

Representation - Draft Modification Report UNC 0625

Extension of 4 months to 10 months to transfer non-mandatory sites from Class 1

Responses invited by: **5pm on 02 November 2017**

To: enquiries@gasgovernance.co.uk

Representative:	Angela Love
Organisation:	ScottishPower Energy Management Ltd
Date of Representation:	3 rd November 2017
Support or oppose implementation?	Oppose
Relevant Objective:	d) Negative

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

ScottishPower does not support this proposal. Since the introduction of Project Nexus, 5 months ago, there have been on-going problems with some DM sites loading readings into the settlement system, which is contributing to Unidentified Gas (UIG). Up and until 1st October 2017 there was no UIG at all attributed to sites in Class 1 and therefore arguably no incentive on Shippers to address the issues with these DM sites. Further there was limited incentive to address the issues from 1st October 2017, as Product Class 1 UIG values from that time are much less than in all other Product Classes. In the early days whilst issues with these sites were prevalent Xoserve evidenced¹ that not much progress, or in some cases, engagement by the Shippers was taking place.

Therefore whilst ScottishPower has sympathy with some of the sentiment of this proposal it does not agree that further time is needed to allow Shippers to migrate their sites to Product 2. Indeed it has been signalled for a number of years that Shippers would have to move their sites to Product 2, and have the necessary equipment in place, or face the outcome of their sites being moved to Product 4.

ScottishPower understand the premise of moving the sites to Product 4 was to incentivise DM voluntary sites to migrate to Product 2 as soon as possible, the incentive being the higher allocation of UIG to Product 4. At the present time the DM voluntary sites residing in Product 1 are enjoying a UIG factor of 0.0118, which is the lowest value of UIG applicable in the post-Nexus, post-October 2017 regime. When considering the values in Product Class 2, where these sites should be settled, in the main the values range from 2.187 to 5.494 (EUC band 9 does mirror the 0.0118 value, but is one of only

¹ Slides 13 and 14 PAC September 2017 meeting - <https://www.gasgovernance.co.uk/0631/031117>

9 values)². Information from Xoserve shows that there are only 3 sites that are DM voluntary in band 9 (out of 779 sites).

If this proposal is implemented then there will be continued benefits to all 779 sites, which are voluntary daily metered, whether they were affected by issues or not. From information provide by Xoserve there are only 25 sites which are voluntary daily metered and are still sitting in “pot 1” of the DM issues list.

In addition there would be a significant distortion to UIG, with all 779 DM voluntary sites picking up the lowest 0.0118 factor and ultimately all other Product Classes picking up the mis-allocation of UIG. For these reasons ScottishPower does not believe that this proposal furthers Relevant Objective (d) and is actually detrimental to it.

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

ScottishPower does not believe that this proposal should be implemented, but appreciate that if the Authority does direct to implement, then as much lead time as possible should be given.

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

As outlined above there would be a continued distortion in the UIG allocation between Daily Metered Voluntary sites in Product 1 and all other Product Classes. Whilst ScottishPower cannot quantify this in detail, given that the UIG values are not known until the day, considering the UIG factors in each of the Products and the magnitude of difference between them, ScottishPower believes that this is significant.

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

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Modification Panel Members have requested that the following questions are addressed:

Q1: Respondents are to consider the materiality of the proposed modification and provide evidence (where available) to demonstrate the potential impacts should it be implemented.

Please see the spreadsheet attached to this response.

² 30th June 2017 AUGÉ Final Factor Table - <https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2017-06/Final%20Factor%20Table%20Letter%2030%20June%2017.pdf>

Q2: Following consideration of representations, it is recommended that Panel test the materiality of the modification against the self-governance criteria, prior to making a recommendation/determination on the Final Modification Report.

For the reasons outlined above, ScottishPower does not believe that this proposal meets the criteria of self-governance, as the proposal is likely to have a material impact on Shippers and accurate allocation of costs (UIG) across the market.

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.*

No.

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

Please find the UIG factors to two decimal places from 1st October 2017:

	Settlement Product (Class)			
	Product 1	Product 2	Product 3	Product 4
EUC Band 1	0.018	5.239	5.243	11.194
EUC Band 2	0.018	5.16	5.15	11.573
EUC Band 3	0.018	5.316	5.311	11.452
EUC Band 4	0.018	5.494	5.505	5.425
EUC Band 5	0.018	5.482	5.513	5.918
EUC Band 6	0.018	5.069	5.114	5.423
EUC Band 7	0.018	4.041	4.089	3.95
EUC Band 8	0.018	2.187	2.219	1.853
EUC Band 9	0.018	0.018	0.018	0.018