

From: Andrew Wallace <Andrew.Wallace@ofgem.gov.uk> 
Subject: Project Nexus - Response on pre-consultation
Date: 29 June 2012 17:37:46 GMT+01:00
To: Joint Office <enquiries@gasgovernance.co.uk>
Cc: Cesar Coelho <Cesar.Coelho@ofgem.gov.uk>, Nigel Nash <Nigel.Nash@ofgem.gov.uk>

1 Attachment, 3 KB

Hi Tim

Thanks for coming over last week to discuss Project Nexus.

As follow-up, we have further reviewed the pre-consultation document which is to be discussed at next week's PNUNC.

We remain concerned that this consultation, as currently drafted, will not best use the group's resource in delivering a robust assessment of the Project Nexus proposals. Were this to be the case then this may add further delay to reform in this area. As discussed, our view is that the group, with your management and support, should deliver a robust assessment of the Project Nexus proposals in a timely manner. This would allow parties to make an informed assessment on whether the proposals better meet the objectives of the UNC. It would help mitigate the risk that Ofgem is compelled to use its send back powers or to conduct our own impact assessment. These are concerns that we have previously expressed at PNAG and PNUNC.

As drafted, the pre-consultation requests a high-level view on costs and benefits. In our discussions you noted the intent to establish whether there is an overall net benefit for the project and check to what extent any further work needs to be carried out. We are concerned that, without further information to establish and understand the nature of these costs and benefits, the consultation is unlikely to return robust information. We are therefore wary of the unnecessary delay that this consultation may add to the process if it has limited value.

We welcome the Joint Office seeking to move this analysis forward. As discussed, our suggested approach is as follows:

- Joint Office to lead a discussion to clearly document the potential sources of costs and benefits and agree these with PNUNC
- Joint Office to lead a discussion on the methodology to best calculate these costs and benefits and agree this with PNUNC
- Joint Office to lead a discussion on how what data is needed to calculate the value of the cost and benefits
- Joint Office to agree consultation questions with PNUNC to obtain data to facilitate analysis of the costs and benefits.

Responses will then need to be analysed, checked and challenged. We understand that this is something that you have committed to undertake.

Please confirm that this is consistent with your approach and if you are going to need any additional support. If helpful, we would be happy for you to share this email with the PNUNC workgroup in advance of next Tuesday's meeting to help solicit the workgroups views on the above approach. It is clear from our discussions that the outcome of this process will depend on the commitment of the workgroup. This commitment will be needed to address the issues we have described above and to invest the time and effort to respond in a meaningful way to consultation requests for data to support the analysis. We are speaking to parties to encourage their engagement in the process.

We are keen that PNUNC progresses in a timely way and we are currently unclear on the expected milestones and deliverables for the group. Is this something that it would be useful to establish, document and review with the group at each meeting?

Regards

Andrew

Andrew Wallace

Senior Manager
Smarter Markets
9 Millbank
London
SW1P 3GE
Tel: 020 7901 7067
www.ofgem.gov.uk



This message may be confidential, privileged or otherwise protected from disclosure. It does not represent the views or opinions of Ofgem unless expressly stated otherwise.

If you have received this message by mistake, please contact the sender and immediately delete the message from your system; you should not copy the message or disclose its contents to any other person or organisation.