Representation

Draft Modification Report UNC 0651
Changes to the Retrospective Data Update provisions

Modification Report

1. **Consultation close out date:**   9th August 2018

2. **Respond to:**   enquiries@gasgovernance.co.uk

3. **Organisation:**   Gazprom Energy
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4. **Representative:**   Steve Mulinganie
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5. **Date of Representation:**   7th August 2018

6. **Do you support or oppose Implementation:**
   We **Oppose** implementation of Modification 651

7. **Please summarise (in 1 paragraph) the key reason(s) for your position:**
   The industry approved RAASP functionality as part of the NEXUS implementation which was **fully funded and is included in the Uniform Network Code (UNC)**. Due to poor program management leading to numerous delays with the implementation of NEXUS as well as escalating program and industry costs a decision was made to defer RAASP functionality delivery to enable NEXUS Go Live in June 2017 at least **2.5 years later than originally intended**.

We continue to believe that **delivery of RAASP functionality is key to ensuring the new NEXUS system is fit for purpose, future proof** and not subject to enduring industry workarounds. An incomplete solution may introduce the risk of unintended consequences on both business as usual operations and future market developments such as the Faster & More Reliable Switching Significant Code Review (SCR).

We believe this modification ultimately seeks to avoid costs for GDN's and there shareholders by **allowing them to avoid delivering functionality** that was **budgeted and paid for** as part of the NEXUS project. If this modification is approved it ultimately endorses and rewards parties who failed to ensure the timely and efficient delivery of the functionality agreed under Project Nexus.

Such a sub optimal enduring solution will lead to additional costs being borne by Shippers for managing workarounds which will ultimately result in higher industry costs which will be passed on to consumers.

Changes to RAASP Solution - As has been demonstrated in the development workgroups (UNC Modifications 0624R & 0651) the solution as currently set out in the UNC **can be delivered as a reasonable cost** particularly when compared with the complexity of the solution and apparent difficulty of achieving it when first assessed by Xoserve.

The need for this change is still apparent and in a meeting on 24 May 2018, the industry re-examined the RAASP scenarios and it was determined by Xoserve, shippers and transporters who were in attendance that all of the scenarios were still valid. It was also noted that these scenarios cut across proposed changes as part of the Faster and More Reliable Switching programme.

Implementation Timescales - We question the proposer's assertion that it they believe it is vital to ensure a solution, even if deficient to the current requirements, is implemented as soon as possible. If this is the case why has the proposer, who is obliged to deliver the current UNC requirements, not made any effort to do so over the last 12 months?

We also note that the **difference in delivery timescales is not that significant**, with a full solution only requiring an additional six months as set out in UNC Modification 0624R, though the timeline in the modification report does not clearly represent this.

Cost - Surprisingly the cost assessment of the two options put forward, the full solution (option 3) and the sub-optimal solution (option 4) were not replicated in the modification report, but were in UNC Modification 0624R. To aid a proper assessment of the changes, we have replicated it below:

Overall Costs (in £'s)					
	Option 1	Option 2	Option 3	Option 4	Option 5
Total Implementation Costs (Excluding MT)	2,476,000 - 2,776,000	3,306,000 - 3,656,000	3,930,000 - 4,030,000	3,331,000 - 3,386,000	157,000
Enduring Costs	2,598,000 - 2,648,000	2,552,000 - 3,052,000	1,711,000 - 1,761,000	2,663,000 - 2,713,000	2,266,000
Overall Costs	5,074,000 - 5,424,000	5,858,000 - 6,658,000	5,641,000 - 5,791,000	5,994,000 - 6,099,000	2,423,000

Source: Xoserve report on RAASP implementation options[1]

As can be clearly seen from this table, the costs overall are higher for this proposal (Option 4) than delivering the requirements currently set out in the UNC at present i.e. Option 3 the current RAASP solution

Qualitative Assessment- The solution proposed here is a retrograde step. It represents a less automated solution than the original proposal, creates more interfaces and hand-offs of data and relies more heavily on manual process, compared to the current UNC requirement. **Manual interfaces are the primary source of data error in the market** and to rely on such processes rather than fully automated solutions will mean a less accurate supply point register which will negatively affect both business as usual operations and the Faster and More Reliable Switching Programme. **We would note that Ofgem have repeatedly highlighted concerns over the need to ensure industry data quality.**

Data Cleanse - This is a **wholly separate set of changes which has no relation to the RAASP solution** and should have been raised separately. This limited exercise would in itself provide some marginal improvement to the accuracy of asset information in the market, but as this is not enduring **it will degrade over time as a sub-optimal process is used to maintain it.** For the avoidance of doubt we see the limited benefit this one-off exercise will bring is significantly outweighed by the negative impact that the proposed changes to the RAASP solution represent and so we do not support this modification.

8. **Are there any new or additional Issues for the Modification Report:**
   No

9. **Self-Governance Statement Do you agree with the status?**
   Yes

10. **Relevant Objectives:**
    How would implementation of this modification impact the relevant objectives?
    We **disagree** with the proposer that this modification is positive in respect of Relevant Objectives

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[1]https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2018-01/RAASP%20Consultation%20Summary%20Document%200624R%20v2.0.pdf

11. Impacts & Costs:

What analysis, development and on-going costs would you face if this modification was implemented?

We **have** identified significant costs and risks associated with this modification

RAASP solution changes.

> - Significantly **more running costs** of operating a more resource intensive semi-manual solution. Instead of one central efficient automated solution we would have numerous different industry approaches

> - **Greater levels of error** as a result of manual corrections being applied to system information.

> - Higher rates of **failed or delayed switches** owing to less accurate system information which could detrimentally impact the Faster & More Reliable Switching program

> - The **Smart & Advanced Metering programme rollout** could be hindered through less accurate asset information being available

Data Cleanse

> - One off limited resource requirement to manage and verify asset information changes.

12. Implementation:

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

We do not support the modification as it delivers a reduction in the proposed RAASP service. We believe that the current proposed timescale for implementation for the existing UNC requirements represent a reasonable timescale being only six months more than this proposed solution.

13. Legal Text:

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

We have **no comments** on the Legal Text provided.

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

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

We would note that Ofgem have already highlighted the **very high returns** achieved by transporters under the current price control. We do not believe it is fair or reasonable that transporters should be able to avoid funding the RASSP solution on the basis of failing to efficiently deliver the NEXUS program.