

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: Scotland and Southern Gas Networks
Representative: Erika Melen / Joel Martin
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.

SGN support the implementation of Project Nexus UNC Modification 432 which, as an integral part of a suite of Project Nexus modifications, will facilitate strategic changes to central processes to meet future gas shipper and supplier requirements. Project Nexus, the Transporter / Xoserve industry requirements' gathering exercise, commenced in 2009 and has provided a cross industry opportunity to progress changes in the way gas settlement and allocation in the UK is processed. Modification 432 is the conclusion of a comprehensive development process and has led to proposed changes to gas settlement, gas allocation, gas estimation and gas reconciliation which will fundamentally change the manner in which these processes will continue to operate. The current UK – Link processes and systems which serve these five areas were designed at the point competition in the UK gas market began to develop and have themselves been developed and changed to meet evolving gas industry requirements over the past 2 decades. Project Nexus and the investment in gas central systems has provided an opportunity to change these processes to align with the benefits smart metering may deliver following the roll out across the UK in the next 7 years, including the increased availability of end user consumption data.

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

None.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

SGN consider that the implementation of UNC Modification would impact positively on relevant objectives (a) – efficient and economic

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operation of the pipeline system and (d) – securing of effective competition (i) between relevant shippers.

The elements included within Modification 432 are considered below in relation to the manner in which they positively impact on the two relevant objectives quoted above.

1. Settlement reform – SGN consider the elements included within the settlement reform changes will provide an enhanced platform facilitating the use of increased meter read information by shippers to settle gas allocations on a timelier basis. The roll out of smart metering throughout the UK over the next decade will provide the option for shippers to opt for one of the four settlement products available within the scope of UNC Modification 432. Timelier gas settlement leading to potentially more accurate gas settlement will introduce benefits to shippers facilitating lower risk premiums to be included within costs to suppliers and subsequently end users. The provision of these measures may lead to (d) securing of effective competition (i) between shippers.
2. Individual meter point reconciliation – the provision of individual meter point reconciliation for all meter points regardless of the annual quantity consumed by the meter point will replace the current reconciliation by difference (RbD) process. Although the RbD process has served the industry well, providing an effective mechanism to settle gas allocations in an efficient manner on the basis of the volume of meter read information available at that point in time, the advances in metering and the volume of reads smart metering will provide now requires more advanced functionality to reflect the potential savings smart metering may deliver. Providing functionality which will enable shippers to submit consumption reads for every individual meter point would allow individual meter points to be reconciled more accurately than the current regime, leading to reduced risk for shippers associated with the current RbD process. SGN considers that this element of the Modification would lead to (d) securing of effective competition (i) between shippers by introducing a more accurate and timelier reconciliation process.
3. Annual quantity – The monthly re-calculation of a meter point's annual quantity (AQ) will replace the current annual process for all meter points where meter read data is provided by shippers. The changes associated with monthly AQ re-calculation will also facilitate an updated Supply Point Offtake (SOQ) figure on a monthly basis. The changes associated with this part of the modification will permit a meter point's consumption to be updated to reflect actual consumption on a more regular basis thus facilitating accurate allocation. The monthly update of a meter point's SOQ will also facilitate more cost reflective transportation charging rates as the availability of a more up to date SOQ nearer to the publication of transportation tariffs for April on the 31st January will be possible. SGN recognise however that the SOQ for transportation charging purposes will remain static for a 12 month period. It is SGN's view that the changes to the frequency of AQ and SOQ calculation will impact positively on - (d) securing of effective competition (i) between shippers by providing the basis for more timelier

allocation and the ability for transportation rates to be set which incorporate a more reflective capacity base.

Impacts and Costs:

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

Xoserve have provided an initial estimate of the costs associated with the changes Mod 432 would introduce at £18M more than a like for like re-build of the central systems. As no systems' tendering exercise has been undertaken on a like for like basis it is difficult at this stage to accurately ascertain the additional costs associated with this modification proposal. SGN further note that the requirements introduced by Modification 432 would also impact on the National Grid Transmission's Gemini system. These costs have yet to be fully calculated and remain a cost risk to the project which would need to be managed under a reformed Xoserve regime, resulting from the recent Ofgem funding, governance and ownership decision.

Implementation:

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

SGN note the implementation timeframe detailed in the draft modification report which specifies the required lead times to allow a October 2015 implementation. SGN would expect Xoserve to work closely with the industry to agree implementation timeframes taking into account other industry work associated with smart metering and iGT single service provision.

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.