

Representation

Draft Modification Report

0421: Provision for an AQ Review Audit (previously 0379A)

Consultation close out date: 10 December 2012
Respond to: enquiries@gasgovernance.co.uk
Organisation: SSE
Representative: Mark Jones
Date of Representation: 10 December 2012

Do you support or oppose implementation?

Not in support.

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

We support the general intent of the modification. However, given that most SSP shippers meet the target and that LSP meters are reconciled we do not agree with the proposer that the benefits of imposing these targets will be large. With demand destruction in the gas market over the past few years any shippers with large amounts of non-recalculated AQ values will, in aggregate, have AQs that are too high, and if any are being artificially held at too low a level then it is unlikely that this number will be very high to be a meaningful percentage of a 15% non-recalculation target. We agree with the proposer that there are very high potential misallocations due to non recalculation of AQ values but these would only be fully resolved with a target of 100% and having a performance target of only 85% will not achieve this. A modification that targets AQs that persistently do not recalculate may be more advantageous.

This year's AQ review showed that 92% of all SSP AQs were either recalculated by Xoserve or amended during the AQ review. Based on these numbers any shippers that fail these targets are likely to be shippers with small portfolios, the overall effects of which if they did improve their performance to 85% would be a very small impact on the overall market. It is also possible that this modification may discriminate against these smaller shippers.

We believe that the increase in performance to 92% after this year's AQ review was due, in the majority, to the change in AQ amendment tolerance from 20% down to 5% and see no reason why this should not continue. The implementation costs of this modification do not seem to be worthwhile.

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

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We do not think that this modification would impact any relevant objectives as the implementation would have only a very minor effect on overall shipper behaviour.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

None

Implementation:

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

It is our belief that this modification should not be implemented until after the results for the AQ Review of 2013 have been published at the very earliest and these results should not be subject to these targets. The T04 files sent out by Xoserve start calculating using reads taken from April in the previous year and so to implement this modification for the performance statistics for 2013 would have an element of retrospectivity as the T04 files produced for April 2013 would start using end reads received from April 2012 and any shipper not meeting these targets since last April would only have a few months to catch up to a target of 85%.

Given that the AQ review process takes end readings received from April in the previous year it could be argued that if any shippers need to change their systems and processes to achieve an 85% target then as the receipt of readings for T04 files starts in April, the performance of AQ Review 2014 effectively starts in April 2013 (readings taken after this date and used for amendments during the summer may fall foul of the +5%, -5% tolerance rule) and so the first set of reports that should be subject to these targets would be those published after the AQ review of 2015.

With the potential implementation of rolling AQ review under Project Nexus it would seem more reasonable to develop a different performance rationale which is more suited to a rolling AQ / smart meter regime.

Legal Text:

Are you satisfied that the legal text and the proposed ACS (see www.gasgovernance.co.uk/proposedACS) 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.

A shipper could fail the 85% target due to a number of AQs being unable to be recalculated during the AQ review due to the +5%, -5% tolerance rule that is in existence.