

Representation - Workgroup Report

UNC 0642 (Urgent) 0642A (Urgent) - Changes to settlement regime to address Unidentified Gas issues

UNC 0643 (Urgent) - Changes to settlement regime to address Unidentified Gas issues including retrospective correction

Responses invited by: **5pm on 08 February 2018**

To: enquiries@gasgovernance.co.uk

Representative:	David Mitchell
Organisation:	Southern Gas Networks and Scotland Gas Networks
Date of Representation:	8 th February
Support or oppose implementation?	0642 - Oppose 0642A - Oppose 0643 - Oppose
Alternate preference:	<i>If either 0642, 0642A or 0643 were to be implemented, which would be your preference</i> 0642A
Relevant Objective:	d) Negative for 642, 642A & 643

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

SGN is opposing all the above mods as we are conscious that a considerable amount time and resources has already been committed by the industry during the Project Nexus UK Link replacement programme to address unallocated gas. During the programme, there was a focus on unidentified gas with the aim of giving the industry greater transparency of the volumes in order to improve the balancing of energy in the system.

The Project Nexus programme was developed over a period of several years allowing numerous industry parties to engage in the development process. We believe that the long development period would have given many opportunities for industry parties to engage sufficiently in the discussion on issues such as unidentified gas and the development of systems to accurately model unidentified gas and the expected characteristics on the day. We are therefore concerned that after making wide reaching costly changes to the central systems so soon after going live with Project Nexus may not be appropriate now. It is worth noting that over the last few months unidentified gas volumes have been reducing which would undermine any benefits of this change.

SGN is mindful that both modifications 0642 and 0643 both carry an element of retrospection which could further impact industry parties by creating further volatility in the market.

Each of the proposed three solutions put forward is going to entail a significant amount of money and resources to implement with implementation costs in the region of £1m - £2.2m with no absolute guarantee of resolving the unidentified gas issues faced by Shippers. SGN feels that a fully developed impact assessment is needed to look at all the underlying issues relating to unidentified gas, and such an assessment would need to consider the impact on all Shippers both domestic and I&C. We are concerned that the solutions that have been put forward have not had significant development time to explore all the issues fully.

SGN is mindful that each of the modifications will impact the current change programme managed by the CDSP by delaying other projects that are either planned or currently under development. We are also mindful that these changes are likely to be complex in nature and given we only have estimates of the duration and costs of the solutions there could be a significant risk that the proposals may cost and take longer to implement than first envisaged.

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

Due to the complexity of the system changes that are being proposed we would expect the solution development plan to drive a realistic implementation date that is transparent and achievable for all industry parties.

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

SGN has not identified any significant costs to its business to date however there may well be consequential costs of delaying other changes that have a significant financial impact to both SGN and other industry parties.

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

SGN is satisfied that the legal text has been developed in such a way as to reflect the proposed solution as detailed in the modifications.

Are there any errors or omissions in this Workgroup 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 errors have been identified.

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

SGN does not have any further analysis or information.