

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:	Mark Jones
Organisation:	SSE Supply
Date of Representation:	02 November 2017
Support or oppose implementation?	Oppose
Relevant Objective:	d) Negative

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

SSE does not support this modification as it creates a perverse incentive for shippers not to move sites from Class 1 to Class 2 in order to avoid the correct allocation of UIG. We also do not see the case that moving the sites from Class 1 to Class 4 for a period of time would have a negative impact on settlements, given that these sites could be placed into Class 4 in any case. In fact there is a strong case to put any sites into Class 4 from Class 1 that are failing to sending in daily reads as Class 4 will, on the whole, give better daily estimates for settlement allocation purpose as the sites' consumption will be estimated based on their profiled AQ values rather than being based on D-7 estimates rolling forward, which are less accurate and which this modification will have the effect of continuing to generate if implemented. For sites that are getting actual daily reads into settlement which would be less accurate in Class 4, then there is no reason why these sites cannot be nominated into Class 2 by shippers.

We do not see why because there are issues in resolving DM issues, some of which are of shippers' own making, that transferring sites to Class 2, which is a separate process could not be done anyway. Many sites will have been loading actual reads very soon after the implementation of Project Nexus and it seems that there has been very little effort in transferring any of these into Class 2 despite 5 months now having elapsed. There is an element within this modification of rewarding failure as allowing sites to remain in Class 1 will allow them to avoid a significant element of UIG during the winter months which will be passed on to other shippers. Six months from the implementation of Project Nexus is more than sufficient time for these sites to be moved into Class 2 and there is evidence that very few sites have moved into Class 2, even though a significant number are now not affected by the DM read issue, possibly because of this modification proposal.

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

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

None.

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

Yes.

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.

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.

SSE does not believe that this modification meets the self-governance criteria as implementation of it will impact the UIG allocations and so will have a commercial impact on all shippers that are subject to UIG in each LDZ.

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 states the following:

“From a broader industry perspective, the automatic transfer of existing DM sites to Class 4 (NDM) is likely to reduce the level of accuracy in the daily allocation of unidentified gas (UIG), as it will remove large volumes of DM read information from the market. However, some consider this is a Shipper settlement issue and would not directly impact consumers.”

However, linked to the point above (in the reason for support / opposition section), if shippers are able to send daily meter readings into settlement then there is no reason why these sites cannot be nominated into Class 2 by shippers as they are not part of the list of problem sites that need to be resolved, which would be more accurate in Class 4 anyway.

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