

Representation

Draft Modification Report

0473 0473A – Project Nexus – Allocation of Unidentified Gas

Consultation close out date: 13 Nov 2014
Respond to: enquiries@gasgovernance.co.uk
Organisation: EDF Energy
Representative: James Hill
Date of Representation: 13 November 2014

Do you support or oppose implementation?

0473 – Support

0473A - Support

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

Neutral

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

EDF Energy believes that both modification proposals ultimately provide a more appropriate mechanism to distribute Unidentified Gas (UG) amongst market participants than the methodology introduced via the implementation of UNC modification proposal 0432.

UNC 0473

This proposes to apply a different allocation factor for the different Project Nexus product classes from Day 1 of the new regime and is a continuation of the application of principles established under the existing UG regime. The transition rules under UNC 0473 proposal is more closely aligned with the allocation of unidentified usage in the electricity market than UNC 0473A. The electricity half-hourly market is not allocated any of the extra costs of unidentified electricity as recently agreed through the Issue Group 55 with Elexon and instead is all allocated to the non half-hourly market. The proposed legal text of UNC 0473 commits all parties to having an annual review of the methodology and so changes can be made to reflect industry developments and amend existing assumptions. However, UNC 0473 does not take into account the increased granularity of data that would be made available from smart metering in the future and its impact on UG. This modification proposal also may not effectively incentivise shippers to ensure that consumers are in the correct product class if you can effectively avoid UG by nominating as class 2 rather than class 3 as an example.

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UNC 0473A

This proposes to utilise actual historical Project Nexus data to derive a methodology rather than predict behaviour in the new regime and creates a clean break from the past allocation of UG process which has had problems since its inception. Moving away from Reconciliation by Difference (RbD) is a fundamental shift in the way gas is settled and allocated and in the absence of any hard data it may be more appropriate to wait and see what happens starting with a standardised approach as the default. It also has the advantage of having enough time to complete the appointment process before the current Project Nexus implementation date. However EDF Energy believes this standardised approach may lead to greater settlement error for over a year while we wait for enough data to be gathered than taking a view that Daily Metered (DM) sites should not receive as much UG allocation as Non-Daily Metered (NDM) sites; DM sites are daily metered and therefore provide more accurate data.

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.

EDF Energy do challenge the appropriateness of attributing significant UG to Product Class 1 and Class 2 sites which are metered every day with a high degree of certainty of their actual usage. While we do not believe this sector of the market should be considered to be completely excluded when considering UG, we do not believe it is statistically relevant like the treatment of those half-hourly customers within the electricity market (Elexon Issue Group 55).

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

Following confirmation from National Grid Distribution (via Joint Office on 20th October 2014) we understand that there will be no UG attributed to any NTS directly connected sites under these modifications.

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?

We agree that both these modifications impact relevant objective (d) as stated in the workgroup report to provide a mechanism for an appropriate sharing of unidentified gas which will encourage competition.

Impacts and Costs:

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

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The impact of implementing these modifications would not add significantly to the cost of implementing Project Nexus.

Implementation:

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

It is important to get either of these modifications implemented as soon as possible to give the industry certainty going forward and to give Xoserve as much time as possible to complete the tendering processes as described in the Framework documents.

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 0473A still only has draft legal text available.

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.

No.