

Representation - Draft Modification Report 0506 0506A

Gas Performance Assurance Framework and Governance Arrangements

Responses invited by: **12 November 2015**

Representative:	Graham Wood
Organisation:	British Gas
Date of Representation:	12 November 2015
Support or oppose implementation?	0506 - Oppose 0506A – Support
Alternate preference:	<i>If either 0506 or 0506A were to be implemented, which would be your preference?</i> 0506A
Relevant Objective:	d) Positive for both 506 and 506A f) Positive for 506A only

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

British Gas is supportive of the implementation of Modification Proposal 0506A and opposes the implementation of Modification Proposal 0506 for the following reasons:

- 506 considers Transporter, Xoserve and Shipper performance. However, Transporters performance is already incentivised under RIIO and 506 would unnecessarily introduce dual governance arrangements.
- 506A focuses solely on Shipper performance, therefore avoiding any duplication or contention with other Transporter performance arrangements.
- 506 will introduce enduring contractual arrangements which will be procured based upon unclear assumptions of future performance issues. Whereas 506A recognises that the performance assurance solution that is currently being developed (before the implementation of Project Nexus and before any baseline performance is known) based solely on current knowledge and assumptions. The sunset arrangements proposed recognises this, with the intention to not completely remove Performance Assurance arrangements three years after the implementation of Project Nexus, but to encourage the industry to consider and shape a suitable enduring solution once we have a true view of performance risks and issues.

- 506 introduces overly complex arrangements through the introduction of unnecessary hand offs between the Performance Assurance Committee, the Performance Assurance Framework Administrator and Xoserve.
- 506A proposes to use Xoserve to provide data and reporting into the arrangements. This reduces cost and complexity as much of the reporting required initially by the Performance Assurance Committee, will already be being provided by Xoserve, assuming either Mod 520 or 520A is approved.
- The PAFA role is defined within 506 as an administrator who would take data from Xoserve, present it to the committee in the form of reports and maintain a risk register. This is firmly within the skill set of Xoserve, who in the case of 506 would be providing data and interpretation of the data to the PAFA. Therefore with little extra effort Xoserve would be able to deliver the reporting and administration sooner and at a lower cost via 506A.
- The costs associated with operating the proposed 506 arrangements are currently unknown; this creates an unacceptable level of risk relating to the costs that Shippers and ultimately customers will be required to pay.
- 506A introduces more simplistic arrangements which allows for easier ongoing evolution of the arrangements as they implemented and operated. Whereas the contractual arrangements that will underpin 506 will be more difficult to amend or evolve and will be subject to increased costs as scope changes.
- Whilst the costs to implement 506A are also unknown at this time, the level of costs should be significantly less than for 506.

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

We would like to see the implementation of Performance Assurance Framework arrangements as soon as possible and if possible in readiness for commencement of the new settlement arrangements being implemented under Project Nexus.

We believe that the arrangements being proposed by Mod 0506A should be able to be introduced quicker and more efficiently than those being proposed by Mod 0506. It is unclear how long it will take to procure and implement the Mod 0506 solution; however we expect this to take at least 9-12 months.

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

The costs associated with the delivery of the Mod 0506 solution are unknown and this creates an unacceptable level of risk to Shippers and particularly consumers who will ultimately be exposed to these costs.

The Mod 506A solution is far easier to implement and is expected to cost significantly less.

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

Yes

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