Stage 04: Final Modification Report

At what stage is this document in the process?

01 Modification

02 Workgroup Report

03 Draft Modification Report

04 Final Modification Report

0528:

Implementation of Supply Point Administration, gas allocation and settlement arrangements (Project Nexus transitional modification)

This modification identifies arrangements relating to Supply Point classification, energy settlement & reconciliation and other 'core' provisions to enable an orderly and efficient transition from current UNC arrangements to the UNC regime identified within UNC Modification 0432 - Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform.

	Panel consideration is due on 21 May 2015
	High Impact: Large Transporters and Shipper Users
	Medium Impact: None
	Low Impact: None

© 2015 all rights reserved

Contents

1 Summary 3
2 Why Change? 4
3 Solution 4
4 Relevant Objectives 6
5 Implementation 6
6 Impacts 7
7 Legal Text 7
8 Consultation Responses 8
9 Panel Discussions 9
10 Recommendation 9

About this document:

This Final Modification Report will be presented to the Panel on 21 May 2015.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.

The Workgroup recommended the following timetable:

Initial consideration by Workgroup	10 March 2015
Amended Modification	31 March 2015
Workgroup Report presented to Panel	16 April 2015
Draft Modification Report issued for consultation	16 April 2015
Consultation Close-out for representations	12 May 2015
Final Modification Report published for Panel	13 May 2015
UNC Modification Panel decision	21 May 2015

Any questions?

Contact:
Code Administrator

enquiries@gasgovernance.co.uk

0121 288 2107

Proposer:
Chris Warner

chris.warner@nationalgrid.com

07778 150668

Transporter:
National Grid Distribution

Systems Provider:
Xoserve

commercial.enquiries@xoserve.com

© 2015 all rights reserved

1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification because it is likely to have material effect on competition. The Workgroup agreed with the Panels determination on self-governance as the UNC Supply Point Administration, gas allocation and settlement regime are underpinned by the quality and accuracy of data used to establish the new regime.

Why Change?

UNC Modification 0432 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform' will be implemented on 1st October 2015. To enable a smooth and efficient transition it is necessary to set out terms within the UNC Transition Document which clarify how data is treated during the period leading up to and during UK-Link replacement 'cut over'.

Solution

Modification of the UNC is required to set out the arrangements necessary to migrate from the existing UNC Supply Point Administration (SPA), gas allocation and settlement regime to the enduring terms to be implemented under UNC Modification 0432. The relevant business rules are contained in baseline Version 1.0 of the Transition Business Rules document produced by the Transporter agency Xoserve. There are no implementation costs.

Relevant Objectives

This modification would enable a smooth, orderly and efficient transition from the existing UNC SPA, gas allocation and settlement arrangements to those identified under the proposed 'Project Nexus' regime and due for implementation on 01 October 2015. This can therefore be expected to better facilitate Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code and relevant objective d) Securing of effective competition between Shippers.

Implementation

No implementation timescales are proposed. However, this modification could be implemented immediately upon direction and it would be desirable if this modification were implemented by 02 July 2015 to add certainty to the transition process.

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This modification impacts the industry programme for replacement of UK-Link systems. This is because the requirements contained within this modification govern how relevant data is treated during the implementation period (see Section 6 of this Proposal).

It is essential to the success of the UK Link Replacement Programme.

© 2015 all rights reserved

2 Why Change?

UNC Modification 0432 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform' has been approved by Ofgem and is planned for implementation on 01 October 2015. Closely associated with this is implementation of the relevant systems and process changes by the Transporter Agency, Xoserve within the remit of the 'UK-Link Replacement' programme.

Modification 0432 comprehensively identifies the enduring arrangements concerned with settlement reform. However, at all stages of development of the proposed regime, it was recognised by the industry that 'transition' arrangements under the UNC would be required. The reason for this is that the 0432 arrangements differ markedly from the present framework. Examples of this are Supply Point classification, Smaller Supply Point (SSP) reconciliation and treatment of Unidentified Gas.

On this basis, while it is in principle possible to implement an enduring framework in the absence of transitional terms the consequences of such are that significant uncertainty on treatment of relevant data, particularly by Xoserve, during the period of implementation or 'cut over' would arise. This would have a consequential and detrimental financial effect on Shipper Users.

It should be noted that this modification does not address the transitional requirements concerned with application of the Annual Quantity (AQ) 'backstop' calculation Meter Reading, which is subject to a separate modification. However, general provisions regarding AQ transition are within scope of this modification.

Note: this modification is one of a suite of 3 'complementary' modifications, the others being associated with Annual Quantity (AQ) 'backstop' and Retrospective Adjustment.

3 Solution

Modification of the UNC is required to reflect relevant changes as set out in the document 'Transition Business Rules (BR) for Project Nexus' v1.0 prepared by the Transporter Agency, Xoserve.

The following requirement categories have been identified:

- Offtake Reconciliation; definition of the transition from aggregate reconciliation to Individual Meter Point Reconciliation - BR Reference 7.4
- Unidentified Gas Reconciliation - BR Reference 7.4
- Supply Point classification; rules for moving Supply Points from existing DM/NDM definitions to classes 1 - 4 - BR reference 7.1
- Supply Point Administration; treatment and effect of Nominations, Offers, Confirmations and other revisions to the Supply Point Register - BR reference 7.2
- Annual Quantity – BR Reference 7.6 & 7.7
- Meter Reading; treatment includes 'cyclic' Reading, Daily Reading, Opening Meter Readings including validation – BR Reference 7.11
- Gas nomination and allocations – BR Reference 7.8

© 2015 all rights reserved

In addition to the above, changes are required as follows:

- General clarification of the distinction and demarcation between relevant provisions appertaining to pre-implementation and post-implementation of Project Nexus (old and new rules)
- To remove the need for an Allocation of Unidentified Gas Expert (AUGE) to be appointed for the Gas Year 2016/17 and for an AUG Statement/table to be produced
- Demand models and EUCs; treatment of relevant data (e.g. CWV, ALP, DAF, etc)
- Code Communications – clarification of circumstances for submission under old and new rules.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	Costs arising from the UK Link replacement and including enhancements to the existing UNC regime have been considered when price controls were set and funding provided. On this basis, no User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	Not applicable
Proposed charge(s) for application of User Pays charges to Shippers.	Not applicable
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Not applicable

© 2015 all rights reserved

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	None
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards… are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

This modification is required to provide clear rules and guidance to Transporters and Shipper Users on the treatment of data existing and provided under the UNC before and during implementation of UK-Link Replacement (including Project Nexus). The measures identified can be expected to facilitate relevant objective f) 'Promotion of efficiency in the implementation and administration of the Code.

5 Implementation

No implementation timescales are proposed. However, this modification could be implemented immediately upon direction and it would be desirable if this modification were implemented by 02 July 2015 to add certainty to the transition process.

© 2015 all rights reserved

6 Impacts

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This modification is essential to the implementation of the UK Link Replacement programme (which incorporates the changes required for 'Project Nexus'). The rationale for this is explained below.

Pre Project Nexus Implementation

The changes will affect the UK Link Replacement programme prior to implementation. This is because it is necessary to determine for the purposes of systems build how relevant data (including AQ, Meter Readings, etc) concerned with energy allocation, settlement and reconciliation is to be processed.

Project Nexus Implementation

In addition to the above, it is also essential that clarity is forthcoming regarding the application of 'non-effective days for systems 'cut over'.

Post Project Nexus Implementation

This modification contains transitional terms and the obligations, which will expire over time.

7 Legal Text

Text Commentary

Legal Text Commentary prepared by National Grid Distribution has been published alongside this report.

Text

Legal Text has been prepared by National Grid Distribution and published alongside this report; no issues were raised by the Workgroup regarding its content.

© 2015 all rights reserved

8 Consultation Responses

Of the 5 representations received 3 supported implementation, 1 provided comments and 1 was not in support.

Representations were received from the following parties:			
Organisation	**Response**	**Relevant Objectives**	**Key Points**
British Gas	Oppose	f) - No comment	• Though it supports the intent, British Gas does not support this proposal as currently drafted, including its legal text or implementation. • Believes further work on transition arrangements is required to establish whether the detail in the business rules and Modification is sufficient to meet the needs of Shippers as well as Transporters. • While industry involvement in Workshops germane to these issues/concerns is still ongoing (after this consultation closes) British Gas believes it would be prudent to progress this modification once these have taken place to capture and address Shipper concerns, rather than having the risk of further modifications being required.
EDF Energy	Support	f) - Positive	• Agrees would provide clear rules and guidance on the treatment of data existing and provided under the UNC before and during implementation of UK-Link Replacement. • Believes should be implemented as soon as possible in order to ensure as much certainty as possible about delivery of Nexus. • Notes that if UNC 0537 is implemented the date for the last AUG statement may need to be revised if implementation is delayed, and believes that there are issues in the Transition Business Rules ("Rules") that need to be considered if either UNC 0536 or UNC 0537 is implemented.
National Grid Distribution	Support	d) - Positive f) - Positive	• Believes will facilitate an orderly transition of arrangements identified under UNC Modification 0432 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform' • Believes this would also have a positive impact on Relevant Objective (d).
RWE npower	Comments	f) - Positive	• Has concerns that the finer details in some areas are yet to be agreed, and that this modification will also be impacted by Modification 0532 which is yet to be agreed.
SSE	Support	f) - Positive	• Believes this modification sets out those transition arrangements that have been developed by the

© 2015 all rights reserved

			Project Nexus Workgroup, and which are necessary in order to move from the pre Nexus arrangements to the post Nexus arrangements.

Representations are published alongside the Final Modification Report.

9 Panel Discussions

10 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel recommends that:

- proposed Modification 0528 should / should not be made.

© 2015 all rights reserved