

Representation

Draft Modification Report

0450 0450A 0450B - Monthly revision of erroneous SSP AQs outside the User AQ Review Period

Consultation close out date: 12 December 2013

Respond to: enquiries@gasgovernance.co.uk

Organisation: British Gas

Representative: Andrew Margan

Date of Representation: 12 December 2013

Do you support or oppose implementation?

0450 - Not in Support

0450A - Not in Support

0045B - Not in Support

If either 0450, 0450A or 0450B were to be implemented, which would be your preference?

Prefer 0450A

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

In summary we support the principle that SSP shipper AQs should be as accurate as possible to enable correct allocation of costs.

Our concern with all three proposals is that they create an environment where shippers have to participate in SSP AQ Appeals process or receive higher costs due to other shippers reducing their allocation. If all shippers participate to the maximum extent allowed, no allocation improvements will be realised, unless to the adverse impact of the non-participating shippers.

To implement the proposal and participate in the AQ Appeals process, cost will be incurred up by shippers when developing and managing the system and process changes. As this modification change is an interim measure and it will add unnecessary cost to the industry, with not the corresponding benefit, we do not support the implementation of these proposals.

British Gas supports the Settlement reform project Nexus whereby the strategic solution of enabling individual SSP AQ reconciliation will be delivered. British Gas preference of Modification 450A, is based on the rationale that it will restrict the scope of the proposal back to its original intent of allowing AQ Appeals. But unlike Modification 450 and 450B, it will not incur the ongoing operational costs of running the AQ Review process each month.

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

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No

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We are concerned that none of the proposals meet the relevant objective to secure competition between suppliers.

Our concern is that should this proposal be implemented, allocation of costs between shippers will not improve if every shipper participates in the process. Or it will disadvantage non-participating shippers and impact on their ability to compete in the market.

Some shippers suggest the proposals should be considered regarding the Commodity and Credit risk and these are the real benefits to this proposal. We have analysed this argument and believe the benefits will be marginal and they will not offset the costs of delivering this change.

Impacts and Costs:

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

This modification will require changes to our central systems and processes, which are estimated to be greater than £500k.

Ongoing costs will require 2 full time FTEs.

Implementation:

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

We would require a minimum of six months to implement this change.

Legal Text:

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

Yes

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