

DRAFT for review by PN UNC

Project Nexus iGT Agency Services GT UNC and iGT UNC modifications consultation

Introduction

This document forms the consultation activity for the iGT Agency Services initiative, proposed to be delivered as part of the Nexus Programme functionality.

Under the Nexus Programme other functionality is planned to be developed and modifications to support these changes are to be raised in 2012 with the aim of achieving sufficient confidence to enable Xoserve to fund and invest in the changes from April 2013.

Changes to the GT UNC and iGT UNC will be required to facilitate the iGT Agency Services activities. The supporting modifications are currently being defined and are not expected to be raised until later in 2013. Xoserve intends to commence the Nexus programme build phase in April 2013. To ensure there is certainty that the relevant modifications will be approved a robust business case to support these modifications will be required before April 2013. This consultation is being conducted in advance of the specific iGT services modifications being raised and will eventually form part of the Final Modifications Reports to be submitted to Ofgem. This document is structured in the same format as the Final Modification Report.

There will be a number of modifications to support the Nexus Programme. The actual number will depend on whether the modification can be implemented in isolation to the other Nexus Programme functionality. In the case of iGT Agency Services, it is clear that this could be a stand alone initiative and so is subject to a dedicated cost benefit case.

1. Summary

Why Change

As part of the outcome of the 2008 price control review, it was agreed that funding should be available to support a major IT systems investment programme by Xoserve. This major systems investment (Nexus) provides an opportunity to consider whether the existing UNC requirements remain appropriate. Rather than asking Xoserve to procure replacement systems that deliver the existing functionality, there is an expectation that introducing different requirements at this stage would be the most economic time to implement any such change. This is particularly opportune since it is coincident with the development of smart metering, such that requirements can be specified that recognise changes to metering arrangements rather than any changes to accommodate smart metering being retrofitted in due course.

Solution

The Modification Panel established a Workgroup to support the development of potential UNC modifications that may be beneficial at the time of systems replacement. In addition Modification 039 was raised against the iGT UNC to establish the iGT Agency Services principle. Building on responses to an Xoserve consultation exercise and the iGT 039 modification, the Project Nexus Workgroup

has considered a range of potential changes, and the output from these considerations have been published as a Business Requirement Documents (BRDs) (see www.gasgovernance.co.uk/nexus/brd).

The key proposals are:

- Xoserve are to provide an equivalent “agency” service to iGTs as they do for GTs
- Single interface for Shippers for iGT UNC obligations
- Functionality includes; supply point administration, AQ review, supply point reconciliation, possibly invoicing on behalf of iGTs
- Whenever the iGT Agency services are implemented they will utilise whatever existing UK functionality is in place at that time.

Impacts & Costs

Xoserve have provided a high level best estimate of the cost of UK Link systems development to deliver the requirements in BRDs 1 to 8 (which includes the iGT Agency Services) of about £20m. There is potential that there will be system impacts beyond UK Link, and costs associated with those systems (for example, Gemini) are not included in this estimate.

All parties, including Xoserve, are requested to provide their best estimate of the change in costs for the iGT Agency Services initiative only, if the suggested changes were implemented.

Implementation

The implementation date for the proposed Nexus changes is 2015. It is anticipated that there may be a series of releases for the Nexus functionality. All parties are requested to provide a view on the position of the iGT Agency services initiative in the release programme.

The Case for Change

All parties are requested to set out the benefits they anticipate will accrue from the suggested changes, and to provide an assessment of the expected impact on the relevant objectives.

2. Why Change

Under the heading of Project Nexus, Xoserve has been consulting widely on the proposal to update much of the UK Link system. If the UNC remains unchanged, Xoserve will update its systems to replicate the existing obligations. However, the expectation of a major systems upgrade provides an opportunity to step back and consider the functionality and obligations that are appropriate at the present time. If the industry concludes that change is desirable, the UNC will need to be modified to ensure the obligations and consequent requirements for systems functionality reflect industry requirements.

This reconsideration of system requirements is particularly opportune since it is coincident with the development of smart metering, such that requirements can be specified that recognise changes to metering arrangements rather than any changes to accommodate smart metering being retrofitted in due course.

The expectation is that this is the appropriate time to implement change rather than simply replicating existing systems and then introducing changed approaches over the forthcoming years, with a single change being the most economic and efficient means of introducing the planned systems changes.

3. Solution

The Project Nexus Workgroup has considered a range of potential changes, and the output from these considerations have been published as a Business Requirement Documents (BRDs) (see www.gasgovernance.co.uk/nexus/brd)¹. These record the process changes that are envisaged, and on which views are being invited via this pre-modification consultation.

4. Relevant Objectives

Impact of the modification on the Relevant Objectives :	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	None
g) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	None

The benefits identified by the Project Nexus Workgroup and recorded within the iGT Agency Services BRD are:

- Creation of one service provider acting of behalf of all iGTs leading to reduced costs and increased efficiency of operation for Shippers operating on iGT Networks leading to improved customer service.

¹ A BRD covering iGT supply points has also been produced but this does not form part of this consultation.

- The use of uniform standard code communication method (IX) for all Shipper: iGT communications regardless of type of GT.
- The use of uniform standard files formats for all Shipper: iGT communications regardless of iGT leading to future cheaper cost of change of systems.
- Enables all services to iGT supply points to be performed at supply and meter point level (rather than the aggregated position at present) leading to greater visibility of commercial data at meter point level
- Creates consistency of data between GT and iGT data at CSEP level leading to more accurate industry data.
- Creates the ability for Xoserve to provide other services on behalf of iGTs e.g. provision of data to Ofgem, leading to improved service to the recipient.
- Has the potential to facilitate the Smart metering regime more effectively than having discreet iGT services.

5. Impacts and Costs

Consideration of Wider Industry Impacts

The rollout of smart meters, and wider policy objectives to move to environmentally sustainable fossil fuel use, would be supported by the proposed changes since they seek to utilise the additional information available, and to ensure settlement and allocations respond more quickly to demand changes – such as through energy saving measures.

Costs

Indicative industry costs – User Pays

Classification of the costs as User Pays or not and justification for classification

The proposals extend the existing services and involve changes to central systems. As such, they meet the definition of a User Pays Modification. However, the costs identified by Xoserve have also been included in RIIO submissions and Ofgem will determine whether or not to include these within the main price controls of each network operator.

Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

It is proposed that the costs are met 100% by Shippers. This accords with the User Pays Guidelines when facilitating competition is the Relevant Objective achieved. In addition, it should be noted that the requirements have been identified and requested by Shippers.

Proposed charge(s) for application of Users Pays charges to Shippers

It is proposed that any User Pays charges are allocated to Shippers based on their share of transportation charges. This aims to spread the costs proportionately among all Shippers on an established, cost reflective, methodology. Views on whether it would be preferable to develop transactional charges, for example reflecting the use made of differing products, would be welcome.

Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve

To be determined.

Impacts

Impact on Transporters' Systems and Process

Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none">• Extensive changes required
Operational Processes	<ul style="list-style-type: none">• To be determined
User Pays implications	<ul style="list-style-type: none">•

Impact on Users

Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none">• Extensive change required
Development, capital and operating costs	<ul style="list-style-type: none">• To be determined
Contractual risks	<ul style="list-style-type: none">• To be determined
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• None

Impact on Transporters

Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none">• None
Development, capital and operating costs	<ul style="list-style-type: none">• To be determined
Recovery of costs	<ul style="list-style-type: none">• See above
Price regulation	<ul style="list-style-type: none">• To be determined
Contractual risks	<ul style="list-style-type: none">• None
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• None
Standards of service	<ul style="list-style-type: none">• To be determined

Impact on Code Administration

Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none">• None
UNC Committees	<ul style="list-style-type: none">• None
General administration	<ul style="list-style-type: none">• None

Impact on Code

Code section	Potential impact
All	The scale of potential changes is expected to involve a large volume of change across the UNC

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	Extensive change likely to be required
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	Change likely to be required
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	Change may be necessary

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None
Gas Transporter Licence	None

Other Impacts	
Item impacted	Potential impact
Security of Supply	None
Operation of the Total System	None
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	More accurate cost allocation in settlement are expected to feed through to other parties

6. Implementation

The implementation date for the proposed changes is necessarily uncertain. All parties are requested to provide their view of an optimal implementation timetable, and to set out any views on priorities for the order in which the elements should be implemented – together with supporting explanations for the views expressed.

7. Next Steps

All parties are requested to submit views regarding this pre-modification consultation. The close-out date for responses is **dd Month 2012**, which should be sent to enquiries@gasgovernance.co.uk. A response template that all are requested to use is at www.gasgovernance.co.uk/nexus/.

Appendix 1 Cost benefit

Benefit areas	Shipper		
		System / Process	Single interface regardless of GT type
			Common processes / processing regardless of GT type
			Future change – single change to systems regardless of GT type
		Wholesale gas market	Greater visibility of iGT and GT charges
			Will more easily support smart metering arrangements
		Customer service	
		iGT	Operations
	Customer service		iGT customers (shippers) will have single interface
	GT	Operations	Improved CSEP creation process
	Xoserve	Operations	Remove current CSEP operations processes
	Industry wide	Governance	Governance of GT and iGT services will be in a single place
Cost areas	Shippers		
	iGTs	Investment	Stranded costs of existing systems development
	GTs		
	Xoserve	System investment	Part of the £20m Nexus functionality costs