

**UNC Workgroup 0609S Minutes
Transitional arrangements for gas settlement and replacement of
Meter Readings (Project Nexus transitional modification)**

Friday 13 February 2017

at Consort House, 6 Homer Road, Solihull. B91 3QQ

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Chris Shanley	(CS)	Joint Office
Andrew Margan	(AM)	British Gas
Andy Clasper	(AC)	National Grid Gas Distribution
Colette Baldwin	(CB)	E.ON Energy
David Addison	(DA)	Xoserve
David Mitchell	(DM)	Scotia Gas Networks
David Tennant	(DT)	Dentons
Emma Smith	(ES)	Xoserve
Jon Dixon*	(JD)	Ofgem
Kelly Docherty	(KD)	British Gas
Kishan Nundloll	(KN)	ES Pipelines
Michele Downes	(MD)	Xoserve
Phil Lucas	(PL)	National Grid NTS
Richard Pomroy*	(RP)	Wales & West Utilities
Shana Key*	(SK)	Northern Gas Networks

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0609/130217>

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

1.0 Review of Minutes (03 February 2017)

The minutes of the previous meeting were approved.

2.0 Consideration of Amended Modification

DA introduced the presentation titled "Project Nexus Implementation Date and AQ2017", explaining that it had been originally published in October 2016 and the only new aspects were slides 5&6 which are related to resources. DA explained that the slides had been provided in response to discussions at the last meeting with regards to resources and their availability.

DA highlighted that Xoserve felt there was a risk that some Shippers may not be able to provide the resources required to conduct a shadow AQ review with Nexus implementation or full review should Nexus be delayed. AM responded by stating that other Shippers at the last meeting had actually said they had resources available and that Xoserve should not be making assumptions on behalf of Shippers. CB felt that Xoserve should only be providing

information in relation to their resources and it was down to industry participants to consider their own requirements.

AM stated that an AQ review was required for October should Nexus be delayed. DA indicated that Xoserve had made it clear in the October 2016 Distribution Workgroup meeting that Xoserve didn't anticipate an AQ review taking place. CB highlighted that there may have been limited attendees at these meetings and was concerned about the lack of formal governance and transparency. CB stated that if something was being stopped, the normal practise was to raise a UNC modification. DA said Xoserve was explicitly following Code up until the defined Project Nexus Implementation Date (PNID).

AM asked who within Xoserve or Transporters had made the decision not to do AQ review. DA responded that no resources for an AQ review had been included in the Business Plan (BP17). CB highlighted that overall resources had gone up but it was unclear where changes had been made.

BF asked as the modification is a transitional modification (up to PNID 1st June) what elements were related to the AQ review and DA confirmed that aspects related to the curtailment of the AQ Appeals window were included, along with confirmation AQ amendments were also not being conducted.

DA highlighted that normally 12 resources were in the AQ Review team; 6 seasonal and 6 direct employees and that other teams provided support and technical resources. CB highlighted that the AQ review was a short activity of around 6 months and asked if there was flexibility to move people around. AM felt the team should have been put in place and if Nexus was implemented as planned then the resources will no longer be needed, but if Nexus does not go in on the team would be available to ensure a review takes place.

CB asked what AQ related files were being prepared for Nexus and DA indicated that as it stands no plans were being made to produce the files. 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.

CB asked if these sites would be picked up as Market Breakers post Nexus. MD confirmed that some Aqs would fail the threshold and the previous AQ would be used in such circumstances. It was highlighted that Npower had previously looked to adjust the tolerance values but had found it difficult to identify where the tolerance should be set.

AM felt that Xoserve should plan to run a full AQ review until Nexus implements and this was the purpose of his alternative proposal. CB indicated that there was benefit in Xoserve looking at spurious AQ calculations to protect the market even if Nexus implements as planned; some might end up in unidentified gas and/or they could feed into transportation charges if they are not backed out by November.

It was discussed that in AQ 2015 the spurious Aqs amounted to 350 TWh and manual intervention reduced this to 6 TWh. AM felt this could equate to a £7bn swing and justified keeping the AQ review process until Nexus go live. KN suggested allowing the alternate modification to go through and let Ofgem make the decision.

JD explained that it was Ofgem's view that it seems sensible to be closing down known redundant activities so resources can be applied elsewhere. He believed that the level of certainty for the planned Nexus implementation date was increasing and was confident over the 1st of June PNID.

JD also indicated that the initial AQ file (from old system to new) validation issues need further consideration whether Nexus was delayed or not. CB felt the potential small cost of £300K to establish the team for 6 months and conduct the AQ review stopping poor Aqs being used for Nexus was justified to avoid £7b risk, as it had not been a smooth drive towards PNID. JD acknowledged the historic Nexus issues but felt the industry needed to look forward and would be concerned about diverting Nexus resources.

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

BF clarified that there were now two modifications; 1 removing the AQ review and 1 keeping as-is. BF felt that confirmation of the impacts needed to be considered in the Workgroup report; was the cost/risk to the industry £7bn or is it more an apportioning error. Also with Nexus on schedule the risk looked to be low.

JD reiterated that the validation of transitional AQ file is what everyone seems to be most concerned about and as it was conducted as custom and practice rather than part of Code, there was a unique risk of carrying across wrong figures in to the new regime.

New Action 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.

4.0 Review of Outstanding Actions

Discussion on legal text was deferred until the next meeting and action 0101 was carried forward.

5.0 Next Steps

The Workgroup will consider the Alternative Modification 0609A and review any amendments made to the modification 0609S legal text, and develop its report.

6.0 Any Other Business

None.

7.0 Diary Planning

Workgroup meetings will take place as follows:

Time/Date	Venue	Workgroup Programme
10:30 Monday 20 February 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> • Consideration of Alternative Modification 0609SA • Specific PNID Modification Agenda items 0609S • Consideration of Draft Workgroup Report
10:30 Friday 10 March 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> • Specific PNID Modification Agenda items 0609S • Completion of Workgroup Report

Action Table (as at 13 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)	Carried Forward
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)	Pending