Rough Order of Magnitude (ROM) Analysis

for

Modification Proposal 0282 and 282A - Introduction of a process to manage Vacant sites

Version 1.0

Network Lead:	Chris Warner
Xoserve Lead:	Linda Whitcroft
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Change driver / origin

Modification Proposal 282 and 282A propose that a new process be established under the UNC, where a Shipper can reduce their cost exposure to vacant sites, through a process similar to that which exists in the electricity market. It is intended at this time that the Vacants process, if implemented, be applied to Smaller Supply Points. Discussions within the Distribution Workstream to develop a solution to include DM and NDM LSP sites have highlighted a number of areas of concern and as such may require detailed business rules in order to deliver a Vacants solution. In order to expedite the development and delivery of a workable approach for dealing with Vacants within the NDM SSP market sector, the Proposals exclude NDM LSP and DM sites at this time.

It is proposed that a site classified as Vacant would be excluded from commodity charging. For the avoidance of doubt, capacity charging would be retained (LDZ Capacity (ZCA), Customer Capacity (CCA), NTS Exit (NNX)). Shippers/Suppliers would continue to apply the isolation and withdrawal process where is deemed appropriate.

MOD 282A, raised by British Gas as an alternative to MOD 282, is largely the same as above in that similarly, a small supply point classified as Vacant would be excluded from Commodity charging, but Capacity charging would be retained. The major differences under MOD 0282A are :

1. Vacant SSPs will remain in the RbD process; and
2. Additional Business Rules for a shipper to confirm that a site flagged as vacant is still vacant every 215 calendar days, minimum (see Summary Rule 14 below).

This ROM has been developed on the business rules within Workgroup version 8.0 report as published on the Joint Office website on 9 March 2011:

http://www.gasgovernance.co.uk/sites/default/files/Draft%20Workgroup%20Report%200282%200282A%20v8.pdf

Analysis

Analysis has been based upon the business rules detailed below as provided by the proposers.

Summary of Business Rules 0282/0282A:

NB. differences between the modification proposals is shown in blue:

1. A Registered User will notify the Transporter, via the appropriate file format, of NDM SSP sites (in their ownership) which are Vacant;
2. The Transporter will amend the Supply Point Register to show the NDM SSP as Vacant;
3. After 7 days of the flag being set, Commodity charging will cease and; [in MOD282 the NDM SSP will be excluded from RbD; whilst in MOD282A the NDM SSP will be included in RbD];
4. Whilst flagged as Vacant, the NDM SSP will remain in the AQ Review process;
5. The Registered User will notify the Transporter, via the appropriate file format, where the NDM SSP no longer qualifies as Vacant;
6. The Transporter will amend the Supply Point Register accordingly;
7. After 7 days of the flag being removed, Commodity charging will re-commence and; [in MOD282 only, the NDM SSP will be re-included in RbD];
8. Where the AQ is increased above the LSP threshold, the Vacant flag will be removed from the revised AQ effective date (e.g. 1st October) and the Registered User notified;
9. Where a site is flagged as Vacant and there is a transfer of ownership, the Vacant flag will be removed;
10. Meter Reads submitted by the Registered User for a Vacant NDM SSP will be checked for energy consumption (to monitor Vacant status);
11. The Transporter will notify the Registered User of Vacant sites which it identifies as consuming gas;
12. MOD282A only - Where the Transporter identifies that gas is or was being offtaken at a 'Vacant' site, the registered User will be liable for all charges (including Transportation charges), as if it had not been Vacant;
13. Where there is evidence of gas being offtaken, the Registered User must remove the NDM SSP from the Vacants process;
14. MOD282A only – Shippers must warrant that a site (SSP) within the Vacant process remains vacant at least every 215 calendar days, by submitting the notification from the Meter Read Agent to the Transporter.

ROM Costs & Timescales

Note: ROM information is not based on any formal systems analysis.

Estimated costs:

Modification Proposal 282

System analysis, design, development and implementation

The solution will cost at least £554k, but probably not more than £714k

The ongoing costs, including producing and validating the monthly shipper summary report*, will be at least £41k, but probably not more than £102k per annum.

* this assumes that one report is produced and published to the industry

Modification Proposal 282A

System analysis, design, development and implementation

The solution will cost at least £690k, but probably not more than £892k

The ongoing costs, including producing and validating the monthly shipper summary*, report will be at least £51k, but probably not more than £124k per annum.

* this assumes that one report is produced and published to the industry

The invoicing activity to recover relevant charges where it is identified by the Transporter that the supply point is not longer vacant will cost at least £100, but probably not more than £200, in addition to the relevant transportation charges for the incorrect Vacant period (Business Rule 14). The activities involved include obtaining the data for the adjustment period, adjustment calculation sign-off, invoicing and supporting back-up information.

Each solution requires:

- A new flag on the system to record the vacancy status, this flag will be used to drive the resultant business rules.
- A file format on which to receive and acknowledge the Vacant status will be required.
- Any files will be subject to validation rules, these validation rules will be based upon the Business rules in the modification proposal.
- To manage the Vacant status (and any changes) and to cease the energy and transportation costs the following systems will be impacted to a greater or lesser extent:
    - Supply Point Administration
    - NDM Meter Reading
    - Invoicing
    - Gemini
    - Metering
    - AQ
- The following activities are in scope of the estimate for all options:
    - Perform analysis for the new / modified processes
    - Technical Design

- Coding and Unit Testing
- System Test Cases
- System Testing
- Performance Testing
- User Acceptance Testing
- Support Shipper Testing
- Production Implementation of the changes
- Post Implementation Support

- Additional costs for both 282 / 282A from new/amended business rules:
  - Two additional reports, as specified in business rules in MOD(s)

In addition, MOD 282A will also require:

- Technical solution required for correct AQ aggregation for transfer to RbD
- Develop a tool to calculate the un-charged Commodity in the case of a 'transgression' (i.e. site found not to be vacant whilst flag in place)
- Additional file(s) / file format(s) for notification of and responding to information that a site remains vacant

Estimated duration:

Modification Proposal 282

The Analysis Phase, will take at least 15 weeks, but probably not more than 20 weeks

Delivery; including detailed design and development, testing and post implementation support; will take at least 34 weeks, but probably not more than 38 weeks

The total of for the project is therefore in the range of 49-58 weeks.

Modification Proposal 282A

The Analysis Phase, will take at least 15 weeks, but probably not more than 20 weeks

Delivery; including detailed design and development, testing and post implementation support; will take at least 36 weeks, but probably not more than 42 weeks

The total of for the project is therefore in the range of 51-62 weeks.

Assumptions

- The Registered User is responsible for setting/removing the Vacant Flag. However, Xoserve will remove the Vacant Flag in the event of; [1] Shipper Transfer; [2] AQ crosses SSP to Larger Supply Point threshold; [3] Shipper submits RGMA flow for Isolation, as defined in the Business Rules
- At implementation, Shippers will submit requests to set the Vacant Flag at an agreed pace to avoid the need for performance enhancement costs
- The process to check for consumption at a Vacant site will be run on a monthly basis with reports issued to applicable Shippers as required
- The monthly performance summary report, issued to all Shippers and Ofgem, will provide each shipper with detail of their individual performance against other (anonymised) shippers on a monthly basis. Ofgem's version of the report should contain the shippers' identity, for Ofgem to monitor each shipper's behaviour.

Concerns

Service Levels 282 and 282A:

The modification proposal includes information that there are an estimated 700,000 vacant homes, of which 300,000 have been vacant for more than 6 months. There is concern at the rate at which the requests for setting the Vacant Flag could be submitted at the point of system implementation, there is an assumption that an agreed submission rate can be agreed with the industry**.**

Demand forecasts 282A only

The recovery of ongoing costs is from Shippers using the service. If one shipper has one vacant site they will be charged the entire monthly charge for the Vacant service. Shippers need to provide demand information for this service to enable the development of maintain the stability of the service charge as far as possible.,

Business Rules:

None identified at this stage

Note: the concerns above are those identified to date based upon the stated requirements. Detailed analysis may identify more topics to be considered, as would changes to the current stated requirements.

Impacts

Xoserve:

- Xoserve may require additional Invoicing and Energy Balancing verification processes
- Xoserve to provide reports to Shippers and Ofgem
- Xoserve to notify Shippers where consumption has been detected on a site flagged as vacant

Networks:

- Notify Users where occupancy has been observed at a site flagged as vacant

Shippers

Shipper Impacts:

- File changes (probably RGMA)
- Receive and act on notifications of occupancy and/or consumption
- MOD282A – submit Meter Read Agent notifications where site remains vacant (Bus. Rules 19 & 20)

Ofgem

Review reports of Shipper behaviour

Note: the impacts above are those identified to date, they do not represent a complete list of impacts