

Representation

Draft Modification Report

0451 0451A (Urgent): Individual Settlements For Pre-Payment & Smart Meters

Consultation close out date: 09 September 2013
Respond to: enquiries@gasgovernance.co.uk
Organisation: SSE
Representative: Mark Jones
Date of Representation: 09 September 2013

Do you support or oppose implementation?

0451 - Not in Support

0451A - Not in Support

If either 0451 or 0451A were to be implemented, which would be your preference?

Prefer **0451A**

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

Not enough analysis has been done on prepayment profiles for each LDZ. The data provided for the new profile is for a very limited number of customers for one LDZ for a very short time period. No data has been provided for the remaining LDZs so an accurate profile cannot be built up for prepayment customers. In order to build up an accurate profile a much larger number of customers would need to be analysed over a much longer period of time.

The data provided falls well short of that required by the Demand Estimation Sub-Committee (DESC) for the production of profiles that are robust and get used in gas allocation. Furthermore, DESC have not been involved in the development of this modification.

The trigger for these modifications appears to be that as last winter was very cold the over allocation to prepayment customers got much worse. Therefore, the problem appears to be gas allocation to prepayment customers in prolonged extremely cold weather rather than the profile itself. It has not been specified as to how the weather adjustment will be made, but creating a new profile and adjusting it for weather in the same proportion as other EUC1B customers with will not create a correct outcome because prepayment customers react differently to weather than credit customers and so, in effect, an equivalent of the daily adjustment factor (DAF) would also need to be developed for this new profile. It may be that in a very mild winter prepayment customers' usage follows very closely that of credit meter

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customers, but no analysis has been provided on differing winter weather conditions.

Any reduction in demand in a cold winter by prepayment customers will be reflected in forward looking AQ values, which is how things should work according to the rules of the UNC.

It could be argued that a number of subsets of customers could have different profiles and that prepayment is just one of them. For example, low users could be expected to have a different usage pattern, as could higher AQ SSPs. Within the SSP market it is recognised that there are swings and roundabouts and that the actual profile does not necessarily fit exactly any type of customer, but is an amalgamation of all types of customers. Recognising this fact, any shipper that targets a specific sector of the market whilst being allocated against an average profile runs the risk of being subject to losses if the weather or any other factor goes against them, but at the same time could enjoy a windfall gain if the opposite were true. To raise a retrospective modification against losses incurred due to commercial decisions that carry an element of risk that have not turned out favourably does not appear to be fair. Prepayment tariffs should take account of seasonality and weather effects and should be priced accordingly by shippers.

Retrospection creates uncertainty in the market. Shippers should not be subject to retrospective changes in their charges except where manifest error can be proven which is not the case in Modification 0451.

Implementation of this modification would result in relatively high costs for a short period of potentially inaccurate energy allocation adjustment until the delivery of Project Nexus.

We have concerns that the flag to identify whether a customer is prepayment or not has been updated correctly and so any re-allocation could be applied to groups of incorrect customers.

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

No.

Relevant Objectives:

How would implementation of these modifications impact the relevant objectives?

We do not believe that any of the relevant objectives would be impacted positively by the implementation of either of these modifications.

Impacts and Costs:

What analysis, development and ongoing costs would you face if either of these modifications were implemented?

We would face minimal costs internally due to minor system and process changes. However, there are significant costs to the industry for a change that will have a relatively short life until Project Nexus is implemented.

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What lead-time would you wish to see prior to either of these modifications being implemented, and why?

We do not believe that either modification should be implemented.

Legal Text:

Are you satisfied that the legal text and the proposed ACS (see www.gasgovernance.co.uk/proposedACS) will deliver the intent of the modifications?

We have not reviewed the legal text and the detailed costs are not available to review.

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

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

No.