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Your Reference:UNC Modification Proposal 0432

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

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal for which National Grid Gas Distribution (NGD) would like to support.

### **Do you support or oppose implementation?**

Support

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

As proposer NGD advocates implementation of this Modification Proposal on the basis that we believe that the proposed allocation, settlement and reconciliation arrangements provide a sustainable framework for Smart Metering and similar technologies to flourish.

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

We have not identified any such issues.

### **Relevant Objectives:**

*How would implementation of this modification impact the relevant objectives?*

Standard Special Condition A11.1 Relevant Objective (f): Promotion of efficiency in the implementation and administration of the Code.

NGD concurs with the opinion set out in the draft Modification Report that implementation of this Modification Proposal can be expected to facilitate a more efficient operation of the Code. We welcome the removal of potentially inefficient processes such as the 'Suppressed Reconciliation' and 'end of year' reconciliation activities and the yearly Annual Quantity (AQ) Review. We welcome the opportunity brought about by this Modification Proposal for relevant processes to be automated and

for the present need for manual intervention, particularly by our agent Xoserve to be significantly reduced.

We also believe that implementation of the changes identified within this Modification Proposal facilitates Relevant Objective d) Securing of effective competition between Users.

We note the potential for increased accuracy and predictability of cost allocation through the opportunity arising from greater availability of Meter Readings. However we caution that the effectiveness of the new products and functionality to be introduced as a consequence of this Modification Proposal is largely reliant on the ability and willingness of the User to submit timely and accurate data. While not part of this Modification we are strong advocates of the proposed Performance Assurance framework and view this as an important pre-requisite for Project Nexus. We strongly urge that the proposed arrangements be introduced on or prior to implementation of this Modification Proposal. Our concern is that without scrutiny and maintenance of high quality data performance the potential benefits of the regime identified within this Modification Proposal will not materialise.

A further concern we have is that there is some evidence that parties may believe that the removal of aggregate Meter Point Reconciliation for the Smaller Supply Point market and introduction of Individual Meter Point Reconciliation will serve to improve the accuracy of energy allocation and indeed this is true provided Supply Meters are read and Meter Readings provided regularly to the Transporter. However, Unidentified Gas (UG) will continue to exist and the solution identified within this Modification Proposal, while serving to potentially better expose the materiality of UG, will not eliminate the need for Users to collectively bear the costs. Consequently we would urge that the industry continues its efforts to reduce the volume of UG.

We note the comments in the Workgroup report concerning Relevant Objective a) Efficient and economic operation of the pipeline system, specifically that there is a positive impact. It is unclear to us how this Modification Proposal meets this objective although it is certainly not compromised. We would suggest this objective is not impacted.

### **Impacts and Costs:**

We concur with the statement in the Workgroup report concerning the funding of this Modification Proposal and have no further comment in this respect.

### **Implementation:**

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

This Modification Proposal can be implemented with effect from 1<sup>st</sup> October 2015 upon direction by the Authority. Our agent Xoserve is presently undertaking comprehensive analysis on the likely systems and process impacts and is engaging fully with the industry to ensure the required programme timetable is met.

### **Legal Text:**

NGD has provided legal text and is satisfied that the drafting as published by the Joint Office within the Draft Modification Report meets the requirements of the Modification Proposal.

We note that it is proposed that the Modification Proposal be implemented on 1<sup>st</sup> October 2015. Consequently it is likely that UNC Modifications will be subsequently brought forward which may impact on the proposed legal text. Two scenarios may arise where the Project Nexus text could be affected. Firstly, 'enduring' Modifications which are implemented prior to Nexus implementation (1<sup>st</sup> October 2015) will need two versions of text – one for the existing Code and one post Nexus.

Secondly, UNC Modifications not due to be implemented until on or after Nexus implementation date will need one version of text. This would need to be appropriate to that to be implemented for Nexus.

It is our intention to introduce a mechanism to monitor the production and impacts of any new proposed text over the ensuing period. We anticipate working closely with the Joint Office, GDNs and UNC Modification Panel & Committee to ensure that the integrity of UNC legal text both pre and post Project Nexus implementation is maintained.

### **Is there anything further you wish to be taken into account?**

We note that UNC Modification Proposal 0473 'Project Nexus – Allocation of Unidentified Gas' has been raised in November 2013. The purpose of this Proposal is to "enable determination in the proposed energy allocation process to enable an appropriate distribution of Unidentified Gas".

NGD's opinion is that it is important to note that Modification Proposal 0473 which is presently undergoing development is not viewed as a pre-requisite for implementation of this Modification Proposal. Care has been exercised to ensure this Proposal, while catering for the future possibility of intervention in the process of redistributing UG, is fully capable of implementation.

It will be also observed that the industry has commenced work on identifying the contractual requirements for moving from the current arrangements to an enduring regime under Project Nexus. This Modification Proposal identifies that regime. It is NGD's intention to raise the necessary UNC Modification Proposal/s and prepare appropriate legal text to facilitate implementation of the 'transitional' requirements.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 653541 ([chris.warner@nationalgrid.com](mailto:chris.warner@nationalgrid.com)) should you require any further information.

Yours sincerely,

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