

Stage 02: Workgroup Report

0450:

Monthly revision of erroneous SSP AQs outside the User AQ Review Period

At what stage is this document in the process?



This Modification will provide Users with the ability to amend the AQs of a limited amount of SSPs each month outside the User AQ Review Period where these are erroneous.



The Workgroup recommends that this modification should now proceed to consultation.



High Impact:
Smaller Suppliers



Medium Impact:
Larger Suppliers



Low Impact: Xoserve

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Workgroup Report

15 May 2013

Version 0.1

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About this document:

This report will be presented by the Workgroup to the panel on 19 September 2013.

The panel will consider whether the modification is sufficiently developed to proceed to Consultation and to submit any further recommendations in respect of the definition and assessment of this modification.



Any questions?

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification.

Why Change?

The current arrangements, whereby AQs for SSPs can only be amended during the User AQ Review Period, make it impossible for SSPs with erroneous AQs to be amended in a timely manner during the rest of the year. Suppliers are balanced against the AQs of the sites they supply; therefore this has a disproportionate impact on smaller suppliers when they acquire SSPs of this nature from other suppliers and thus has a knock on effect on their ability to compete effectively as they are less able than other larger suppliers to cover the costs resulting from this situation. In addition, erroneous AQs result in misallocation of costs and it should be made easier for suppliers to correct the most seriously inaccurate of these.

Solution

It is proposed that all Users are given the ability to amend the AQs of 400 SSPs once per calendar month outside the User AQ Review Period. This will allow acquired SSPs with erroneous AQs to have those amended to the correct figure, thus mitigating to some extent the current disproportionate disadvantage to smaller suppliers in not being able to amend these more frequently than at present. It seems appropriate that all Users be given this right but greater benefit will derive to smaller suppliers from this due to the lesser size of their portfolios and ability to bear the costs resulting from erroneous AQs and will thus assist the furtherance of effective competition between suppliers. Implementation would also likely assist in the proper allocation of costs across the industry as suppliers would be expected to prioritise the correction of the most inaccurate SSP AQs within their individual portfolios. A 20% rule will apply in each case with a minimum 4000 kWh amendment; no AQ amendment lesser than these for any SSP may be carried out. In addition, no SSP may have its AQ modified more than once by each supplier during the 8 month annual period. However, should the SSP switch to another supplier, this supplier will then have the right to amend the SSP's AQ once during the remainder of the 8 month period should it wish to do so and as long as the existing meter read requirements are met.

Relevant Objectives

Implementation of the modification would further effective competition between relevant suppliers in line with objective d) as smaller suppliers would benefit to a greater extent from the ability to amend erroneous AQs outside the User AQ Review Period thus counteracting the current disproportionate disadvantage which the current process presents them with. However, the ability to do so will be made available to all Users.

Implementation

The Workgroup suggest.....

2 Why Change?

Smaller suppliers are disproportionately disadvantaged by the current inability of suppliers to amend AQs for SSPs outside of the User AQ Review Period. As suppliers are balanced against their AQs, erroneous AQs for acquired SSPs create a multitude of issues which directly impact on the ability of smaller suppliers to compete on level terms with their larger competitors who are much more able to bear the cost of erroneous AQs within their SSP portfolios.

As stated above, smaller suppliers are disproportionately disadvantaged by the current inability of suppliers to amend AQs for SSPs outside of the User AQ Review Period. As suppliers are balanced against their AQs, erroneous AQs for acquired SSPs create a multitude of issues which directly impact on the ability of smaller suppliers to compete on level terms with their larger competitors who are much more able to bear the cost of erroneous AQs within their SSP portfolios. Therefore, this modification would allow all User to amend 400 SSP AQs per month outside the User AQ Review Period, provided that no SSP has its AQ amended more than more during this period while it is supplied by that particular supplier.

3 Solution

This proposal would allow all suppliers to amend 400 SSP AQs per month outside the User AQ Review Period. This will provide a greater benefit to smaller suppliers due to the lesser size of their portfolios and the disproportionately greater impact that erroneous SSP AQs have upon them. A 20% rule will apply in each case with a minimum 4000 kWh amendment; no AQ amendment lesser than these for any SSP may be carried out.

As the proposed number of extra SSP amendments allowed to take place outside the User AQ Review Period would only amount to somewhat less than 150,000 extra amendments per year (equivalent to a very small proportion of the total number of amendments which take place during the User AQ Review Period) and these will be staggered over the whole year with only one change allowed for each qualifying SSP while it is supplied by that User, we would not expect any significant extra changes to be required to Xoserve's systems. However, we agree that any changes required should be treated as User Pays.

User Pays

Classification of the modification as User Pays or not and justification for classification

Classification as User Pays due to possible impact on Xoserve systems.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.

100% cost to eligible Users.

Proposed charge(s) for application of Users Pays charges to Shippers

A view from Xoserve is requested.

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

A view from Xoserve is requested.

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	None

Implementation of the proposal would further effective competition between relevant suppliers in line with objective d) as smaller suppliers would benefit to a greater extent from the ability to amend erroneous AQs outside the User AQ Review Period thus counteracting the current disproportionate disadvantage which the current process presents them with. However, the ability to do so will be made available to all Users. More accurate AQs will lead to more accurate and efficient allocation of costs across the market.

5 Implementation

As determined by the Authority following consultation if implemented.

Attempts have been made in the past to amend the AQ process for SSPs but these have often encountered delays and cost barriers due to the large amount of work that would be required on Xoserve's systems to implement far-reaching changes. The proposer is hopeful that limiting the amount of SSP amendments allowed outside the User AQ Review Period to 400 per User per calendar month should not present Xoserve with any serious issues as regards extra systems resource required and should then allow relatively rapid implementation if the Authority reaches this decision.

6 Legal Text

Suggested Text

Add to UNC TPD Section G:

1.6.3. (c) – Each holder of a gas supply licence may, in accordance with UNC TPD Section G 1.6.4. (a) (i), UNC TPD Section G 1.6.4. (b) (i) and UNC TPD Section G 1.6.4. (c), amend the Annual Quantity of no more than 400 Smaller Supply Points per calendar month outside the User AQ Review Period.

7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.