Joint Office of Gas Transporters

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

Responses invited by: 5pm on 09 August 2018

To: enquiries@gasgovernance.co.uk

Representative:	Gareth Evans
Organisation:	ICoSS
Date of Representation:	9 August 2018
Support or oppose implementation?	Oppose
Relevant Objective:	**d)** Negative

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

This modification is not about developing a solution that meets the needs of the RAASP requirements. This modification has been raised to minimise cost to the GDNs (and their shareholders) from legacy requirements from their obligation to implement Project Nexus. By doing so, this modification shifts that cost onto shippers, who will pass this onto their customers and result in higher bills. It also creates a second rate enduring solution that will be detrimental to data quality in the market at a time when the industry is seeking to improve it.

The modification is in two distinct parts, covering changes to the RAASP solution and then a data cleanse, that should properly be separate changes. We examine the two part of the solution separately.

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, particular 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. 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, in particular with the 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 timescales is not that significant, only six month 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 here:

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 than what currently exists within the UNC at present (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 the Faster and More Reliable Switching Programme.

Data Cleanse

This is a wholly separate set of changes which has no relation to the RAASP solution and should have been raised separately. It can easily be done so if Ofgem feels that is the optimum way forward.

This limited exercise would in itself provide some marginal improvement to the accuracy of asset information in the market, but this 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.

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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

Self-Governance Statement: *Please provide your views on the self-governance statement.*

We agree that owing to the material nature of the change, and its clear impact on the market, it should be sent to the authority for decision.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We do not support the modification as it includes 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 for the optimal process to be implemented, being only six months more than this proposed solution.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

As we have set out above there are two distinct impacts on our members from this change, which should have been raised as two separate modifications:

RAASP solution changes.

- Significantly more running costs (estimated to be around £1m) operating a more resource intensive semi-manual solution.

- Greater levels of error through manual corrections being applied to system information.

- Higher rates of failed or delayed switches owing to less accurate system information.

- Smart Metering programme rollout hindered through less accurate asset information.

Data Cleanse

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

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

We have not reviewed the legal text.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

The modification report and the modification itself are deficient in a number of areas. It relies heavily on UNC Modification 0624R but does not replicate the relevant information, in particular the cost information and any accurate information on implementation timescales. When assessing whether this modification is appropriate, Ofgem will need to review both sets of documents.

Please provide below any additional analysis or information to support your representation

- It is worth noting when determining whether the additional costs for the RAASP solution fall on transporters or shippers, than in their recent RIIO-2 framework consultation[2] Ofgem indicated that current return rates for transporters on their assets are too high as it does not reflect the low capital funding costs and general low level of risk they experience.

- We would be supportive of any change raised to implement the data cleansing aspect of this change only.

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[2] https://www.ofgem.gov.uk/system/files/docs/2018/03/riio2_march_consultation_document_final_v1.pdf