

## 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:** Wales & West  
Utilities

**Representative:** Richard Pomroy

**Date of Representation:** 12 March 2014

#### Do you support or oppose implementation?

Support/Qualified Support/Neutral/Not in Support/Comments\* *delete as appropriate*

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

We support the implementation of the modification as it will provide more efficient processes; however we regret that the opportunity was missed to address some outstanding issues relating to the operation of IGT systems.

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

No

#### Relevant Objectives:

*How would implementation of this modification impact the relevant objectives?*

- d) Securing of effective competition
- f) Promotion of efficiency in the implementation and administration of the Code.

#### Impacts and Costs:

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

None directly, costs would be included in Project Nexus

#### Implementation:

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

At Project Nexus go live

#### Legal Text:

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

Yes

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

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Version 1.0

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

We believe that this modification presented the opportunity to address two issues that are clearly transporter responsibilities but which IGTs do not currently perform namely Daily Metering services and calculation of Shrinkage on IGT networks. We noted that shippers at workgroup meetings seemed reluctant to address either of these issues.

1) Daily Metering. Currently DNs provide this service to shippers on IGT networks. The service is price capped and currently DNs make a loss on each site that is daily metered. DNs are therefore providing a cross subsidy to IGTs with whom they compete for new connections. There are currently two service providers active in the market and it entirely feasible for IGTs to procure a service from one of these service providers, pay the economic cost of that service and charge shippers an appropriate price subject to any caps in their licences.

2) Shrinkage on IGT networks. Currently shrinkage on IGT networks is assumed to be zero and this is perpetuated in the drafting on IGTA C 1.2.1

”At the Nexus Implementation Date there are no arrangements for the identification or estimation of IGTS Shrinkage or for its allocation as among CSEP Users.”

We recognise that IGT networks do not contain metallic mains and therefore their shrinkage will be lower than from DN networks; however they still experience theft and losses due to purging and therefore shrinkage will be non-zero. Appendix 1 of the Workgroup reports states that IGTs have approximately 1.5M supply meter points which makes them larger in terms of supply points than the two LDZs in Wales (approximately 1M) and approaching the number in the Scotland DN (approximately 1.8M). We recognise that introducing shrinkage calculations and then the purchase of shrinkage gas would need careful consideration; however we would at least suggest that the drafting should contain a date by which such processes should be put in place or failing that a date by which shippers and IGTs will meet to agree a timeline for development of such processes.

Both the above are examples of processes that DNs have established and which are part of the requirements of being a gas transporter. Although there are 10 IGT licences controlled by 5 different organisations the vast majority of the IGT supply points are managed (under their various licences) by two organisations and these are large enough to put in place and manage the processes required.