

Representation

Draft Modification Report

0330 - Delivery of additional analysis and derivation of Seasonal normal weather

Consultation close out date: 08 July 2011
Respond to: enquiries@gasgovernance.co.uk
Organisation: E.ON UK
Representative: Sallyann Blackett
Date of Representation: 7 July 2011

Do you support or oppose implementation?

Support *delete as appropriate*

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

The current seasonal normal values were implemented by the Transporters despite strong disagreement from many Shipper organisations based on a flawed methodology. The discussions through the process highlighted deficiencies with the weather information Transporters use and the basic methodology used to derive seasonal normal values.

Mod 330 has been based on industry discussions at the time to provide a clearer historical weather set that could be used across the industry to support improvements in weather demand modelling. It would also future proof the information against potential weather station changes and provide some consistency that is lacking currently.

Given industry concerns about the methodology employed for the current seasonal normal basis and the requirement to develop a replacement, the second part of Mod 330 provides a basis for extending the EP2 analysis to properly support the requirements. This would allow an agreed and undisputed methodology to be developed for updating the seasonal normal appropriately. The work outlined would allow Transporters and Shippers to work together to provide a suitable basis for use across the industry and would provide benefits in addition to improving assurance of the allocation and reconciliation process.

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

None

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Seasonal normal CWV values underpin much of the charging mechanisms across the industry and as such any suggestion that the methodology used to derive these values is flawed throws into question the accuracy of the allocation and hence charges to Shippers. As mentioned within the modification and discussed at length in the development workgroups even a small improvement in allocation can lead to significant (many millions) changes in cost to Shippers. This will have a major impact on how well Shippers can balance their income and costs and could be seen as impacting competition by raising risks. Improvements would therefore facilitate relevant objective A11.1(d).

We have been through a protracted industry process involving a number of modifications from ourselves and other Shippers to try and ensure an appropriate methodology was used by Transporters. Even with unanimous disapproval from Shipper representatives at DESC of the current methodology it has been implemented and is not in the process of being reviewed despite agreement that if objections were withdrawn to allow implementation, a full review to develop a less flawed methodology would be immediately undertaken. It is hard to argue that a process that facilitates Shipper and Transporter co-operation to derive an uncontested methodology for seasonal normal CWV through a clear and transparent process without requiring numerous modifications and written complaints would not facilitate relevant objective A11.1(f). Current industry processes work through DESC – a recognised UNCC sub-committee with membership elected through standard code mechanisms. However the current code requirements do not allow DESC to vote and the escalation route through the UNCC committee for disputes has been shown to not work effectively during the previous seasonal normal review. In addition agreements to undertake work have not been implemented leading to a number of modifications including this one – also highlighting the inefficiencies in the current process.

Impacts and Costs:

Whilst the current code responsibility lies with Transporters through UNCC H and as such is funded through price control processes, making this arguably a fully funded Transporter requirement, the User Pays element recognises the drivers Shippers have to improve the mechanism and the cross industry benefits from an improved process.

Implementation:

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

We suggest immediate implementation as we have already lost 2 gas years benefit through the time this process has taken.

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.