

Representation - Draft Modification Report 0580S

Implementation of Non Effective Days to enable Annual AQ Review (independent of Nexus transition)

Responses invited by: **5pm on 10 June 2016**

To: enquiries@gasgovernance.co.uk

Representative:	Gavin Anderson
Organisation:	EDF Energy
Date of Representation:	10 June 2016
Support or oppose implementation?	Oppose
Relevant Objective:	f) None

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

We do believe that the parallel running of the AQ update and customer switching processes may lead to a material misallocation of energy costs. However, we do not believe that there has been sufficient justification set out in the draft workgroup report as to why 7 days is needed (2 non-effective days were requested by UNC 0535)

Ofgem's recent consultation identifies that the current go-live date for Project Nexus is at significant risk and that there is a need for clear direction on whether Project Nexus is likely to go-live as planned on 1 October 2016. Therefore whilst it may be appropriate to introduce non-effective days; we have a preference to reduce the number of non-effective days to the absolute minimum.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

The number of non-effective days proposed by UNC 0580S is significantly more than UNC 0535; we do not agree that it only repeats the Ofgem approved effects of UNC Modification 0535. Furthermore the number of non-effective days proposed by UNC 0580S has been linked to the Project Nexus implementation date which itself is subject to much uncertainty.

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

We do not believe UNC 0580S should be implemented.

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

We do not believe that UNC 0580S efficiently protects suppliers who are actively transferring customers during the relevant period from incurring inaccurate charges. We do believe 7 non-effective days to be excessive.

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

No comment

Modification Panel Members have requested that the following questions are addressed:

Q1: Please provide clear views and supporting evidence on the self-governance status of this modification focusing, in particular, on whether this proposal is likely to have a material impact upon competition in the shipping, transportation or supply of gas.

In its decision letter for UNC 0535, Ofgem considered that the two-day non effective period would not have any impact on retail competition. It cited that in practice transfers are now around 17 days, or three days from the end of the statutory cooling-off period.

We believe that the proposed 7 non-effective days proposed by UNC 580S may challenge suppliers' ability to discharge their obligations with respect to customer switching timescales. The proposed 7 non-effective days are not simply to manage to the Annual AQ review but to align with UNC 0432. This has not been assessed by the workgroup and it is therefore difficult to determine whether it is likely to have a material impact upon competition in the shipping, transportation or supply of gas.

Q2. Views are invited on the number of non-effective days you think are appropriate. Please include justification for your view.

UNC 0580S was amended so that there would be 7 non-effective days rather than the 4 originally proposed because it would reflect the arrangements under Modification 0532 "Implementation of Non Effective Days (Project Nexus Transitional modification)" as it would provide Shipper with increased certainty when engaging with customers and arranging contract commencement dates.

However, with the current industry uncertainty over the delivery of Nexus for 1 October 2016 if Nexus does not go live; it does seem rather unnecessary to have 7 Non Effective Days. As it would mean that Xoserve's current system would have to deal with the backlog of files and all Shippers would have to deal with the loss of days in the switching process too.

We believe that Xoserve need to advise industry on the minimum number of non-effective days that it requires in order to process the significant volumes of data necessary to manage the Annual AQ review.

Are there any errors or omissions in this Modification 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

No