taken since February to ascertain the position which had been set out during the meeting and that, without a DCA, xoserve had not been able to provide the level of information he had hoped to see. CW explained that for xoserve to undertake a ROM they needed a set of business rules and that these were not finalised until May. The ROM had then been completed to the required standard and within the anticipated timescales. Time had been taken through the development process, which xoserve had supported throughout, to try and find a quick solution at a reasonable price, but no such solution had been identified despite the efforts made.

Due to the potential costs, development and implementation timescales set out in the ROM, CH indicated that First Utility would consider its position and whether it was viable to proceed or if the Proposal should now be withdrawn.

The group then re-visited the six potential options previously discussed to re-consider if an alternative might have the potential to support implementation in shorter timescales or at lower cost. FC explained that each option had been suggested with a view to utilising existing functionality that it was not designed to support, and none of the options appeared to offer a more practical approach than that which had been developed and analysed. It was recognised that a complete short-term solution did not appear to be available and there was further discussion as to whether it was better to consider a limited solution that might deliver a step in the proposed direction.

Out of the six options, Option 6 appeared to be the most likely to offer an alternative - an LSP Elective site that is monthly read. However, it was accepted that this would not be a simple solution and there was little likelihood that it would offer a cheaper, quicker or more effective solution than that which had been considered within the ROM.

CW said he recognised the market preference to move away from RbD, but asked if there were any other efficiencies that could be explored as a move in the desired direction, such as changes to the AQ Review process.

DW questioned if Project Nexus was expected to deliver the requirement. It was recognised that the principal of individual reconciliation had been accepted for Nexus, but it was not certain this would be implemented nor what the eventual scope and implications would be – as for other changes, a Modification would need to be implemented and the detailed requirements were yet to be developed, let alone accepted. While accepting there was no certainty, the prospect of Nexus overriding any development undertaken would effectively reduce the life of the proposed change and hence make the costs a more important consideration. Justifying the expenditure with short-lived benefits would be difficult.

It was agreed that the Development Work Group Report would not be completed until further consideration is given by the Proposer as to what steps will be taken.

3. Any Other Business

None raised.

4. Diary Planning for Development Work Group

No further meeting was planned.

ACTION LOG – Review Group 0270

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
RG0270 011	16/06/2010	2.1	British Gas to provide evidence on consumption reductions following PPM installation.	British Gas (DW)	Complete
RG0270 012	16/06/2010	2.1	DW and FC to establish the likely volume of British Gas PPMs able to use this service and assess if this would materially impact what service is available.	British Gas and xoserve (DW & FC)	Complete
RG0270 013	16/06/2010	2.1	xoserve to consider the appropriate changes to the Network Code Reconciliation Suppression Guidelines and discuss these at the September Distribution Workstream.	xoserve (FC)	Carried forward
RG0270 015	16/06/2010	2.1	Transporters to consider meter read frequency and the costs associated through the provision of a ROM.	Transporters / xoserve	Complete
RG0270 017	02/08/2010	2.1	CH to develop the club based concept.	First:utility (CH)	Complete
RG0270 018	15/09/2010	2.1	xoserve to clarify the ROM with regard to the one million reference.	xoserve (FC)	Pending