

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:	Gavin Anderson
Organisation:	EDF Energy
Date of Representation:	08.02.18
Support or oppose implementation?	0642 - Oppose 0642A - Qualified Support 0643 - Oppose
Alternate preference:	<i>If either 0642, 0642A or 0643 were to be implemented, which would be your preference?</i> <u>0642A</u>
Relevant Objective:	d) Negative

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

EDF Energy would offer qualified support to UNC0642A, as the most appropriate mechanism to deliver improvements to UIG, if an urgent solution is deemed appropriate. We acknowledge that the volatility around UIG Post Nexus has been difficult to manage. The changes to introduce UIG, as set out in UNC0432 and UNC0473, have introduced the desired level of transparency. While we agree that further improvements could be made to the arrangements to further increase visibility of which aspects of UIG are transient and which are genuine, we do not believe that it is appropriate to implement any of the changes as drafted.

We do not feel that sufficient detailed analysis has been completed to allow parties to fully understand the benefits that any of the solutions could deliver to consumers. EDF Energy would prefer to focus its resource on addressing the root causes of UIG, therefore we do not believe it is appropriate to press forward with a quick fix, that could divert industry resource from identifying and addressing true UIG.

We consider that returning to the Pre-Nexus arrangements would be a significant backwards step. Such a decision would undermine the significant investment already made by shippers and other parties in delivering Nexus and we prefer introducing a more transparent approach which does not unduly favour particular market sectors, such as those with a high proportion of DM sites.

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

EDF Energy accepts that some parties have been impacted by the issues around UIG more than others. We share the view of Ofgem that swift action needs to be taken, however do not believe that any of the modifications, as drafted, represent effective or realistic expectations of delivery. Furthermore, we are concerned about the short amount of time taken to develop these modifications; we do not consider that sufficient detail is present to demonstrate how these changes will 'resolve' UIG. Moreover, they will potentially mask true UIG and UNC0642 and UNC0643 significantly favour a particular section of the market. Implementation of UNC0642A could act as an interim step forward by increasing transparency of true UIG. We note the implementation timescales previously outlined by Xoserve and believe that they will be required to make the most significant; therefore Xoserve should provide a firm and achievable delivery date.

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

EDF Energy does not support the implementation of any of the modifications. However we believe that UNC0642A would strike an appropriate balance by looking to build on the changes delivered under Nexus. Rather than unpicking the progress made by industry, the change would further increase transparency by distinguishing between genuine UIG and other imbalance factors. This will allow industry to continue to address issues that may be contributing to UIG, as opposed to it being hidden and smeared disproportionately as was the case previously. EDF Energy's IT systems would require some development to implement any of the options, we would be happy to share details of these costs confidentially.

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

No additional comments

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.*

EDF Energy does not believe that it would be fair or reasonable to implement any change that would place a significant one off cost on Shippers. Seeking to back date the solution, as proposed in UNC0643, could have a significant impact on Shippers/Suppliers who have not had sufficient opportunity to plan for such a financial impact. In contrast, the work undertaken to arrive at the arrangements for UIG implemented as part of Nexus involved detailed and prolonged stakeholder engagement, allowing parties considerable time to prepare and plan financially for the impact of the new arrangements. Furthermore, we do not consider that the new arrangements, delivered under Project Nexus, have had sufficient time to bed in. It would be remiss of

industry to unwind this significant investment when faced with its first hurdle, rather than develop the existing arrangements further.

Although we would not support UNC0642/UNC0643, we do consider there is merit in understanding whether retrospective impact can be better understood. EDF Energy welcomes the implementation of 0642A, once delivered consideration should be given to whether any corrections are required to ensure the greatest accuracy of the true UIG and sharing of the Balancing Quantity within NDM..

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

EDF Energy supports the suggestion in UNC0642A that the Performance Assurance Committee and Demand Estimation Sub Committee should provide greater scrutiny of UIG and are best placed to provide the values that would inform the Fixed UIG amounts.

We consider that industry should not be taking any backwards steps regarding the changes delivered under Project Nexus. UNC0642A represents some improvement to the accuracy and transparency of true UIG. It is important that industry is mindful of the number of other UNC modifications that are currently under consideration relating to UIG. The changes proposed under UNC0644, UNC0631R and UNC0639R are all intended to drive further improvement and increase accuracy of UIG. UNC642A could provide a platform for this ongoing improvement, as opposed to other modifications that would potentially set the industry back a number of years.