

## Representation – Modification UNC 0658 (Urgent)

### CDSP to identify and develop improvements to LDZ settlement processes

**Responses invited by: 5pm on 18 June 2018**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Mark Bellman
<b>Organisation:</b>	ScottishPower
<b>Date of Representation:</b>	18 <sup>th</sup> June 2018
<b>Support or oppose implementation?</b>	Support
<b>Relevant Objective:</b>	d) Positive  or other Relevant Objectives) None

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

UIG is a significant exposure for all shippers due to size and volatility.

Daily volatility presents material uncertainty in forecasting UIG. This is compounded by Within Day and Day Ahead uncertainty in Nominations which further contributes to trading uncertainty.

And after the Gas Flow Day, the Allocation and subsequent amendments cause further movements in financial commitments that cannot easily be forecast.

To date the industry's efforts have been piecemeal and relied on individual parties making proposals. Some of these proposals sought to mitigate the effects on the raising party rather than resolve the underlying causes; whilst others have limited impact on only some of the underlying causes.

And common to both scenarios is that individual shippers cannot see the LDZ-level data that would better inform proposals.

ScottishPower believes that, to develop root cause solutions, the issue requires

- i) a centrally coordinated approach and
- ii) analysis of market-wide allocation and amendments for all segments and

iii) a structured evaluation of the list of potential underlying causes that already exists

Speed of response is critical before confidence in, and reputation of, industry gas settlement is further damaged.

ScottishPower support the dedication of well-managed, capable and motivated central resources for a limited period.

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

Implementation as soon as possible. Lead-time as short as commensurate with robust solutions.

As there are many different underlying issues, this is expected to include a number of different solutions.

ScottishPower believes that individual solutions should be implemented as soon as they are available to avoid a 'convoy programme' that moves at the pace of the slowest solution, whilst giving regard to any inter-dependencies / unintended consequences.

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

The proposal does not state what the budget would be for a dedicated resource so ScottishPower cannot currently assess cost impact

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

Additional service line seems a reasonable approach – but see comments below on Governance and Targets which should be appropriately accommodated in the Legal Text

**Are there any errors or omissions in this Modification that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

As drafted the proposal allows XoServe to allocate an unconstrained and undefined resource to the UIG Task Force. ScottishPower believe this is an over-sight borne of enthusiasm rather than mischief. And would not constitute good governance of industry costs.

The proposal that CDSP undertake 'this work independently' is fine but does not of itself justify the lack of over-sight required to ensure good governance and accountability for use of resources.

There needs to be effective over-sight while giving CDSP scope to innovate and without constraining its creativity so ScottishPower propose that an effective light-weight Governance regime should cover:

⇒ Financial commitment – where a significant commitment is required should the industry scrutinise the work programme. If so, what thresholds should apply, for

example financial commitment greater than £100k, or greater than 1 month of investigation? Etc. Also

⇒ Solution implementation

And that this should be carried out via a small Advisory Group with selected membership of shippers (between 5 and 7 members maximum)

In addition the proposal requires XoServe to make recommendations to allow UIG to be reduced to <4% of LDZ by 31 Dec 2018, but the proposal stops short of making that figure a target which are therefore apparently aspirational rather than an obligation.

ScottishPower would like to see the target in the Task Force's Terms of Reference and preferably as an obligation on XoServe to maintain UIG within certain tolerances

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

Not applicable