

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: SSE
Representative: Mark Jones
Date of Representation: 06 January 2014

Do you support or oppose implementation?

Support

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

Project Nexus will deliver a much more accurate allocation of energy and costs amongst shippers than the current arrangements allow. The 4 settlement products will all allow individual meter point reconciliation to take place and the new rolling AQ process will ensure that AQs are much more accurate. Gas shippers and suppliers will be settled on meter readings that are reflective of the energy that they will bill to customers.

Project Nexus will also allow costs to be targeted correctly between the market sectors by apportioning any unallocated gas proportionately on throughput to all sectors and so ending the cross subsidy that currently exists in settlement whereby the NDM SSP sector picks up all unallocated gas and relies on the AUGER to get a rebate back from the NDM LSP sector, whilst no unallocated gas is currently attributed to the DM sector. The total amount of unallocated gas will be a lot more transparent and should allow its causes to be more easily identified. This model is very closely aligned to electricity where losses are based on throughput across all market sectors and it does not appear to disadvantage any sector of the market.

The UK-Link systems are due to be replaced anyway and so it would not be sensible to build them without the improvements and enhancements developed under Project Nexus.

Changes to the supply point register will improve data to suppliers which will allow an improved service to be provided to customers.

Invoicing backing data and processes will be enhanced and made consistent allowing improvements in invoice validation by shippers and making the payment of invoices easier.

0432
Representation
06 January 2014

Version 1.0

Page 1 of 2

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

Insert Text Here

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We agree with the proposer that this modification will positively impact relevant objective d) Securing of effective competition because it will make energy and cost allocation amongst shippers more accurate and reduce risk which will lead to more effective competition.

Impacts and Costs:

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

There are significant analysis and development costs that would be incurred by SSE if this modification was to be implemented. However, we believe that the benefits that it would bring would far outweigh the costs. The costs and benefits that we believe would be experienced by SSE as a result of implementation of this modification have been provided in confidence to Xoserve for inclusion in their Settlement Reform Cost Benefit Assessment which has been provided to Ofgem.

Implementation:

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

We agree with the proposer that this modification should be implemented on 1st October 2015 if possible. However, we do recognise that this is a very challenging timeframe and implementation should only occur when an appropriate level of risk assessment has been completed and there is a general level of readiness within the industry, and that the effects of other changes happening around this time have been accounted for.

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.