

## Representation - Draft Modification Report 0520 0520A Performance Assurance Reporting

**Responses invited by: 10 March 2016**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Colette Baldwin
<b>Organisation:</b>	E.ON
<b>Date of Representation:</b>	9 <sup>th</sup> March 2016
<b>Support or oppose implementation?</b>	<b>0520</b> - Oppose <b>0520A</b> - Support
<b>Alternate preference:</b>	<i>If either 0520 or 0520A were to be implemented, which would be your preference?</i>  <b>0520A</b>
<b>Relevant Objective(s):</b>	<b>0520</b> a) None d) Negative  <b>0520A</b> a) Positive d) Positive

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

As the proposer of 0520A we clearly have a preference for the alternate.

We raised 0520A for two reasons:

1. The first being that at this point in the development of the performance assurance regime in gas, the industry discussed and agreed a soft landing approach to the introduction of new arrangements (currently only your own company's performance is provided for comparison against the industry overall performance in aggregate).

Co-incident with the introduction of performance assurance reporting we are facing the introduction of many new processes, process changes and the application of new validation rules as a result of Project Nexus. It is reasonable to assume that there will be teething problems as the industry gets used to the way the new system operates and for that reason we don't believe at this point it is appropriate to go to the stage of fully disclosing industry individual performance, as it won't necessarily be an accurate measure of how parties are behaving, but it could be more of a reflection of how well the new design has been understood and built. For this reason we believe that it's appropriate to use the soft landing period to review the industry performance at a more detailed level than currently available (with individual peer comparison figures but with identities undisclosed), parties will then be able to see how they perform and how they stack up against their competitors. The PAC members (who will have a fully disclosed performance reports) will be able to review industry performance and determine when it would be appropriate to introduce any performance incentives, and consider moving the incentivised performance areas to a fully disclosed performance reporting structure. The PAC will also be able to provide context to the report to assist any party in understanding the risks that are being addressed and how/why peer comparison identities may be fully disclosed, being mindful of any competition issues this may present.

2. The second reason is that the stated aim of some of the reporting under 520 is not to compare industry performance, but to test whether the Transporter Agency has built their new system correctly. Performance Assurance reporting paid for by Shippers should not be used a tool to determine whether the new system is functioning as designed. We would expect part of any development and delivery of a new system to have suitable assurance measures and validation included that will allow the Transporters to confirm that the new system has been build and delivers what was determined as required.

Additionally there are some fundamental differences in reporting between the two sets of report schedules. We believe that those specified under 0520A deliver more confidence in the accuracy of the settlement of gas consumed, for example, the first report under schedule 2, 0520 looks at the use of estimates, but 0520A includes where the estimate is accompanied by a consumption adjustment.

**Self-Governance Statement:** *Please provide your views on the self-governance statement.*

We agree that this modification is not suitable for self-governance

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

We would like to see the modification implemented as quickly as possible as the PAF regime under 0506 is now beginning to be introduced and it would be helpful for the PAC and for parties to start to receive the pre-Nexus peer level view of industry performance to enable them to consider what areas may need more focus in the future.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

We don't envisage any additional costs being incurred under this modification.

**Legal Text:** *Are you satisfied that the legal text and the proposed Agency Charging Statements (ACS) (see [www.gasgovernance.co.uk/proposedACS](http://www.gasgovernance.co.uk/proposedACS)) will deliver the intent of the Solutions?*

Yes

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No.

**Please provide below any additional analysis or information to support your representation**