

Representation - Draft Modification Report 0506 0506A

Gas Performance Assurance Framework and Governance Arrangements

Responses invited by: **12 November 2015**

Representative:	Angela Love
Organisation:	ScottishPower Energy Management Limited
Date of Representation:	6 th November 2015
Support or oppose implementation?	0506 – Support 0506A - Oppose
Alternate preference:	<i>If either 0506 or 0506A were to be implemented, which would be your preference?</i> 0506
Relevant Objective:	d) Positive for MOD506 and 506A f) Positive – for MOD506 only

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

Since discussion on Performance Assurance began in 2013, it has been viewed by many as necessary in assuring the correct allocation of costs and ensuring that the benefits of Nexus and smart metering programmes are delivered. ScottishPower supports the introduction of a regime using MOD506, but does not support the implementation of MOD506A. The key reasons being:

MOD506A drawbacks:

- MOD506A is limited in its application, as Xoserve are not subject to the PAF regime, in spite of the potential for Xoserve to significantly influence settlement risk, in particular if Xoserve undertake manual workarounds (if retrospective adjustment is not delivered with the core Nexus solution manual workarounds look highly likely)
- MOD506A is not an enduring solution and therefore would need a further MOD to be developed to continue the service beyond three years, ultimately the proposer of MOD506A sees that there could be a MOD506-type solution delivered after year three¹ – ScottishPower believes that this two-staged approach to MOD506 is inefficient

¹ Additional notes on MOD506A to the MOD Panel (January 2015):

<http://www.gasgovernance.co.uk/sites/default/files/Mod%200506A%20SSE%20Additional%20Notes.pdf>

- MOD506A does not include provision for confidentiality around the Performance Assurance Committee or assure that PAC members will act in the interests of the market

Positive aspects of MOD506:

- MOD506 includes a competitive tender exercise, which should ensure that the costs of providing a Performance Assurance regime are benchmarked externally and are efficiently incurred
- The cost estimate for undertaking a tender exercise is low cost (£23k – 40k), compared to the benefits that instructing an independent administrator could deliver
- There would be positive benefits of bringing an external perspective into the gas arrangements, or at the very least obtaining ideas from new parties, on how the PAFA could operate
- MOD506 will give the PAC the opportunity to determine the key criteria for award of the PAFA contract, ensuring that the best party, with the necessary attributes (skill, experience and knowledge), is identified

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

ScottishPower would like to see the PAF arrangements agreed as soon as possible, following decision by Ofgem.

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

At the present time the only direct costs that ScottishPower envisage through the PAFA arrangements would be through possible attendance at the PAC. Otherwise all other costs would be via the User Pays arrangements levied via transportation costs.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

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

ScottishPower is disappointed that the Gas Transporters have been adamant that they would only use Xoserve to procure the PAFA service under MOD506, thus rendering Xoserve unable to bid for the role of the PAFA under MOD506. This has never been ScottishPower's intention and ScottishPower would have welcomed Xoserve bidding for the PAFA role.

The Transporters do have alternative means at their disposal to run the tender process and have on a number of other occasions successfully utilised other routes (including for contracts of more financial value than the PAFA is anticipated to be).