

Representation

Draft Modification Report

0432: Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform

Consultation close out date: 06 January 2014
Respond to: enquiries@gasgovernance.co.uk
Organisation: British Gas
Representative: Tabish Khan
Date of Representation: 23 December 2013

Do you support or oppose implementation?

Support

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

We support this modification as it will bring about a rolling annual quantity (AQ) and individual meter point reconciliation. Both of these will significantly increase the accuracy of gas settlement and the allocation of costs between shippers and to end consumers.

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

All of our reasons for supporting this modification have been included within the Project Nexus workgroup report and within the other sections of this document.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Implementation of this modification will have a significantly positive impact on objective (d) and a smaller benefit under objectives (a) and (f).

d) Securing of effective competition between users

Accurate allocation of costs is a fundamental part of effective competition. As mentioned in the benefits section below, both a rolling AQ and individual meter point reconciliation will ensure that there is significantly more accurate allocation of costs between shippers and this will have a positive impact on competition.

Greater transparency of costs will enable shippers to bill with greater cost-reflectivity. It should also reduce the inequitable smearing of energy thus shippers will receive a more accurate charge for consumption and therefore this can be passed through to the end consumer. At present a significant amount of energy is

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smear upon the small supply point (SSP), largely domestic, market and it is unknown whether this cost should be apportioned to this sector. With the use of actual meter readings, the SSP sector will pick up a more equitable allocation of charges and therefore this market sector will no longer benefit from, or be penalised with, inaccurate charges.

Presently the majority of meter points are settled using AOs rather than meter point reconciliation, this results in an inaccurate allocation of volume and costs between market sectors resulting in cross-subsidies. The introduction of meter point reconciliation will remove this and therefore further competition between shippers in the SSP, large supply point (LSP) and daily metered market sectors.

a) Efficient and economic operation of the pipeline

Xoserve plays a pivotal role in the operation of the pipe-line system and the implementation of Nexus will improve and automate aspects of this operation. This should result in a decrease in operational costs for running Xoserve.

f) Efficiency and implementation of the Code

The Uniform Network Code (UNC) places requirements on both shippers and transporters (including those discharged by Xoserve on their behalf). This modification will automate and streamline several processes resulting in a more efficient operation of the Code.

Impacts and Costs:

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

Both the costs and benefits of this modification for British Gas have been provided to Xoserve and Ofgem on a confidential and commercially sensitive basis.

We have summarised the costs and benefits below without figures attached, so that this response may be published publically:

Benefits

- Individual meter point reconciliation and the data granularity it provides will allow Shippers to calculate the exact costs attributed to each supply point.
 - This will result in more accurate allocation of costs between customer types and individual customers in the small supply point (SSP) market.
 - It will also enable shippers and suppliers to take advantage of the benefits of smart metering by offering time of use tariffs.
 - Use of more actual reads within settlement should reduce the level of exception management that is relative to use of estimated values.
 - The greater prevalence of actual reads will increase transparency as to the actual volumes of unidentified gas and therefore will make it easier to design initiatives to resolve the root causes of unidentified gas.

- Access to more granular data will allow shippers to forecast energy usage more accurately and therefore hedge and purchase gas accordingly.
- It will also remove the need for a user suppressed reconciliation values (USRV) process resulting in an FTE saving.
- More accurate allocation removes the need for reconciliation by difference and therefore the need for shippers to verify these volumes.
- Rolling AQ will enable shippers to utilise smart meter data in the SSP market to provide more accurate data into settlement and therefore more accurate cost allocation between shippers and customers.
 - The use of a rolling AQ will also eliminate the need for an annual AQ review process resulting in FTE and cost savings.
- The removal of an allocation of unidentified gas expert (AUGE) will result in a cost saving to all shippers and Xoserve, and allocation based on a rolling AQ in all user categories should result in more accurate allocation
 - We note that the role of unidentified gas in the post-Nexus era is being picked up by a separate modification so we shall not explore this benefit further in this response.

Costs

- There will be a one off IS cost to adjust our systems to interface with the new UK link service to provide greater amounts of data for a rolling AQ and individual meter point reconciliation.
 - This cost will be significantly outweighed by the benefits highlighted above.

Implementation:

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

In line with the other related Project Nexus modifications, we support and can meet the proposed implementation date of 1 October 2015

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

We consider that the legal text is aligned to the business requirements document and the modification report, and therefore will deliver the intent of the modification.

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.

We note that it is important that all Nexus modifications are approved and implemented as a package to reap the full benefits of Project Nexus.

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