

## 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:** National Grid NTS  
**Representative:** Martin Connor  
**Date of Representation:** 06 January 2014

#### Do you support or oppose implementation?

Neutral

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

National Grid NTS recognises the benefits which would result from this Modification Proposal - Rolling AQ, removal of RbD, provision of a facility for daily settlement, enhanced predictability of site specific costs, and improved allocation of energy and reduced reconciliation variance. However, the degree of benefit realisation depends on the uptake of the different settlement products by Users. National Grid NTS still has concerns relating to the co-ordination of implementation activities between Nexus and EU Third Package related changes, and the degree of cost uncertainty which leads to difficulty in assessing the cost vs benefit of the Modification. These concerns are explained further below.

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

No

#### Relevant Objectives:

Implementation would address relevant objectives a), d) and f) (with the scale of benefits realisation dependent on the level of industry take up of each initiative within the Modification Proposal):

a) Efficient and economic operation of the pipe-line system: rolling AQ and improved demand estimation methodology has the potential to lead to improved NDM demand forecasting. As a result there is potential, albeit currently undefined, for this to lead to an impact on the number or magnitude of balancing actions.

d) Securing of effective competition between Shippers and or between Suppliers: improved accuracy in the allocation of costs

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between Shippers should result from making use of an increased number of available and up to date Meter Readings, thereby increasing the number of Supply Meter Points that are reconciled individually rather than in aggregate. This benefit would be enhanced with the increasing number and timely availability of meter reads following the implementation of SMART metering.

f) Promotion of efficiency in the implementation and administration of the Code: the Modification Proposal should reduce administrative complexity and uncertainty which arises from existing reconciliation processes.

### Impacts and Costs:

National Grid NTS notes that the Draft Modification Report states an additional implementation cost, over and above a UK Link 'like for like' replacement, as 'about £18m'. The Report does not consider additional Gemini system costs, which are yet to be determined, such that the total implementation and on-going administration cost impact is currently unknown.

National Grid NTS believes that all initial capital and ongoing administration costs associated with the required changes to the Gemini system (applicable to all Project Nexus Modification Proposals) should be made available to those impacted by this proposal via the completion of a Detailed Cost Analysis (DCA). National Grid NTS has previously requested that the UNC Panel and Proposer consider completing such a DCA. National Grid NTS consider that this is a necessary pre-requisite for consideration of these Modification Proposals in order that an accurate cost vs benefit assessment can be made by those responding to this consultation. National Grid NTS considers that an agreement on funding for the additional changes required to the Gemini system is also needed before work can begin. The TPCR4 and RIIO-T1 allowances for Gemini Change Costs did not include any specific or incremental sums for delivering Project Nexus reforms.

### Implementation:

National Grid NTS is concerned about the level of change scheduled for a similar implementation period as that related to Project Nexus related system changes. If Nexus changes are implemented in 2015 it is imperative that there is careful assessment of any impact on other system changes. These are changes required to ensure that GB is compliant with EU Third Package related Network Codes and Regulations, and also output from the current Gas Significant Code Review.

Because Project Nexus is largely founded on smart metering, implementation of smart metering should precede implementation of Project Nexus so that Nexus benefits are ensured.

### Legal Text:

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

Yes

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

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Given the considerable resourcing required across the industry in order to implement Project Nexus, a programme management approach to delivery would be highly beneficial.

A decision to approve this Modification Proposal will need to have regard to the expected scope of smart metering, such that commensurate system change costs are approved.