

## 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:** ScottishPower Energy Management Ltd

**Representative:** Marie Clark

**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.

ScottishPower strongly support the implementation of this Modification and the full introduction of the Project Nexus package of reforms by October 2015. Already the Project Nexus programme has been in development for over four years and we do not believe that any slippage beyond the intended implementation timescale of October 2015 could be justified, in particular when the benefits of Project Nexus would accrue to customers.

ScottishPower believe that the implementation of this Modification will go some way to achieving the long awaited reform of the current gas settlements regime, which currently does not have site specific reconciliation of small supply point customers (domestic and small business). Mod 432 is one of a suite of Modifications proposed under Project Nexus which collectively serve to reform gas settlements and improve allocations. This reform creates an environment which provides Shippers with increased predictability, transparency and certainty of settlement cost allocations which in turn will provide benefits to end consumers. Shippers will now have the ability to insert more meter readings and choose from a range of settlement products. This concept provides increased potential for Shippers and their Suppliers to offer their customers more diverse products offerings through the deployment of smart metering.

Mod 432 will introduce the concept of individual meter point reconciliation for all sites with more frequent and timely update of AQ values. This will result in Shippers having more influence to ensure that they incur more accurate costs. We believe that Shippers will have increased opportunities and incentives to carry out more defect analysis on their portfolio, but only with the introduction of an appropriate performance assurance regime which incentivises performance and ensures accountability. ScottishPower believes that this is key to ensuring that the industry

investment, which will ultimately be, in part funded, by customers delivers the benefits anticipated. Project Nexus coupled with a robust Performance Assurance regime should enhance the quality of data being held by Xoserve and support an accurate gas settlements process.

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

None identified

### **Relevant Objectives:**

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

- a) Efficient and economic operation of the pipe-line system.

We believe that more regular updates of AQ values will result in Gas Transporters having more accurate information relating to gas offtakes and seasonal loads, which should assist them in making informed, proportionate and effective investment decisions on their networks.

- d) The securing of effective competition between Shippers and their Suppliers

We believe that implementation of this Modification will provide Shippers with increased predictability and transparency of settlement allocations. The removal of the existing Reconciliation by Difference settlement mechanism for SSPs and the introduction of individual meter point reconciliation for all meter points will allow shippers to more accurately track the costs which are being allocated to their portfolio and to individual customers. This in turn will allow Shippers to more accurately price customer contracts and tariffs which should bring benefits to the end consumers.

### **Impacts and Costs:**

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

ScottishPower has provided detailed information to Xoserve and Ofgem.

### **Implementation:**

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

ScottishPower would find the 18 month lead time acceptable to allow for system changes, however should there be any scope to bring these dates forward we would be happy to discuss this prospect.

### **Legal Text:**

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

ScottishPower are satisfied that the legal text will deliver the intent of the modification and have provided extensive comments on the various drafts provided to the workgroup.

0432

Representation

21 November 2013

Version 1.0

Page 2 of 3

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**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.*

**Additional issues:**

ScottishPower feel very strongly that the work currently being undertaken in relation to the data cleansing initiatives is a key deliverable ahead of 'Nexus' delivery. We would find it inconceivable for the industry to introduce a new multi-million pound system under Project Nexus (and the UKLINK replacement programme) with 'dirty' data. If data is not cleansed prior to the introduction of the new system and functionality then there is the potential that the benefits assumed will not be realised and that there will not be the expected return on investment. If data is not cleansed prior to migration into the Nexus functionality there is the potential to pollute and adversely impact the accuracy of the settlement process going forward (as is the case now).

We therefore believe that all industry parties, supported by Ofgem, should be fully engaged in ensuring that data is accurate before moving into the new regime. In addition to this ScottishPower feel that the introduction of a Performance Assurance Framework is required to ensure that Shippers are appropriately incentivised to ensure that data remains accurate and there is no future deterioration. The introduction of PAF should therefore be aligned with Project Nexus and have shared objectives and delivery dates. This will give the required confidence and assurance to industry parties that the anticipated benefits of Nexus (e.g. financial, process, and soft benefits) can be delivered.