

Representation

Draft Modification Report

0473 0473A – Project Nexus – Allocation of Unidentified Gas

Consultation close out date: 13 November 2014
Respond to: enquiries@gasgovernance.co.uk
Organisation: Scottish Power
Representative: Elaine Carr
Date of Representation: 12 November 2014

Do you support or oppose implementation?

0473 - Oppose

0473A – Support

If either 0473 or 0473A were to be implemented, which would be your preference?

Prefer 0473A

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

Mod 0473 – Scottish Power does not support the implementation of Modification 473 for the following reasons:

- Scottish Power believe this Mod to be flawed, as it seeks to allow an application of 0% Unidentified Gas to Class 1 (DM sites) when the latest AUGE Table has assigned 5GWh of Unidentified Gas to this market segment. In addition, if the shipper appoints current SSP sites to class 2 under the Nexus Regime, then the Shipper would have the opportunity to avoid Unidentified Gas costs altogether and could create a distortion in the market. We do not believe that it was intended, when the classes were formulated and agreed at PNUNC, that SSP sites would be assigned to Class 2, as an SSP site will not operate in the same manner as a DM site. We do feel at this point that there is enough evidence available to support that these sites (DM and LSP/SSP) are treated in the same manner for UG.
- We do not believe that the DM market is free from error, and the latest AUGE Table substantiates this view. Therefore we feel that this Modification opens up opportunity for parties to actively seek to avoid Unidentified Gas costs for DMV, LSP and SSP sites (by the utilisation of ‘class 2’) and would be a retrograde step from the current AUGE arrangements.
- Modifications 473 seeks to extend past the current AUGE methodology by incorporating ‘unmeasured’ elements into the

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mix (currently the AUGE only assess that which is directly measurable).

- Mod 473 seeks to utilise a methodology that does not take cognisance of the new Nexus regime. Scottish Power do not see the benefit in utilising a methodology that refers to a pre-Nexus regime, and feel that this adds further inaccuracy and uncertainty to Industry participants.

Mod 0473A – Scottish Power support the implementation of Mod 473a for the following reasons:

- This Modification looks at the facilitating a regime that is forward looking, taking into account the Nexus changes, and seeks to incorporate these in a new methodology that is fit for purpose, utilising robust and relevant data, and incorporating the changes, rather than shoe horning methodologies that may no longer be relevant.

MOD473A will undertake a full assessment of the market and therefore will give certainty to Industry participants that robust analysis underpins the allocation of Unidentified Gas. It will also ensure that there is no product class that can be utilised for the avoidance of costs of Unidentified Gas and that no product class will have a zero allocation unless it can be proven that the class is not attributing to Unidentified Gas. MOD473A promotes the principle of polluter pays, whereas MOD473 does not.

Modification Panel Members have indicated that it would be particularly helpful if the following questions could be addressed in responses:

Q1: Please provide as much information and analysis to support your response, particularly any justification for why any particular class should, or should not, attract unidentified gas costs.

Scottish Power believes that the AUGE has already demonstrated that all classes of site should attract unidentified Gas costs, with their latest table assigning values to the DM sector.

We do not believe that any site, or class is 100% free from error, and that robust information could easily be obtained from the transporter's agent in relation to the anecdotal issues with DM sites to confirm this.

We believe that by defining class 1 and 2 in a similar way to DM this may reduce incentives to detect Unidentified Gas as there is no commercial advantage in doing so, and other parties will be bearing the costs.

Q2: We welcome views on the attribution of unidentified gas costs under these modifications to NTS direct-connected sites.

Scottish Power believes that the AUGE has already demonstrated that all classes of site should attract unidentified Gas costs, with their latest table assigning values to the DM sector. We therefore

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believe that Shippers to all classes of site should be equally incentivised to identify and reduce UG

Are there any new or additional issues that you believe should be recorded in the Modification Report?

None

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Scottish Power believes that Mod 473 would have an adverse impact on competition, as parties are able to assign to class 2 and avoid UG costs.

We have no certainty of the costs to obtain Daily metering information from the DCC, and there is a risk that smaller parties may not be in a position to assign to this class, and therefore be at risk of picking up disproportionate costs.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

Insert Text Here

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

Scottish Power believe that this Modification should be implemented as soon as practicably possible after decision

Legal Text:

Are you satisfied that the legal text and the proposed ACS (see www.gasgovernance.co.uk/proposedACS) will deliver the intent of the modification?

Mod 473A legal test is still in draft format

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

None