

Representation

Draft Modification Report

0428/0428A - Single Meter Supply Points

Consultation close out date: 10 June 2013
Respond to: enquiries@gasgovernance.co.uk
Organisation: E.ON
Representative: Colette Baldwin
Date of Representation: 07 June 2013

Do you support or oppose implementation?

0428 – Qualified Support * *delete as appropriate*

0428A - Support * *delete as appropriate*

If either 0428 or 0428A were to be implemented, which would be your preference?

Prefer 0428 / 0428A – we have concerns with the proposed that need further clarification without which we cannot confirm a preference.

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

On Mod 428 we have a number of concerns:

The implementation date creates uncertainty about the date on which suppliers must disaggregate sites. It stipulates that no new points may be added from 1st April 2014, and that all existing aggregations must be disaggregated by 3 months from Nexus Go-Live date, however at what point should suppliers inform customers that they have to begin disaggregating? Whilst it would be sensible for suppliers and customers to agree this, because it will have a financial impact on the customer charges customers may wish to retain their aggregation until they are obligated to become disaggregated and in order to require the customer to accept the disaggregation requirement, from what date would we be required to contract with the customer on these new terms?

On the grounds of competition, the approval of this modification may introduce a risk that customers with existing aggregations may have difficulty agreeing new contracts with suppliers to maintain their aggregations up to the implementation date of the modification. The resource cost on parties required to perform the disaggregation, coupled with the uncertainty on the date on which new charges will be incurred may make it difficult or undesirable to agree new contracts for existing aggregations.

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In terms of trying to understand the financial impact of this modification, we have received little or no information from the GDNs on the impact to charges. Only NG has given any indication of the likely financial consequences for these customers; however that was provided at a high level overall network impact and more information would be helpful.

In terms of what would happen after disaggregation to the AQ and SOQ of each “new” supply point. Since this information is held now at the aggregation level, unless there is history available it is not clear what AQs or SOQs should be applied to the de-constructed supply point. Since these values drive the Transportation and Commodity Charges, customers will need to understand the revised charging structure of their individual supply points, and without sufficient information this would be only an estimate and could impact the contractual terms for any new or revised contracts.

Finally, in respect of the process disaggregation, we are concerned that without a phased approach to implementation the resources required both by Xoserve and Shippers may be insufficient to achieve disaggregation for all the aggregations into individual supply points. Given that the process (in our experience) takes on average 6 weeks per disaggregation (for those that are uncomplicated) and that there is no set date to begin the disaggregation or conclude it by, if all parties waited until the Go Live date of Nexus was confirmed to begin the disaggregation, all work would have to be completed within three months by both shippers and transporters (and their agent), as well as completing the setting up of new billing accounts for the previously aggregated meter points.

Finally, we do support the approach intended by this modification to give improve transparency in charges and therefore if the above concerns were addressed fully we would be minded to support the modification.

In respect of 428A

Customers meeting certain conditions (as per the Transco guidelines from 28th April 1997 provided to the workgroup), have entered into site work arrangements with the network operators in good faith and on terms agreed with the network operators at that time establishing aggregated supply points. This modification will penalise those customers who are continuing to take their energy in the same volumes, through the same networks and in the same quantities continuing to meet the existing conditions for aggregation but who will now be forced to accept a revision to those arrangements which doesn't change their physical connection or their overall consumption yet introduces increased costs and complexity.

There seems to have been a lack of engagement with the affected customers and we would encourage Ofgem to engage with the Major Energy Users to consider the customer impact of these revisions.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

I believe the points made in respect of the implementation date and approach to disaggregation timeframes uncertainty should be added to the workgroup report.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Without clarity on the cost issues we can't conclude that Mod 428 furthers the relevant objectives, however we may reconsider this if more information were made available.

Mod 428A retains the existing arrangements for those supply points that exist now and makes it clear that no new aggregations can be created. This ensures that there is no risk of lack of competition for existing aggregated supply points, and that there is the transparency of charging that mod 428 seeks to introduce for new supply points as they are established.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

We will see significant costs and issues with Mod 428 and we will provide some further confidential information directly to Ofgem.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

Mod 428A could be implemented almost immediately with no detriment to existing customers, processes, supply contracts or systems. We would recommend a fixed implementation date of 1st April 2014 to allow any sites in preparation for aggregation to be identified and concluded, as well as any new sites in construction to be advised of the impending implementation.

Mod 428 would have significant impacts on resources both within shippers/suppliers and customers, and probably Xoserve too. We think a fixed implementation date should be confirmed and a disaggregation plan put in place that didn't financially disadvantage any customer from the start to the end out of the rollout timeframe.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

We have not reviewed the legal text in full. However, because we are concerned that the Legal Text creates uncertainty in terms of the date on which disaggregation must be achieved, or from which date revised charges would have to be applied we do not feel there is sufficient clarity in the legal text to assure customers of the requirement for different charging arrangements or the date on which disaggregation must take place until a date (which is yet to be confirmed - Project Nexus Go Live) is announced.

Is there anything further you wish to be taken into account?

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Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

The modification was proposed by National Grid, however no supporting information from the remaining GDNs has been provided – we would like additional information on whether there are sites on their networks which are affected and what the charging impacts would be.

We think there should be some guidance on the treatment of AOs and SOOs where there is insufficient historic information at the meter point level for those to be reasonably calculated.