

The background features a large, stylized white arrow pointing right, overlaid on a blurred image of a modern building with a glass facade and a large, glowing, multi-layered circular structure on the right side. The overall color palette is light blue and white with a soft glow.

# **Project Nexus**

## **Approach to modelling costs and benefits**

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## Agenda

- Background
- Approach and assumptions
- Questions
  - Take-up scenarios
  - Costs
  - Benefits
- Questions on distributional impacts



## Background

- Project Nexus (PN) is in the process of translating the BRDs into modification(s)
- Ofgem will have to make decision on modification(s) raised
  - Assessment of impacts informs decision
  - Data/analysis must be robust
    - Data from parties will be used to inform analysis
    - Analysis/model must back conclusions
    - Ensure consistency of responses across the industry
  - Delay if analysis is not robust (“send back”, Ofgem assessment)
- Ofgem offered to support the industry in designing the impact assessment/analysis

## Approach to analysis and assumptions

- Approach
  - NPV
  - Dealing with uncertainty
    - Set out ranges (maximum and minimum scenarios)
    - Sensitivity analysis
- Assumptions
  - Daily meter reads are fully deployed (post-2020 scenario)

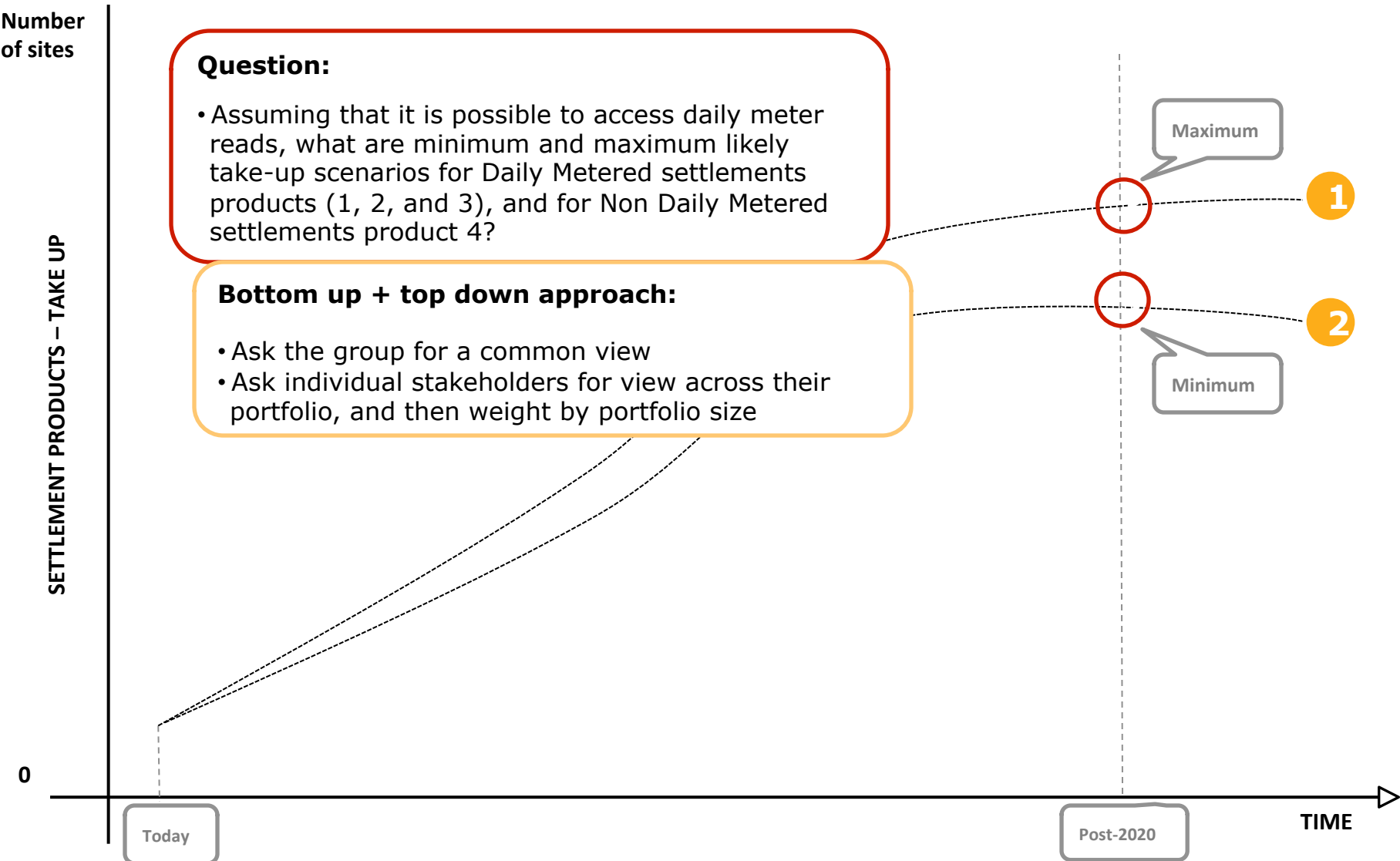
**Agreed**

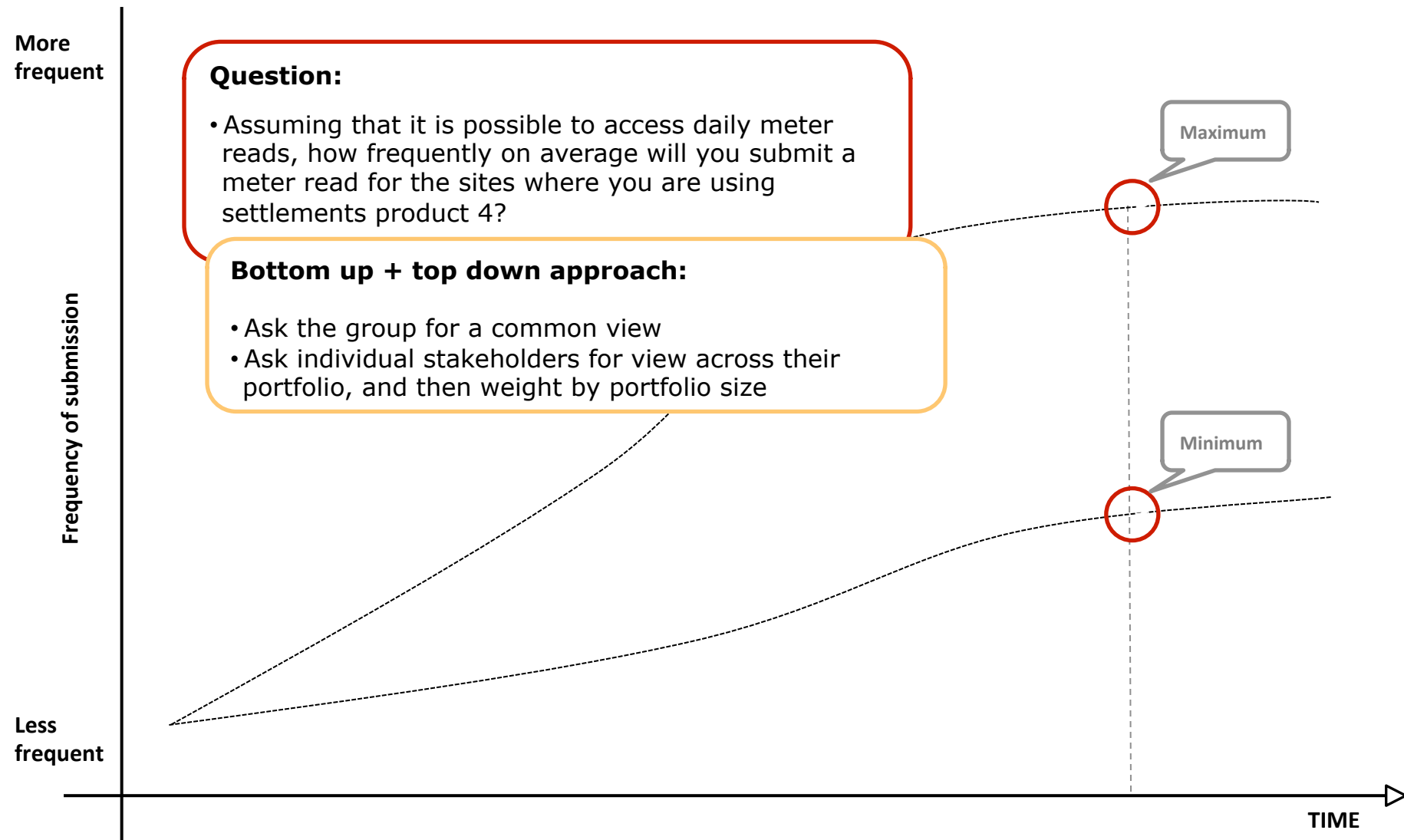
- Areas to be discussed
  - Take-up of Nexus services
  - Costs
  - Benefits

**For decision today**

## Take-up of Nexus services

- Why is take-up of services important
  - Different take-up of Nexus services will drive impacts
  - Take-up of Nexus services impact
    - Costs
    - Benefits
    - Competition
  - Take-up is important to sense check robustness of data/conclusions
  - Take-up (settlements products) may be used in the methodology to derive distributional impacts, eg
    - from rolling AQ
    - from meter point reconciliation





## Take-up - For decision

- Agree services where it is important to assess take-up levels
- Agree data to be provided
- Establish whether data can be sourced from xoserve



## Potential Costs

- What information on costs should be assessed? eg:
  - Estimated costs to meet the take-up of settlements products at (1) (maximum) and (2) (minimum) (see chart on slide 10)
  - Set-up costs/system changes costs
  - Ongoing/process costs
  - Transaction costs
  - Other costs

## Costs – For decision

- Agree potential costs
- Agree methodology
- Agree data to be provided
- Establish whether data can be sourced from xoserve

## Potential benefits

- What information on benefits should be assessed? Eg:
  - Estimated benefits to meet the take-up of settlements products at (1) (maximum) and (2) (minimum) (see chart on slide 10)
  - Benefits from accurate allocation
  - Lower balancing/settlements costs
  - Savings / cost-efficiencies
  - Other benefits

## Benefits – For decision

- Agree potential benefits
- Agree methodology
- Agree data to be provided
- Establish whether data can be sourced from Xoserve

## Distributional impacts

- Potential distributional effects / improvements in allocation
  - Allocation of charges
  - Charges effectively paid – reconciliation
  - Effects of meter reads submission on allocation and reconciliation

## Distributional effects – For decision

- Agree potential distributional effects
- Agree methodology
- Agree data to be provided
- Establish whether data can be sourced from Xoserve

The background of the slide is a composite image. On the left, there are rows of solar panels under a bright sun. On the right, there is a close-up of a gas burner with a flame. At the bottom, there are stalks of wheat. A large, semi-transparent white arrow points from the top right towards the bottom left, passing behind the text.

*ofgem*

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