

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:	Debbie Harding
Organisation:	Spark Energy
Date of Representation:	8 February 2018
Support or oppose implementation?	0642 – Qualified Support 0642A - Oppose 0643 - Support
Alternate preference:	<i>If either 0642, 0642A or 0643 were to be implemented, which would be your preference?</i> 0643
Relevant Objective:	d) Positive (0642/0643), Negative (0642A)

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

As a small domestic supplier, we have significant concerns about the negative impact that Unidentified Gas (UIG) is having on our ability to manage our wholesale portfolio. At present we find that UIG is continually moving in an unpredictable and uncontrollable manner several times during each settlement day. This creates risk and cost to ourselves as we attempt to balance to that position; failure to balance places us at risk to additional credit calls which add a significant amount of cost to our business. In summary the current situation is unacceptable and will represent a considerable burden to our business. We note that these issues did not exist prior to the implementation of the new settlement regime.

UNC Modifications 0642 & 0643, by reverting to the pre-nexus nomination and forecasting regime will address the unpredictable and volatile nature of UIG, allowing us to effectively engage in the wholesale balancing market. We also support the proposed reconciliation regime as it targets settlement error at those sites that cause it; unread sites. Whilst we understand that UNC Modification 0642 has been developed to ensure rapid delivery, we believe that UNC Modification 0643 is a more rounded solution, in that

it maintains the current 12 month timescale for reconciliation periods, tracking read performance month by month. In addition it also includes daily metered sites in the reconciliation regime. We do have concerns with the retrospective aspect of solution, but believe that it is preferable for that solution to be implemented with retrospection, rather than continue with the current settlement regime. We therefore support UNC Modification 0643 as the optimum solution presented.

UNC Modification 0642A

We do not support the implementation of UNC Modification 0642A. Splitting current UIG volumes into a fixed component and a highly variable Balancing Factor does not address the underlying root cause that has resulted in these changes being raised; the fact that UIG shifts rapidly and unpredictably throughout the settlement day. This modification simply represents a significant development cost to the market for no real benefit.

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

Any solution must be implemented as soon as possible. Xoserve have stated that UNC Modifications 0642 and 0643 have a significant lead-time for implementation and so work must commence as soon as possible. In addition we suggest that Xoserve seeks to shorten the timescale as soon as possible. The fact that these two changes have essentially similar development times means that UNC Modification 0643 is our preferred solution as it provides a more robust solution.

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

UNC Modifications 0642 & 0643 will deal with the unpredictable nature of Unidentified Gas substantially reducing our balancing costs and reducing our operational risk. We will be required to submit more frequent meter reads to avoid settlement error volumes, but believe these additional costs will be manageable. Reinstating the pre-Nexus regime will not result in significant additional costs as we are familiar with its operations.

UNC Modification 0642A will have little operational impact outside of changing the UIG volumes assigned to our portfolio we would expect to see as it does not address the unpredictable nature of UIG. UIG will still be highly volatile and unpredictable.

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

We have not reviewed the legal text

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.

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

NA