

UNC Workgroup 0609/0609A Minutes
Transitional arrangements for gas settlement and replacement of
Meter Readings (Project Nexus transitional modification)
Monday 20 February 2017
at Consort House, 6 Homer Road, Solihull. B91 3QQ

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Andrew Margan	(AM)	British Gas
Andy Clasper	(AC)	National Grid Gas Distribution
Angela Love*	(AL)	Scottish Power
Chris Warner	(CW)	National Grid Gas Distribution
Colette Baldwin	(CB)	E.ON Energy
David Addison	(DA)	Xoserve
David Mitchell*	(DM)	Scotia Gas Networks
David Tennant*	(DT)	Dentons
Helen Cuin	(HCu)	Joint Office
Jon Dixon*	(JD)	Ofgem
Kelly Docherty	(KD)	British Gas
Kishan Nundloll	(KN)	ES Pipelines
Lorna Lewin	(LL)	Dong Energy
Mark Jones*	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Rachel Duke*	(RD)	EDF Energy
Richard Pomroy	(RP)	Wales & West Utilities
Shanna Key*	(SK)	Northern Gas Networks

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0609/200217>

The Workgroup Report is due to be presented at the UNC Modification Panel by 16 March 2017.

1.0 Review of Minutes (13 February 2017)

The minutes of the previous meeting were approved.

DA provided a minor clarification Page 2 – paragraph:

“CB asked what AQ related files were being prepared for Nexus and DA indicated that Xoserve plans to issue the SSP T04 file (excluding the threshold crossers and validations). It was noted that during the previous review, of the 21m meter points in the SSP T04 files, 265k meter points held back for review as to whether the previous AQ should be used or it should be revised.”

DA confirmed that Xoserve have consistently said they plan to offer the SSP Bulk file.

DA agreed to provide clarification for the minutes.

2.0 Consideration of Amended Modification / Alternate Modification

BF confirmed that both Modifications have been amended to reflect the same change, with the updates made to include the changes to the Ratchet process. BF assumed parties were happy with both modifications and asked if any more information or clarification was required.

RP understood the need to provide assurances, and wanting the AQ process to run. He questioned what the benefit would be for obtaining the T04 files if the Project Nexus Implementation Date (PNID) was 01 June 2017. AM explained that the T04 files will confirm what the AQ will be, and this will enable Shippers to identify errors, potential erroneous data and provide an opportunity to correct errors. It would also mitigate a settlement risk should Project Nexus be delayed.

CB confirmed that E.ON have internally resourced an AQ review team to undertake this process and was very concerned that Xoserve hadn't anticipated this requirement.

AM highlighted with the 01 June 2017 PNID, the AQ will drive capacity and transportation charges and there has been concerns expressed within the challenger shipper community about the potential for over inflated transportation charges and not just energy should the AQ review not happen. He explained there could be over an inflation for the first six months until corrections feed through. The provision of the T04 file with the 01 June PNID will allow Shippers to understand and target what might be a potentially erroneous AQs through the Rolling AQ process.

DA clarified with the 01 June PNID, the T04 file would allow Shippers flag erroneous AQs.

AM mentioned he also had questions on the Legal Text. AC confirmed that the current legal text drafting has been written on the intent of the modification and may not strictly reflect the solution of the modification. He confirmed that the modification may need to be updated to bring both into line.

AM highlighted that Modification 0609A does not make any reference to the AQ process. AM challenged the principle of adding legal text within the transitional rules to retain elements if in theory the industry is not making a change and are retaining the status quo. DT felt it was helpful to highlight what was being retained but could see the reasons for not specifying so.

DA highlighted within 0609A it articulates there is a £7b risk to the industry, which he felt was misleading. At the previous meeting DA advised that a figure of 350 TWh was provided based on a previous AQ review, however any such value is unknown unless the AQ review is run. The figure provided is the value that could be faced by the industry based on the TWh value involved with historical processes but not necessarily a risk to the industry for 2017/18.

CB summarised the process of the system requiring two reads, with a certain period apart to allow an AQ calculation. The next time a reading is loaded, unless it fails validation or the market break tolerance, it will be used along with the previous read and AQ history to calculate a new AQ which could be significantly impacted but still within the market breaker test. CB challenged this risk still exists.

DA suggested that the market breaker solution will help mitigate risks. DA expressed he could not foresee a scenario that would result in a £7b risk to the industry. AM explained the intent of Modification 0609A is not to take any resources off the AQ Process until the PNID and the £7b represents the potential industry risk if the market breaker did not filter out potential errors based on previous AQ review information.

The benefit of the T04 files was reiterated, without the T04 files there is a greater risk the erroneous reads flow through to Nexus. CB clarified the risk of the £7b is based on what has happened in previous years. AL believed shippers would not be reducing their ability to implement Nexus as they had built plans to accommodate an AQ review with Nexus implementation.

DA challenged the Workgroup to explain the scenarios that would lead to a £7b risk. It was explained that the T04 file will help shippers understand the scale of what will be going live. DA enquired if shippers were also requesting Xoserve undertake manual validation, as the resources required to undertake a manual validation, would result in nothing being implemented ahead of 01 June. He clarified there would be no circumstance where anything would apply to the UK Link system.

CB expressed in previous years historically, there has been activities that have protected the industry from high erroneous AQs and stopping spurious transportation charges; this is the value at risk that had these processes not been in place that Shippers would be exposed to. Not resourcing the AQ Process places a risk on Shippers.

DA was keen to clearly articulate the risk. CB highlighted that even taking out any absurd market breakers, even if 1/3 of AQs were calculated without any intervention this would have a significant financial impact on Shippers.

DA explained the manual validation on flows, and that there would be no circumstances with the 01 June PNID that would be applied to UK Link, as it gets applied at the end of the AQ review following an AQ amendment period. He classified that the manual validation is not going to apply to the system.

CB explained where the read history would have been used for the AQ calculation and would have been captured/trapped by the market breaker process these reads will still be used as read history and will have a financial impact to Shippers. The AQ Review and where Xoserve would have trapped the AQ, protect the market and correct the AQ.

AM confirmed that 0609A stipulates that shippers still want an AQ Review and that if Nexus does go live they still want the T04 file. He asked if Xoserve could quantify the value they believe could be at risk if it is not considered to be £7b.

DA wanted to be clear on the scenarios to understand the risk. He understood that the risk is based on a scenario where by the Market Breaker “fishes” nothing out, and the Project Nexus Implementation Date is pushed out from 01 June.

AL questioned what are the benefits of dropping the AQ review. DA explained that under the 0609 model on the 18 May if there was a “no go decision” for the 01 June PNID the AQ Review Process would be unrecoverable.

BF stressed that both modifications need to state the risk associated ie. 0609 = No recoverable AQ Review if PNID 01 June 2016; 0609A = The risk to settlement should PNID be delayed.

JD believed that Xoserve were in a situation where they have not budgeted to undertake the AQ process. He understood that Xoserve are not obligated to undertake validation processes and 0609A would not resolve this problem. If Shippers are asking Xoserve to undertake a process it is not obligated to undertake this maybe a separate issue. CB challenged for every AQ Review this process has been undertaken and although it may not exist in the UNC it is a well-established operational process that has been undertaken for all AQ reviews and it belittles the importance of the process to the industry to say it is just custom and practice. It was acknowledged the Transporters have an obligation to run an AQ review process and it is recognised that some of the processes on which Shippers rely on are not a specific obligation that exists within the UNC, such as the validation process, validation of Shipper provided readings that feed into the AQ Review process.

CB explained that shippers rely on customer practise, and rely on the fact that behind the scenes Xoserve undertake many processes that are not stipulated in the UNC. However, Shippers are charged for these services and it is not clear in the business plan where the reduction was applied in costs not to run this service.

AM challenged that there is an expectation that certain services continue and although these may not be written within the UNC, just because it's not documented doesn't mean it's not

important. AM acknowledged JDs comment that if the process is so crucial why is it not included in UNC. Concern was expressed that not every detail may be documented with the UNC there are process details that sit outside of Code.

DA continued to disagree with the value at risk stated within Modification 0609A however AM did not want to reduce the potential risk value when a counter value could not be provided to challenge the value at risk.

AM challenged at what point the decision was made not to carry out part of process, and not to budget resources. He also challenged if this is such a crucial process why it is not documented in the contract as not doubt Transporters and Xoserve charge for the service.

DA wished to be clear about what the modification is not attempting to do. He explained when Nexus is declared as being delivered on 01 June, at that point nothing relating to the AQ2017 manual validation will be applied to UK Link systems, therefore he doesn't need to include the AQ provisions as these are already set in Code and are removed at PNID.

DA challenged if go live is 01 June what is the benefit of that manual validation? CB explained because erroneous information could go in to Nexus.

The benefit of the T04 file identifying erroneous data was re-emphasised, the T04 file, a manual validation and 01 June, would allow shippers to identify the potential for an erroneous AQs, if a read passed the validation and market breaker.

CB believed the T04 allows Shippers to fish out read history that would calculate an erroneous AQ. DA suggested that the AQ amendment process could still be utilised and explained the process of using the T04 file.

CB believed if PNID is 01 June, when a bad AQ is identified, the first time a read is loaded, the new system will use the bad history for the rolling AQ calculation. However, DA disagreed.

AL asked if the T04 can be provided without manual intervention. DA confirmed that the T04 could be provided, however there are resource impacts for the manual interventions. AM confirmed that if PNID is delayed shippers definitely want Xoserve to manually correct the erroneous AQs.

DA explained that Xoserve are in a position where they would be concerned about resources and would struggle to meet the terms of 0609A. AL suggested the Workgroup should look at the pinch points/timelines and where there are the "go/no go" decision points, could the SSP T04 field still be provided, could there be a constrained window?

KD advised the last "go/no go" meeting is planned for 19 May, and assumes that Xoserve will have started the adjustments before this date.

DA explained the smoothing exercise will only be benefit if PNID is delayed. Going live on the 01 June those AQs don't inform future AQs.

DA asked if AM could articulate what Modification 0609A needs to achieve. AM stressed the aim of 0609A in essence is to carry on as is with all services until PNID. AM expressed concern about delaying the modification.

JD believed that the modifications could still proceed. If Xoserve need to continue with current practise to reduce risk and this cannot be addressed with UNC legal text, it was suggested that this could be put to the Programme Management Group for it to be addressed particularly if there are going to be financial impacts on shippers. It was considered that if Project Nexus was not taking place these issues would not have arose and CB expressed concerns that decisions have been made about the provision or not of services without proper Shipper engagement.

It was agreed that Xoserve should outline what options may be available such as issuing the SSP T04 file without a smoothing exercise.

MD explained that there are other processes before PNID that need to be taken into account for example one month before PNID AOs would need to be validated for data migration.

AM enquired if there were any GT services that could be suspended, referring to the October minutes, where it was stipulated then that the AO process should continue without any impact.

Action 0202: Xoserve to establish what options would be available within the PNID timeline for issuing a SSP T04 files without a smoothing exercise.

3.0 Legal Text Review

DT summarised the changes to Sections 5.3.2 and 5.3.3, the reason for the changes with the appeals process, ratchets rules (with a section to switch off the ratchet rule) and the AO Review Process.

AC asked for a clarification within the 0609A solution. He questioned if the AO Review Process will only be required if PNID is delayed until 01 October. AM agreed that this will be reviewed in light of today's discussions.

DT explained that there will be a need for transition rules surrounding AO appeals.

AM challenged if PNID slips to July/August if the legal text is becoming over complicated and simply needs to be silent. He asked the need to remove old rules and replace with new, when the text for 0432 could just be taken out. MD explained some processes straggle either side of the implementation date with hard-coded dates in the UNC and these need to be addressed in the legal text. DT believed it was worth, in the transition rules, being absolutely clear of what will cease and what will continue rather than being silent on processes.

CB enquired if the PNID changes if the text would need to be revisited. DT confirmed if PNID was delayed the UNC would need to be changed and the transition rules would need to be revisited.

It was suggested that the reference to the "0609 Modification date" was an unusual defined term to use within the UNC however it was recognised that this was transitional text.

AM was concerned with hard-coding dates and the preference for an AO Review if PNID was delayed until a date near to 01 October e.g. 15 September 2017, if this the was PNID, would Xoserve run an AO process. DA advised there is no intention to run an AO process should PNID happen prior to 01 October.

AM challenged why certain aspects of the legal text would be required, he was particularly concerned with hard-coding dates with reference to Modification 0432. DT explained that text is written as a contingency where processes will continue if PNID is delayed. MD explained that they have tried to be clear of what elements/processes will cease or continue within the transitional text rather than being silent.

DT agreed to look around hardcoding the date of 30 September and the definitions of the 0609 Implementation date.

4.0 Development/Completion of Workgroup Report (*report to Panel by 16 March 2017*)

BF clarified that both modifications are deemed to have a material impact and will therefore be sent to Ofgem for a decision. He also confirmed that the UNC Panel will accept the Workgroup Report at short notice allowing a further Workgroup Meeting on 10 March.

The Workgroup considered three scenarios whilst reviewing the Customer Impacts. DA agreed to articulate the Customer Impacts for the Workgroup Report for example if PNID goes in 01 June, if Modification 0609A if implemented may create a Project Nexus distraction or the AO 2017 is unrecoverable.

The Workgroup consider the use of UNC 0450B - Monthly revision of erroneous SSP AOs outside the User AO Review Period, AO appeal process.

5.0 Review of Outstanding Actions

0101: To amend the legal text inline with Workgroup discussions, and thereafter provide an updated version ahead of the 13 February 2017 Workgroup meeting.

Update: AC confirmed complete. **Closed.**

0201: JD to consider the AQ file validation issue as part of the project Nexus implementation group and provide a view on options; validate AQ values or introduce a more robust Nexus acceptance process.

Update: JD confirmed work in progress. BF requested an update either as a post meeting note or prior to the meeting due on the 10 March 2017 to allow completion of the Workgroup Report. **Carried Forward.**

6.0 Next Steps

The Workgroup will re-consider any Modification amendments and the legal text again on 10 March 2017 with a view to concluding the Workgroup Report.

7.0 Any Other Business

None.

8.0 Diary Planning

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:30 Friday 10 March 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	Completion of Workgroup Report

Action Table (as at 20 February 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	03/02/17	1.2	To amend the legal text inline with Workgroup discussions, and thereafter provide an updated version ahead of the 13 February 2017 Workgroup meeting.	Dentons (DT) & NGGDL (CW)	Closed
0201	13/02/17	3.0	Consider the AQ file validation issue as part of the project Nexus implementation group and provide a view on options; validate AQ values or introduce a more robust Nexus acceptance process.	Ofgem (JD)	Carried Forward
0202	21/02/17	2.0	Xoserve to establish what options would be available within the PNID timeline for issuing a SSP T04 files	Xoserve (DA)	Pending

Action Table (as at 20 February 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			without a smoothing exercise.		