

Representation

Draft Modification Report

0440 – Project Nexus – iGT Single Service Provision

Consultation close out date: 21 March 2014

Respond to: enquiries@gasgovernance.co.uk

Organisation: ScottishPower Energy Management Ltd

Representative: Marie Clark

Date of Representation: 21st March 2014

Do you support or oppose implementation?

Support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

ScottishPower strongly support the implementation of this Modification and the full introduction of the Project Nexus package of reforms by October 2015. To date the Project Nexus initiative has been in development for over five years with the iGT element, which is outlined in MOD440, been in progress for 3 years. With this in mind we do not believe that any slippage beyond the intended implementation timescale of October 2015 can be justified, in particular when the benefits of Project Nexus will ultimately accrue to customers.

ScottishPower believe that the implementation of this Modification will go some way to achieving the long awaited reform of the current disparate arrangements between the GT Agent and the IGT that have prevailed in the market since the inception of iGT connections.

We perceive that there are 2 key areas that demonstrate benefits to shippers and their customers with the introduction of Mod 440:

1/ Introduction of the role of Central Agent:

There is no doubt that the management by shippers of different IT functionalities and Data Transfer requirements to support iGT processes places a burden on the shipper and ultimately the customer in terms of Customer Service. We anticipate that the implementation of Mod 440 will ensure that the processes are more aligned (with the notable exception of New Connections as it currently stands). We believe that the introduction of the central agent will reduce the current complexities, and ensure a more streamline service. We also believe that many of the issues inherent to this area of the market have been caused by the requirement for Shippers to operate multiple systems and working practices to support iGT processes such as the use of different file formats to support the change of supplier process. The industry can now apply increased focus and scrutiny to improving Industry data from an end to end process perspective to deliver a better customer experience.

2/ Introduction of Settlement reform (as per Mod 432):

We anticipate that the introduction of the central agent will allow for all industry data to be reconciled, and allow shippers an increased level of certainty with regard to energy allocations. There are a number of system and operational practices inherent within the iGT CSEP

update and reconciliation regime that particularly disadvantage SSP Shippers. These practices operate with limited validation, controls and reporting and result in mainly debit reconciliation energy volumes being moved between the LSP and SSP market sectors. In addition, the AUGER has identified a high volume of energy related to CSEPs which falls into the unidentified gas category. As this volume of energy is deemed as being temporary and potentially subject to future

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reconciliation, SSP Shippers incur the risk of reconciliation volume not being submitted in a timely and consistent manner. The introduction of central agent should increase market confidence by ensuring that there are greater controls around the data provision from shippers and IGTs.

Under Mod 440 the management and alignment of data will allow for the ability to reconcile costs on a site specific basis, we anticipate this will increase accuracy on forecasting, and increase certainty of energy allocations and transportation charging.

Mod 440 will if implemented see many of the benefits that are evident from Mod 432, with the reform in Gas Settlements being extended to the IGT portfolio with Xoserve managing the data. This reform creates an environment which provides Shippers with increased predictability, transparency and certainty of settlement cost allocations and reconciliation which in turn will provide benefits to end consumers. We anticipate with the alignment of the data that there will be a positive impact on the AUGS work, and as the allocation process aligns, there will be the ability to assess to what extent the previous regime of misaligned submission of allocation data across the industry may have contributed to this area.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

None identified

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

d) Securing of effective competition:

ScottishPower believe that the implementation of the changes identified within this modification would be expected to facilitate the securing of effective competition between Users.

We believe that the utilisation of one central system for industry processes would be viewed in a positive light by potential new entrants to the market providing, the confidence and assurance that data is controlled in one central depository.

We believe that the deliverables from implementation of Mod 440 will result in more accurate allocation of costs between users, and an increased predictability of costs and reduction of risk

f) Promotion of efficiency in the implementation and administration of the Code:

We believe that implementation of this modification will through the removal of the CSEP NExA agreement reduce the complexities and risks currently experienced by Shippers e.g. the timely and consistent update of CSEP Update information which is used for allocation and reconciliation purposes.

Use of a central system will ensure that allocation, settlement and reconciliations data will be managed in a consistent manner for both IGT/non IGT sites which will result in a more efficient process

ScottishPower is not convinced that the inclusion of the IGT as parties to the UNC and its governance arrangements is a necessity. Whilst we recognise that iGT views require to be considered when deliberating Code changes which may have an ultimate effect on their operations. This may, on some occasions require iGTs to have voting rights at UNC Panel. However we do not believe that these rights extend to such a degree that a permanent seat is required for iGTs on the UNC Panel. The influence of Transporters on the Panel is disproportionate, when compared against the overall number of Shippers operating within the market when this is then compared against the number of elected Shipper members. We remain unconvinced that the inclusion of a proposed additional shipper seat redresses this imbalance.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

ScottishPower has provided detailed information to Xoserve and Ofgem.

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Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

We would advocate the lead time to co-inside with the delivery of Project Nexus Mod 432, which Ofgem have agreed as 1st October 2015.

ScottishPower would find the 18 month lead time acceptable to allow for system changes, however should there be any scope to bring these dates forward we would be happy to discuss this prospect.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

ScottishPower believe that the legal text reflects the intent of the modification

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

Additional issues:

ScottishPower feel very strongly that the work currently being undertaken in relation to the data cleansing initiatives is a key deliverable ahead of 'Nexus' delivery. We would find it inconceivable for the industry to introduce a new multi-million pound system under Project Nexus (and the UKLINK replacement programme) with 'dirty' data. If data is not cleansed prior to the introduction of the new system and functionality then there is the potential that the benefits assumed will not be realised and that there will not be the expected return on investment. If data is not cleansed prior to migration into the Nexus functionality there is the potential to pollute and adversely impact the accuracy of the settlement process going forward (as is the case now).

We therefore believe that all industry parties, supported by Ofgem, should be fully engaged and accountable for ensuring that data is accurate before moving into the new regime. In addition to this ScottishPower feel that the introduction of a Performance Assurance Framework is required to ensure that Shippers are appropriately incentivised to ensure that data remains accurate and there is no future deterioration. The introduction of PAF should therefore be aligned with Project Nexus and have shared objectives and delivery dates. This will give the required confidence and assurance to industry parties that the anticipated benefits of Nexus (e.g. financial, process, and soft benefits) can be delivered.