

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: E.ON
Representative: Colette Baldwin
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.

We believe that the introduction of Rolling AQ and the other reforms these modifications introduce will improve the allocation of gas across the whole market. This will encourage all shippers to settle their meter points individually which in turn should result in the charges incurred by shippers being more closely aligned to the consumption of their customers rather than the more existing and simplistic allocation approach currently used. The modification will also see the removal of the time sensitive Annual AQ Review with a more flat automated approach to AQ calculation, which should remove cost from both the Shippers and the GTs.

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?

Relevant Objective D - Securing of effective competition between users

The ability of shippers to settle at the meter point level and have AQs updated to reflect changes in consumption more frequently should result in shippers receiving costs that are more reflective of their customers' actual consumption rather than relying on the possible annual calculation of an AQ under the current processes. Taken together with the ability to correct errors as facilitated by Retrospective Adjustments, this will give customers greater confidence in the accuracy of their bills and we will see a reduction in costs for managing data

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correction that process failures or poor historic data have created which find their way onto customer bills and which reduce customer confidence in their suppliers.

Relevant Objective F - Efficiency and implementation of the Code

By replacing UK Link, the Gas Transporters' Agent should also be able to reduce their operational costs by removal of the AQ Review process and its replacement with an automated process as well as the other process improvements the changes will bring.

Impacts and Costs:

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

We will face considerable system development and ongoing costs for the changes that will be required, and whilst we do not have anything more than the high level BRDs to work with at this stage, we cannot therefore provide an assessment of the likely cost of this change.

We believe the benefits will deliver improvements to business processes and individually more reflective costs for gas, based on actual meter readings being used in settlements rather than the current allocation by AQ for SSPs – particularly when taken with the benefits that Smart Metering will provide. We also believe that it will bring greater transparency to the calculation and funding of Unallocated Gas across all supply points.

Implementation:

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

We are supportive of the approach being proposed of an implementation in October 2015, and we are comforted that organisations seem very committed to making this date achievable. Any delay to the move away from RbD will delay the delivery of the benefits that Xoserve's Cost Benefit Analysis concluded could be achieved, and we feel that to countenance any delay to this date it must be based on there being significant detriment to customers from an October 15 implementation and that greater consequential benefits would attract from a later implementation date.

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