

Representation

Draft Modification Report

0450 0450A 0450B - Monthly revision of erroneous SSP AQs outside the User AQ Review Period

Consultation close out date: 12 December 2013
Respond to: enquiries@gasgovernance.co.uk
Organisation: E.ON
Representative: Colette Baldwin
Date of Representation: 12 December 2013

Do you support or oppose implementation?

0450 - Support

0450A - Qualified Support

0045B - Not in Support

If either 0450, 0450A or 0450B were to be implemented, which would be your preference?

Prefer 0450

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

We support the intention of the modification that where shippers inherit poor data after a change of supply they need a mechanism to ensure that erroneous AQs can be corrected at the earliest opportunity and that the shipper shouldn't face inappropriate cost allocation. Mod 450 and 450B seek to allocate a proportion of appeal opportunities across the market. Whilst we recognise that proportionally the very smallest shippers are likely to be less able to absorb over allocations, the deminimus proposed under 450B ties up a larger proportion of appeals with shippers that have no prospect of raising that many challenges. The question then becomes about the allocation to the mid range of the table – since proportionally, the largest shippers would take say 75% of the allocation of the residual pot. By reducing the residual pot under 450B by almost 60,000 appeal opportunities over the year, it is more likely that more appeal opportunities would be redundant than under 450. The proportion of sites that could be appealed under this proposal by the mid range sized shippers (by MPRN count, not by throughput) would be a much greater % of their market share, however there is no evidence to suggest that they gain sites with proportionally larger error in their AQs than any other shipper in the market. This mechanism under 450B would introduce a distortion to the competitive market.

Given the commercial nature of any analysis that could be done by the workgroup we hope that Ofgem will consider the impact of each

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proposal by market share using the de minimus thresholds in each modification and see how that aligns with AQ activities by shippers to determine an efficient use of the process. Given that the cost to develop the proposal will be born by all SSP shippers equally we believe that all shippers should have equal access to the opportunities afforded by the proposal, whilst supporting the intention of this mod to provide protection to the smallest SSP shippers.

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

Nothing in any of the proposals requires parties to ensure that corrections occur in both directions – i.e. increasing or decreasing AQs. We are concerned that this proposal will see a reduction in AQ values, but sites with erroneously low AQs will not be corrected.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

No evidence of the disproportionate effect of erroneous AQs for SSPs was provided to the workgroup therefore it is difficult to say how the modification will facilitate the relevant objectives. Mod 450A most closely delivers the original intention of the proposal – currently shippers gaining a supply point with erroneous AQs have to wait until they can get a supply point through the AQ Appeals process, but by introducing a process allowing an appeal to an AQ before a site reaches the AQ Review period it allows shippers of newly registered supply points to address erroneous AQs at the earliest opportunity and therefore not bear inaccurate costs.

Impacts and Costs:

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

Limited impacts to business processes.

Implementation:

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

A minimum lead time as no system changes are envisaged and business processes can be re-engineered more quickly if there are no system impacts.

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 you believe should be taken into account or you wish to emphasise.

We hope that reporting will ensure that erroneously low AQs are treated equally under this proposal and that we don't just see movements downwards in replaced AQ values.