

Stage 02: Workgroup Report

0440:

Project Nexus – iGT Single Service Provision

At what stage is this document in the process?



This modification is one of number of complementary modifications seeking to implement the requirements identified under Project Nexus. This modification identifies changes to the UNC to enable Independent Gas Transporters to utilise the services of the Transporters Agent Xoserve to administer relevant Supply Points downstream of the Connected Systems Exit Point (LDZ CSEP).



The Workgroup recommends that this modification should now proceed to consultation.



High Impact:
Users, Large and Small Transporters

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About this document:

This report will be presented by the Workgroup to the panel on [20 February 2014].

The panel will consider whether the modification is sufficiently developed to proceed to Consultation and to submit any further recommendations in respect of the definition and assessment of this modification.



Any questions?

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification.

Why Change?

Proposed changes to iGT licence conditions require them to appoint a common agent for the provision of Agency Services. Shippers have requested that the common agent allows where possible the harmonisation of the administration of iGT Supply Meter Points with Transporter administration of Supply Meter Points.

The development of Business Requirements under Project Nexus for the replacement and enhancement of UK Link systems provide an opportunity to harmonise the administration of iGT Supply Meter Points with Transporter administration of Supply Meter Point.

Solution

In August 2011, under independent Gas Transporter (iGT) UNC governance E.ON raised iGT UNC Modification Proposal iGT039 'Use of a Single Gas Transporter Agency for the common services and systems and processes required by the IGT UNC'. The iGT UNC Modification Panel subsequently established a Workgroup to identify and develop the requirements.

The output in terms of systems requirements have been published as a Business Requirement Document (BRD)¹. Subsequent to this, the principal requirements for a contractual regime has been identified and discussed within the iGT 039 group. The proposed arrangements would require modification of the UNC and iGT UNC.

Relevant Objectives

Implementation of the changes identified within this Modification Proposal would be expected to facilitate d) Securing of effective competition between Users and f) Promotion of efficiency in the implementation and administration of the Code by removing the process for administering the CSEP NEXA.

Implementation

No implementation timescales are proposed. However, if the Authority issues a direction that this modification should be made, this text would take effect on the Project Nexus Implementation Date.

Implementation costs are expected to be in the region of £4,000,000 - £8,000,000

with benefits of: - one off £2,140,000 – £3,740,000 and annual £5,610,000 – £6,915,000 (see appendix 1 for further details).

¹ <http://www.gasgovernance.co.uk/nexus/brd>

2 Why Change?

Background to Project Nexus

At the time of the current Gas Distribution Price Control Xoserve anticipated the need for a major IT systems investment programme. Stakeholder consultation was initiated, under the banner of 'Project Nexus' to inform the scope and nature of Xoserve's future services that IT systems would need to support – the detailed Business Requirement Documents that support this document form a key input to the design of that investment programme.

The initial phase of Project Nexus was a consultation exercise, in which interested parties were asked for their views on the long-term strategic requirements for Xoserve's services. The consultation also developed a preferred approach to further definition of stakeholder requirements.

Following the consultation phase of Project Nexus, an Initial Requirements Register (IRR) was compiled, identifying all the topics that respondents to the Consultation had raised.

Topics were grouped into three broad categories:

- UNC changes
- Independent Gas Transporter (iGT) services
- Data management

A UNC Workgroup was established to consider the UNC topics and develop requirements. In respect of iGT services, the requirements have been considered largely within the remit of iGT UNC governance.

Development of Requirements

In 2009 the UNC Modification Panel agreed a Workstream (later renamed Workgroup) should be set up to define industry requirements for the development and enhancement of the UNC in areas that are relevant to Xoserve's services. The Initial Requirements Register (IRR) formed the basis of the discussions. Consultation responses were grouped into related topics and relevant as-is process models were reviewed and agreed. The Project Nexus Workgroup discussed the responses and reached a consensus on whether to carry forward or close the requirement. The outputs from the Workgroup Topic meetings were baselined Business Requirements Documents (BRDs) and to-be process models (i.e. future state processes).

Overview of Business Requirements

The original comments in the IRR were grouped into a number of topics, loosely based on existing industry process areas. These topics were tackled in sequential order, to minimise the amount of re-work. The 8 topic areas covered under the UNC Project Nexus Workgroup were:

- Settlement (i.e. submission of Meter Readings and use in Daily Allocation)
- Annual Quantity
- Reconciliation
- Invoicing
- Supply Point Register
- Retrospective Updates
- Non-Functional requirements
- iGT Agency Services (Single Service Provision)

Business Requirements Documents (BRDs) have been documented for each of these topics and have been reviewed by stakeholders.

The scope of this Modification Proposal is limited to the following BRD:

- iGT Agency Services

Proposed changes to iGT licence conditions require them to appoint a common agent for the provision of Agency Services. Shippers have requested that the common agent allows where possible the harmonisation of the administration of iGT Supply Meter Points with Transporter administration of Supply Meter Points.

The development of Business Requirements under Project Nexus for the replacement and enhancement of UK Link systems provide an opportunity to harmonise the administration of iGT Supply Meter Points with Transporter administration of Supply Meter Points.

Modification 0440 creates the concept of the IGTS Supply Point being the end point of the iGT system (i.e. the emergency control valve) and for the purposes of the UNC the equivalent notional exit point from the GT system is known as the CSEP Supply Point. Modification 0440 therefore enables the services created under Modification 0432 Project Nexus Gas Demand Estimation, Allocation, Settlement and Reconciliation Reform, to apply to each CSEP Supply Point. Modification 0440 does this because every IGTS Supply Point has a corresponding CSEP Supply Point. Shippers can therefore nominate an IGTS Supply Point as Class 2, 3 or 4 as they see fit, for the GT transportation services.

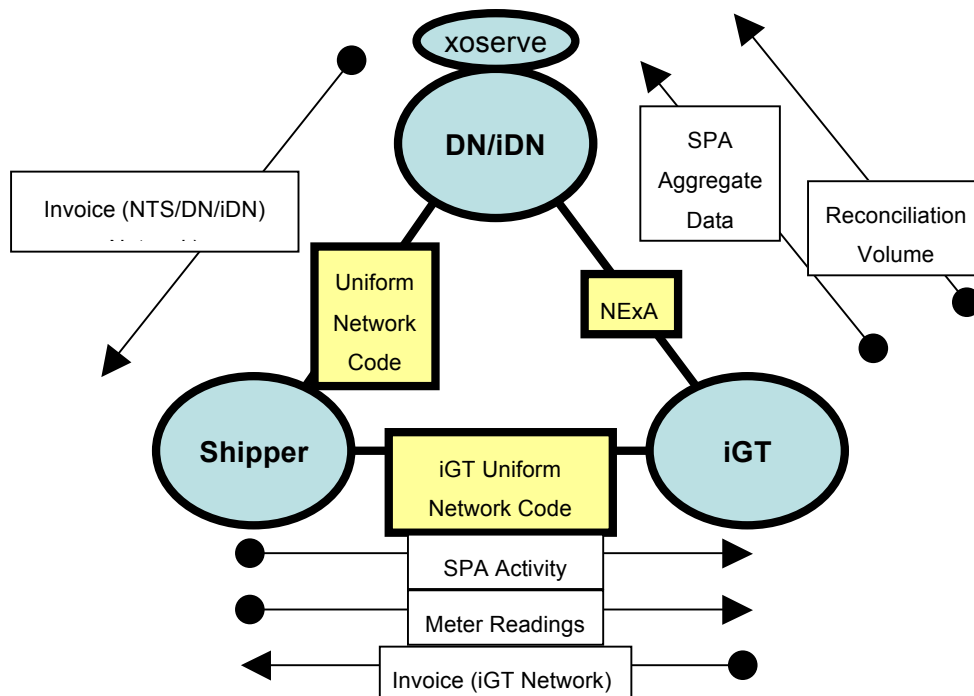
3 Solution

The BRDs identify detailed business rules, which form the foundation for the necessary changes to the UNC. The following BRD is relevant to this Modification Proposal:

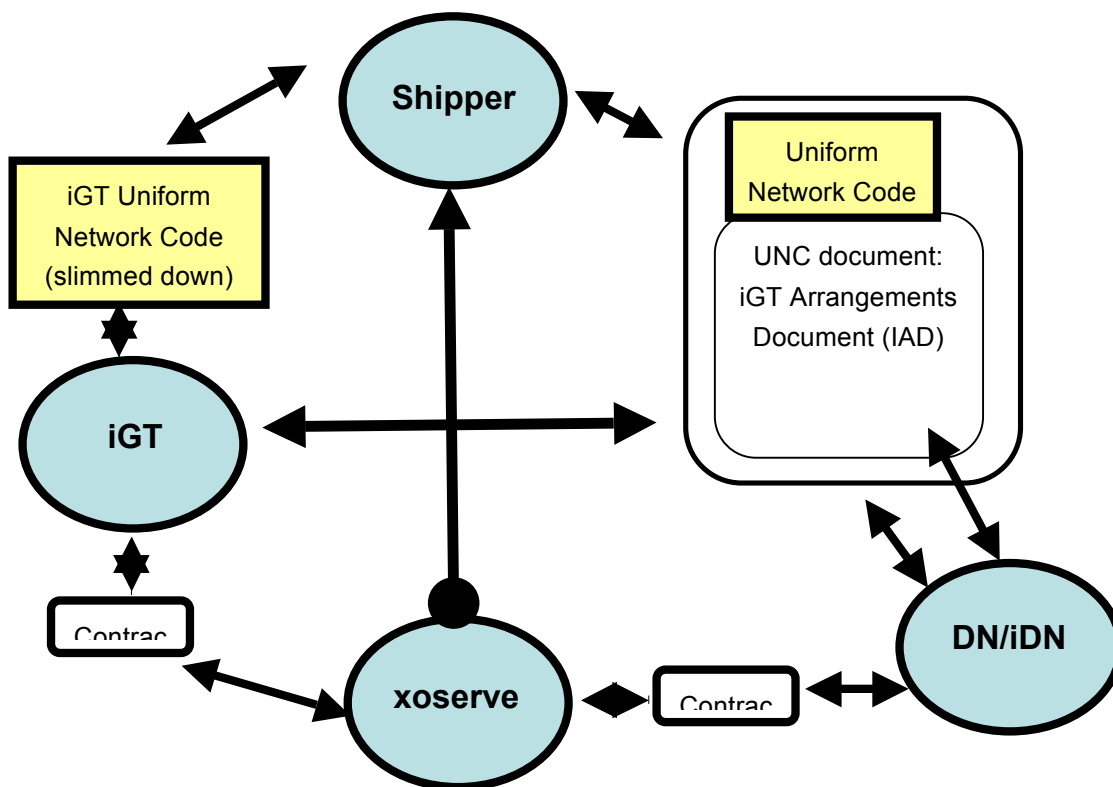
Document Name	Version and Date	Current Location (12/09/12)
Business Requirements Document for iGT Agency Services	v2.0 31/07/2013	www.gasgovernance.co.uk/nexus/brd

Introduction

The following information outlines arrangements under which the UNC would be modified to provide for arrangements with iGTs which are currently contained in Annex A of the Local Distribution Zone (LDZ) Connected System Exit Point (CSEP) Network Exit Agreement (NExA) which would enable iGTs to use the services of the Transporters agent Xoserve to administer both their relationships with Users and their relationships with Transporters. This is commonly termed ‘Single Service Provision’. The current arrangements are known to be sub-optimal and inefficient. The existing contractual framework and principal data flows are shown below.



Modification of the UNC is required to remove the LDZ CSEP NExA and to replace this with a new framework which introduces a new UNC document being the iGT Arrangements Document (IAD). The following diagram illustrates this.



It is proposed that iGTs become signatories to the UNC through an iGT Framework Agreement.

Changes to the UNC Modification Rules would be required to facilitate iGT participation in governance of the new regime. These include amendments to the UNC Modification Panel constitution including providing voting rights to the iGT member and incorporation of an additional Shipper voting member.

Relevant provisions are required within the UNC Transportation Principal Document (TPD) for Supply Point Capacity, Output Nominations, User Daily Offtake Quantities (UDQO) determination and reconciliation to apply directly to Users having CSEP Supply Points. This would remove the need for LDZ CSEP NExA Annex A Part 12. Where relevant, the cited provisions of TPD would directly refer to CSEPs.

In the absence of a meter (and allocation agency) at the LDZ CSEP, the UNC rules for determination of End User Categories (EUCs) and calculation of (Annual Quantities) AQs must be applied. Instead of being contained in the LDZ CSEP NExA, it is proposed that these rules be incorporated within the UNC.

The LDZ CSEP NExA contains provisions for determining Connected System (CS) Shrinkage (presently contained within Annex A part 9). It is not proposed that relevant Shrinkage provisions are built into the relevant provisions of TPD other than identifying that this be treated as Unidentified Gas.

Elimination of Annex A part 13 (currently constituted in a document separate to Annex A) which provides for Transporters to provide Daily Metered (DM) services is also proposed. It is proposed that relevant provisions be incorporated within the UNC to reflect an on-going requirement for Transporters to provide DM read services for the limited number of iGT Supply Points subject to the Daily Read Requirement.

IGT Arrangements Document (IGTAD)

The IGTAD would be created as a new document in the UNC (in addition to the Transition Document (TD), Transportation Principal Document (TPD), Offtake Arrangements Document (OAD), General Terms (GTs) and Modification Rules).

The IGTAD would be binding on GTs, iGTs and Users to the extent that it contains rules which affect them. Each Transporter would enter into a new Framework Agreement (iGT Framework Agreement) with the iGTs which binds the GT and iGTs to the GT's individual network code

The IGTAD would replace the entire LDZ CSEP NExA (including Annex A)

The contents of the IGTAD have for convenience been divided into three sections below:

- Classification and general;
- Connection and offtake rules;
- Rules associated arrangements with Users.

Classification and general

This would define a Supply Meter Point (SMP) CSEP and Supply Point (SP) CSEP as a 'virtual' CSEP (under UNC TPD A3.3.5) corresponding to each SMP and SP on the iGT System. It would also confirm the scope of the IGTAD – i.e. its application in respect of LDZ CSEPs.

General provisions governing the relationship between GT and iGT such as those in clause 4 and 5 of the LDZ CSEP NExA would be included.

It would also be necessary to include accession rules for new iGTs equivalent to UNC TPD Section V2.

Connection and offtake

The IGTAD would allow iGTs to have their Connected Offtake System (COS) connected at LDZ CSEPs.

Generic provisions would be required addressing issues being:

1. Commissioning new CSEPs/COSs;
2. Required equipment, compatibility, modifications of plant, rights of inspection;
3. System validation, network load information exchange, etc;
4. Coordinated maintenance;
5. Liability as respects each other's systems;
6. Emergency cooperation;
7. Other information exchange;
8. CS Shrinkage.

The IGTAD would also include rules relating to aggregated offtake information to be provided by the iGT (as per LDZ CSEP NExA Annex A part 11).

Arrangements with Users

These arrangements in the IAD would substitute for the current LDZ CSEP NExA requirements for the iGT to adopt and apply UNC rules for Supply Point classification, EUCs, AQS, Non-Daily Metered (NDM) and DM Meter Reading, etc. It would be required for the following reasons:

1. The existing requirement (at the LDZ CSEP) to enable Transporters to determine capacity, offtake quantities, etc using existing rules;
2. The requirement (at Supply Points on the iGT's system) for the iGT to have in force the rules which largely mirror those for Supply Points on the Transporters' system

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The terms would replicate the existing LDZ CSEP NExA provisions which require the iGT to adopt and apply rules corresponding to those of the UNC.

There is a requirement for the Transporters and iGTs to exchange information, as currently provided in the LDZ CSEP NExA. For example, the Transporters are required to provide EUCs and the iGTs are required to provide the AQs and Supply Point numbers.

These data flows are required between GTs/iGTs as principles, even though they would be implemented by Xoserve within its own systems.

Other Uniform Network Code Changes

Treating CSEPs as Supply Points

Changes are necessary to the TPD such that the provisions of Sections B, C, E, F and H which provide for determining Supply Point Capacity, Output Nominations, UDQOs, NDM Reconciliation, etc would operate directly in respect of iGT CSEPs rather than through the medium of the LDZ CSEP NExA.

This would be done by deeming references to SPs, and SMPs in the relevant provisions of TPD to include SP CSEPs, SPC CSEPs and SMP CSEPs (and where necessary excluding Unmetered CSEPs from equivalent provisions which relate to CSEPs).

In respect of CS Shrinkage it is not proposed to include specific arrangements for the identification and treatment of such other than recognising that this would constitute Unidentified Gas.

As noted above, provisions equivalent to NExA Annex A part 12 'Network Code Application' would not be required, since the TPD would directly identify where it applies to a iGT CSEP.

Changes to other relevant provisions of the UNC

Changes to several other provisions of the UNC would be required as outlined below.

UNC Introduction

Add to Section 2 (UNC comprises) the IGTAD setting out arrangements between Transporters and iGTs

Add to Section 4 that each Transporter's Network Code would be made binding between it and iGTs pursuant to the IGT Framework Agreement.

Transportation Principal Document

Section A

Add after A3.3.7 that where so provided in TPD a reference to a Supply Meter Point, or Supply Point includes a SMP CSEP or SP CSEP.

Sections B, C, E, F, H and M

Deeming of references to SMP CSEPs, etc.

Section J

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In paragraph 1.5.4, Network Exit Provisions in relation to a CSEP are contained in the IGTAD. Paragraphs 4.3.7 and 6.4 (modification of Network Exit Provisions) – amend to reflect the IAD arrangements for CSEPs.

Paragraph 6.1.3 – this may be unnecessary for CSEPS, since Users may be directly bound by relevant provisions of the IGTAD.

Paragraphs 6.5.3 to 6.5.7 can be deleted (because they are replaced by the IGTAD).

Modification Rules

These require modification so that iGTs participate in the UNC modification procedures in relation to modifications of:

1. the IGTAD;
2. any provisions of the UNC which are expressly referred to in the IGTAD;
3. other provisions of the UNC which bind iGTs including the GTs and relevant parts of the Transition Document;
4. the Modification Rules. It is proposed that the existing iGT Panel member is provided with voting rights and there would be an additional Shipper voting member.

General Terms

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GTB – general – would be amended to refer to the IGTAD and the IGTAD Framework Agreement, to iGTs and possibly to Users in their capacity as iGTs Users. Party is extended to include iGT. Some other definitional and architectural changes would be needed.

Other documents

Agency Services Agreement

An agreement would be required between iGTs and Xoserve (note: this is outside of the scope of this Modification Proposal).

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

Since substantial changes to central systems are envisaged in this modification, and those changes involve enhancements to the existing UNC regime, this modification technically could fall within the definition of a User Pays Modification. Xoserve has indicated that the additional costs of implementing this modification, over and above the cost of replacing UK Link systems on a like for like basis with existing functionality, amount to about £4 - 8m. The actual difference in costs between a like for like and enhanced systems development will never be known since only one procurement and development exercise will be undertaken, based on the identified requirements. Ofgem believes that all reasonably foreseen costs arising from the UK Link replacement have been considered when price controls were set, and funding provided. If significant additional costs beyond this can be demonstrated and justified, these should be considered in the context of the arrangements for funding which are in place following the review of Xoserve's governance and funding. On this basis, given this change is embedded with a wider system replacement it is not proposed to include a User Pays element in the funding equation.

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.	Positive
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

d) Securing of effective competition:

Implementation of the changes identified within this modification would be expected to facilitate the securing of effective competition between Users. Accurate cost allocations arising from a single database and associated Supply Point Administration and settlement processes for GTs and iGTs are a fundamental underpinning for effective competition and the changes are expected to lead to more accurate allocation of costs between Users, this results from making use of more accurate, timely and up to date information than is currently achieved.

Implementation of the proposed changes would also be expected to increase the predictability of cost allocations for individual Users. This would result from the use of more accurate and up to date data, such that costs allocated to a given portfolio would more accurately reflect actual consumption that the User would expect to be aware of. Increased predictability would reduce the risk and uncertainty faced by Users, and consequently could be expected to reduce risk premiums that may be reflected in tariffs and/or prices. This would therefore facilitate the securing of effective competition among existing Users.

In addition to facilitating competition for existing Users, the reduction in risk and uncertainty could reduce barriers to entry. Entrants could come to the market with

greater confidence that they could align their costs and revenues, and greater assurance that any changes they bring to the market through innovative approaches would be reflected in the costs allocated to them. This would also offer a similar benefit for new iGTs as the change in processes would reduce the barriers to entry as the arrangements developed under this modification would allow new entrants to sign on to an existing regime without the need to develop their own systems and processes to the extent they need to do so now to comply with the CSEP NExA.

f) Promotion of efficiency in the implementation and administration of the Code:

Implementation of this modification will remove the process for administering the Connected System Exit Point Network Exit Agreement (CSEP NExA), by placing the obligations with Code. This will have the advantages of making the process more transparent, reduce the administration required to make changes effective and thereby further the efficient administration of Code.

Implementation of this modification will introduce a voting rights for the iGT Panel representative and add an additional User representative which will make the voting Panel Membership more representative and inclusive of industry and Code parties, leading to more representative determinations by Panel, furthering the efficiency and implementation of Code.

5 Implementation

No implementation timescales are proposed. However, if the Authority issues a direction that this modification should be made, this text would take effect on the Project Nexus Implementation Date. Consequently, following Authority direction (should this occur) the modified text would need to be monitored and amended as necessary as part of any relevant modification which may arise to ensure that it remains in line with the version of the Code applicable at any one time.

For the avoidance of doubt the Project Nexus Implementation Date proposed in Modification 0432 - Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform is 01 October 2015.

The Workgroup notes that there are a number of industry risks that may impact the implementation date for this modification, these include:

- i) Changes to European Legislation and Regulations – these may include potential impacts on the Gemini system and/or similar implementation timescales which would put the Project Nexus Implementation Date at risk;
- ii) This modification is dependant on the implementation of the new Settlement Regime proposed in Modification 0432 - Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform.

Consideration of Wider Industry Impacts

See Appendix 1 for a view of industry benefits.

6 Legal Text

Text

The Text for this modification has been prepared by National Grid Distribution and is published along side this report, and no issues were raised by the Workgroup regarding its content.

The Workgroup considers a transitional mechanism for providing the visibility of both current and future state legal text for Project Nexus modifications is required. The proposal will be for the UNC TPD Sections to reflect the prevailing state and will include footnotes and links to the future state Legal Text.

7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.