Gas Performance Assurance Framework

16th May2013

**British Gas**

Looking after your world

Gas PAF Terms of Reference: "To ensure that gas settlement has accurate allocation, control, self monitoring and governance post Project Nexus."

- The proposed Nexus design will allow a much-improved energy allocation and settlement process.

- In order to work optimally, all shippers will have to participate in the settlement processes to a certain standard.

- This will allow the majority of estimated energy allocations to be reconciled in a timely manner, ensuring that unidentified gas is correctly sized and smeared.

- This reduces the risk to shippers around incorrect allocations and large retrospective allocations.

- This proposal focuses on governance of the Nexus processes, and their inputs and outputs.

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Sizing unreconciled energy. Energy allocation will fluctuate as reconciliation occurs and the scaling adjustment changes, presenting a risk to shippers until all energy has reconciled.

RV Analysis: Unreconciled Energy Profile

**Unreconciled Energy Profile
(upto and incl Oct 2012 Rec Invoice)**
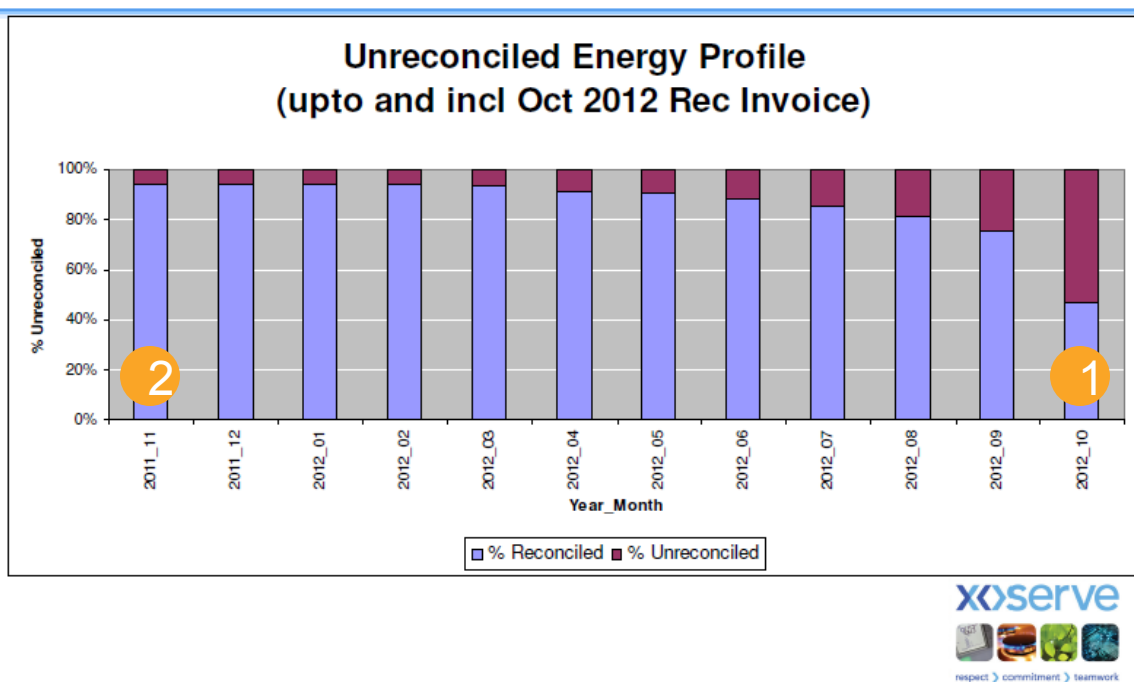
- The chart shows reconciliation for LSPs in Xoserve's demand estimation sample.

1 As at the end of October 2012, only 50% of the energy allocated for October 2012 is reconciled to meter readings.

2 As at the end of October 2012, 95% of the energy allocated for November 2011 is reconciled to meter readings.

Source: Xoserve, DESC 11/02/2013, Algorithm Performance Strand 2 Presentation

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Currently, 95% of the energy in the LSP market is reconciled 12 months after the month of consumption. The remaining reconciliation occurs over the following 4 years.

LSP Reconciliation for Consumption Month March 2008

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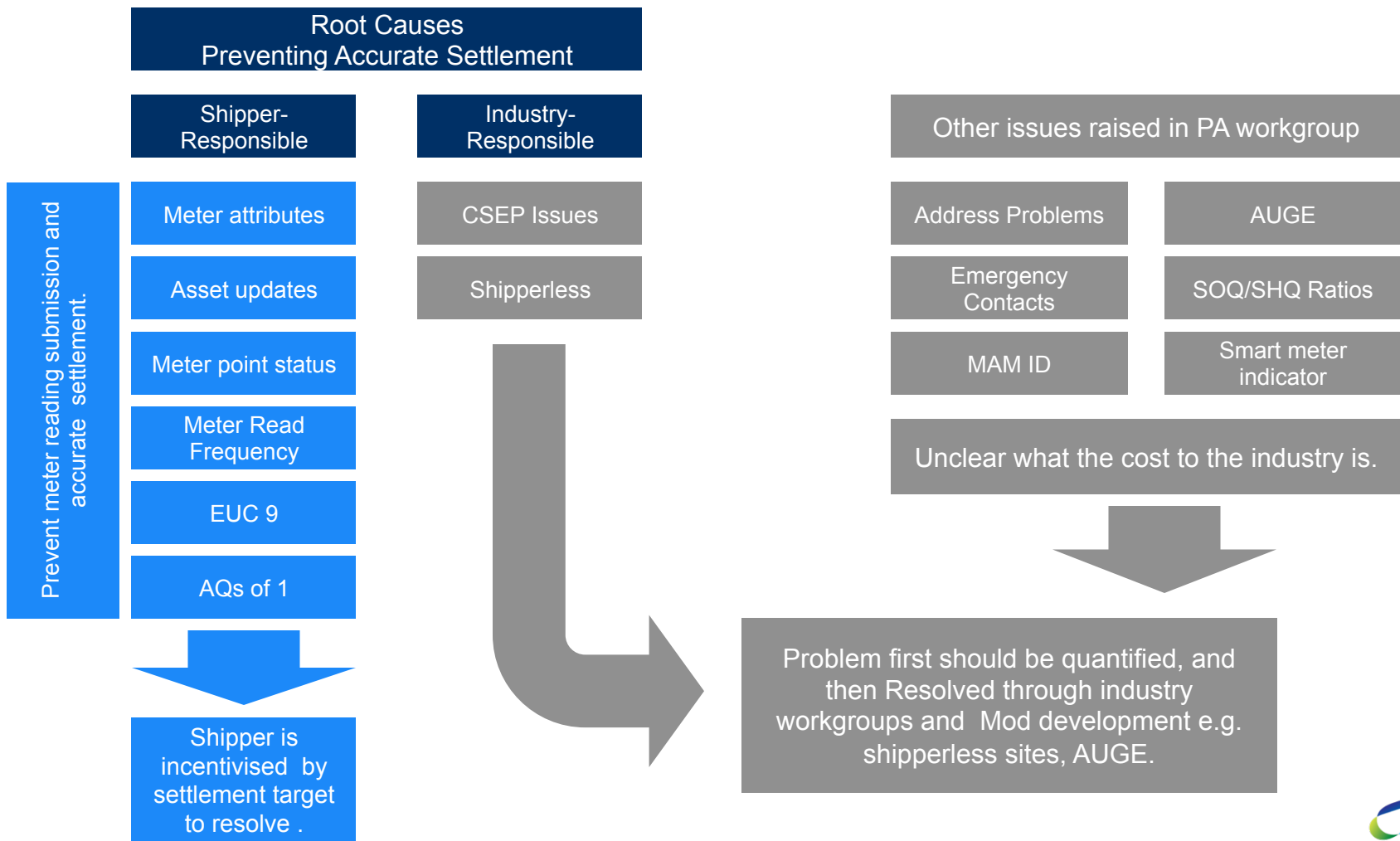**British Gas**
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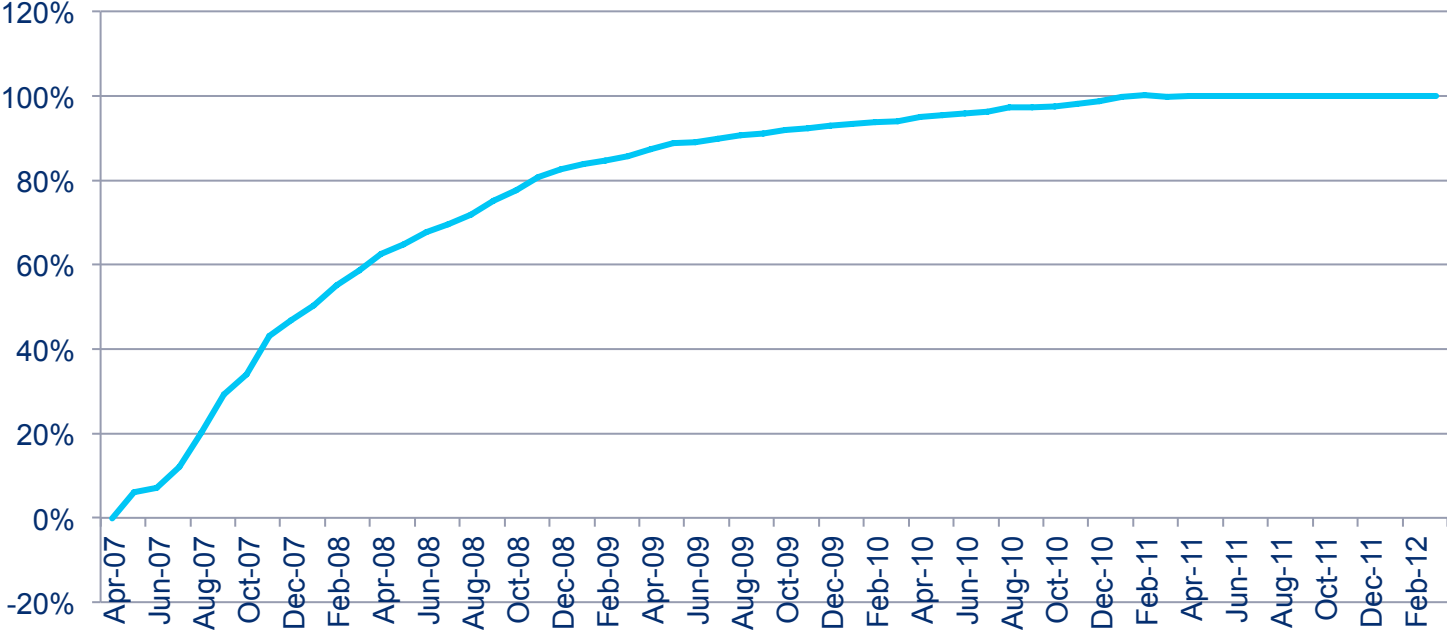
The risk is that Nexus could create large volumes of unreconciled gas relating to historic periods, which could lead to shippers being hit with unexpected energy charges.

- 5% of energy on LSP sites is unreconciled after 12 months, about 6 TWh.

- Under the pre-Nexus regime, initial energy allocation for SSP sites, once made, does not change. Only LSP sites can reconcile.

- The Nexus settlement process also allows SSP sites to reconcile allocation to actual recorded consumption.

- This means that initial allocation for all NDM sites is potentially subject to change for 3 to 4 years (assuming Mod 398 is in place at Nexus go-live).

- If we assume that 5% of all NDM energy will be unreconciled after 12 months, this equates to 22 TWh of energy (£500m), and a share of this could be re-allocated.

- Shippers could receive unexpected additional allocations of many £m, many months after the consumption took place.

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The main risk under Nexus is unsettled or incorrectly settled energy.
The Performance Assurance Framework must address this.
If shippers are incentivised appropriately, settlement will work.

Nexus Process	Targets	Example Scenario
1 Settlement Performance. The risk to all industry parties is unsettled energy.	% of energy settled to actual reads. Penalty £x per MWh of unsettled energy. / Health-checks e.g. Size of RCA / Transporter inputs	Shipper has low volume of energy settled to actual reads compared with unsettled energy. Shipper incurs penalty. Why?
2 Recon-ciliation / AQ Calculation	% MPRs recon'd in x months. / % AQs calc'd each month / % AQ = 1	Shipper has low number of reconciled MPRs. Why?
3 Meter Reading Acceptance / Retro-spective adjustments	% meters read in x months, by class. / % of Retro-spective adjustments / Meter statuses / Large AQ moves on CoS / Large final recs	Shipper has had too few reads accepted in class3. Why?
		Shipper is incentivised to resolve root cause.

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Most issues that cause settlement problems are in Shippers' control, and incentivisation will motivate Shippers to resolve.
Other issues will require industry workgroups to resolve, as at present.

Root Causes
Preventing Accurate Settlement

Shipper-Responsible

Industry-Responsible

Other issues raised in PA workgroup

Prevent meter reading submission and accurate settlement.

Shipper-Responsible	Industry-Responsible
Meter attributes	CSEP Issues
Asset updates	Shipperless
Meter point status	
Meter Read Frequency	
EUC 9	
AQs of 1	

Address Problems	AUGE
Emergency Contacts	SOQ/SHQ Ratios
MAM ID	Smart meter indicator

Unclear what the cost to the industry is.

Shipper is incentivised by settlement target to resolve .

Problem first should be quantified, and then Resolved through industry workgroups and Mod development e.g. shipperless sites, AUGE.

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The Nexus process assurance should be implemented in 3 phases, overseen by a PAF workgroup.
Changes should be implemented through the Mod process.

Design, targets and incentives agreed through PAF workgroup or committee.
Analysis to be completed by an independent academic body.
Regular reviews of performance and targets.
Changes made through Mod process.

Pre-Nexus	While Nexus Beds-in	Monthly Automated Process	Regular Review Process
Design of Reporting.	Monitor Performance.	Monitor Performance.	Review performance levels and targets.
Set Initial Targets	Refine Targets	Apply Targets	
Propose incentives.	Finalise incentives.	Incentives are automatically applied.	

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