

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: RWEnpower
Representative: Edward Hunter
Date of Representation: 06th Jan 2014

Do you support or oppose implementation?

Support

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

RWEnpower fully supports the implementation of this modification 0432 to improve the current method of settlement within the gas market. Advances in technology and therefore the ability of the industry to improve accuracy should be delivered as soon as is practicable which project Nexus goes some way to facilitating. Site by site reconciliation and rolling AQ are key enablers for this and will serve to improve the accuracy of industry data therefore cost allocation.

Looking to the future, with smart roll-out errors may be identified and resolved at a much earlier stage which may in turn lead to a reduction in settlement timescales, an increase in data accuracy and a quality and value for money service delivered to customers, backed by the market innovation this should drive. The further ability to retrospectively adjust reads that will be delivered by Modification 0434 supports Smart roll out and these necessary improvements.

Unallocated gas in reality should be allocated fairly to those responsible for it which is presently unachievable and fraught with issues experienced by the AUGÉ. RWEnpower believes it is currently a cost that requires socialising across the market on a fair and transparent basis with all market players taking a responsibility for it. The implementation of Nexus accompanied by accurate and more frequent data and other industry initiatives underway will only serve to reduce UG volumes therefore RWEnpower believes the solution presented in this modification is entirely justified.

Single service provision also drives significant efficiencies for both Shippers and Suppliers and in turn the customer through a reduction in complexity and cost to serve our customers.

We do hold some concerns around the size and scale of this project and its management which must be robust and effective to

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ensure it is delivered on time, a considerable challenge which we recognise given the current level of industry change. Significant commitment will be required from Shippers in terms of resource and system development, the timing and plan for this currently remains unclear.

Whilst we have no doubt that the delivery of Nexus will benefit the market and therefore the customer, RWEpower believes that to effectuate its full benefits it must be accompanied by a Performance Assurance Framework developed and delivered by the industry, for the industry with full engagement across all parties.

This modification is the first of a suite which will deliver significant efficiencies and improvement to industry settlement which benefits the customer therefore we support its implementation.

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

No.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

RWEpower agrees with the Draft Modification Report that the modification fulfils the objectives:

- a) Efficient and economic operation of the pipe-line system.
- 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.
- f) Promotion of efficiency in the implementation and administration of the Code.

It is worth noting that to achieve all of these objectives Nexus will require implementing as a package of modifications.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

Both the costs and benefits of this modification have been detailed in a separate response previously to the Joint Office and Ofgem.

Whilst there will be significant IS costs for RWEpower to implement this modification we are of the opinion that the benefits to the customer, Shippers and the market far outweigh these.

Implementation:

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

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We would like to see the implementation in line with the proposed date of 1st Oct 2015

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?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

No