

Representation - Draft Modification Report 0506 0506A

Gas Performance Assurance Framework and Governance Arrangements

Responses invited by: **12 November 2015**

Representative:	Colette Baldwin
Organisation:	E.ON
Date of Representation:	11 th November 2015
Support or oppose implementation?	0506 – Support 0506A - Oppose
Alternate preference:	<i>If either 0506 or 0506A were to be implemented, which would be your preference?</i> 0506
Relevant Objective:	d) Positive f) Positive

Reason for support/opposition:

We support the introduction of a Performance Assurance Regime. Nexus creates new opportunities for improved data transparency and new settlement arrangements that it makes it essential that we start to change the way we look at settlement risk.

We believe that there is no effective management of settlement risk today and that the solution developed under Mod 506 builds on the best practices of the Elexon arrangements that apply to electricity settlement risk management. The 506 solution offers the benefits of industry experts reviewing data in a completely transparent non-partisan process, but protects the PAC Members and their companies from confidentiality concerns that aren't addressed under 506A and for that reason we would prefer Mod 506 over 506A.

We believe there are a number of excellent, well qualified service providers who can undertake this work, and it is not solely within the capability – or indeed necessary that only Xoserve to perform this activity...suppliers have used companies to undertake billing/settlement performance analysis and of course, the expertise that Elexon could offer in this space should be equally be considered valuable and so for this reason, we would like to see these arrangements introduced as a “contestable service” subject to competitive procurement and market testing under Mod 506.

We don't believe that it's essential that the PAF arrangements become part of the de facto monopoly of transporter provided services through mod 506A. There could also be a conflict of interest between the central data service provider's role in the future development of the arrangements of incentives and performance measures which are based upon the central system performance capabilities and/or limitations which may not be completely transparent, and/or the degree to which the central data service provider may need to be subject to any future performance arrangements where they undertake work which is either by manual interventions in or in support of the system functionality which may affect settlement performance.

Additionally, we note that it's disappointing that the transporters insist that they will only use Xoserve to procure the service if Mod 506 is to go ahead which they acknowledge excludes Xoserve from bidding to provide the service, which actually may frustrate competitive service provision and result in less efficient service delivery if they are not subject to market forces and innovations. The Gas Transporters have used alternate procurement arrangements for other activities and so we don't believe their concerns are insurmountable.

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

We would like to see the modification implemented as soon as possible, as we would like to see a risk methodology approach being developed and in place as soon as Nexus is delivered, and see how it can evolve in terms of risk management/mitigation. Given the 3 year approach to these arrangements under Mod 506A – there is a real risk that this will be insufficient time to allow the arrangements to be developed and meaningful evaluation of success be accomplished.

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

As this modification introduces arrangement for the administration we wouldn't expect any system development costs, but obviously we will be required to fund our share of the administration costs.

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

Yes, subject to the variation request.

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.*

None

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