

## Representation

### Draft Modification Report

#### 0429: Customer Settlement Error Claims Process

**Consultation close out date:** 07 June 2013

**Respond to:** enquiries@gasgovernance.co.uk

**Organisation:** Corona Energy

**Representative:** Tim Hammond

**Date of Representation:** 07 June 2013

#### Do you support or oppose implementation?

Support

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

Shippers and customers have the right to query invoices under the statute of limitations act, up to a period of six years after the action. The central systems currently operated by Xoserve prevent these proven errors from being corrected to their full extent. This means that either shippers benefit from a cross-subsidy from their competitors when they increase a customer's bill to reflect gas use not properly accounted for, or are exposed to costs for gas that was not used by the customer and should never have been billed for. We believe that the number of claims due to the first case will be at least as likely as the second, as shippers benefit from the former (being able to claim profit margin on any additional gas use), but are only limiting losses in the latter case.

This modification corrects a defect that has been in place since the implementation of UNC Modification 0152V. Following the implementation of UNC Modification 0398, which shortens the reconciliation period to 3-4 years, the period of exposure is now greater and any errors are likely to be more material. It would be wrong to suppose that shippers have it in their power to prevent all such errors from occurring; many such errors are caused by the slow degradation of metering equipment or pipework over time and can only be detected during extensive maintenance activities (that results in the plant having its gas use curtailed) that happens once or twice a decade. It is not feasible to expect shippers to disconnect large industrial plant from the network every three years to detect such errors.

Settlement inaccuracies can be absorbed by shippers with very large customer portfolios, who simply adjust their tariffs to take into account any unexpected corrections to historic customer bills. Smaller players however cannot absorb such inaccuracies (both positive and negative); it is appropriate that a mechanism that can allow material adjustments to shipper position is put in place. This

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“safety valve” will allow shippers to reflect the true consumption of the customer and so remove potential cross-subsidies.

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

It has been incorrectly suggested that this modification will extend reconciliation to a 5-6 year period. If this were the case then any claims submitted under this process would adjust energy allocation for each day for that site automatically, with a corresponding energy correction being undertaken for the rest of the market.

Claims under this process do not follow this route, but instead is a manual correction process to account for large and proven material errors that cannot be corrected by the reconciliation process, by undertaking a single large correction to balancing neutrality. It should therefore be recognised that UNC Modification 0429 does not seek to reopen the debate about the suitability of the current reconciliation cut-off.

#### **Relevant Objectives:**

*How would implementation of this modification impact the relevant objectives?*

This modification furthers relevant objective d) as it will allow shippers to correct material settlement errors that would have otherwise resulted in an inaccurate allocation of costs and a cross-subsidy between shippers. This improved cost targeting will benefit competition.

#### **Impacts and Costs:**

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

This modification will reduce the risk premium that CE will need to incorporate into its prices for customers and so reduce the costs to the consumer.

#### **Implementation:**

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

We believe the implementation date of 1 April 2014 will give ample time to shippers the opportunity to adjust their contracts to take into account the new claims process.

#### **Legal Text:**

*Are you satisfied that the legal text and the proposed ACS (see [www.gasgovernance.co.uk/proposedACS](http://www.gasgovernance.co.uk/proposedACS)) will deliver the intent of the modification?*

We have reviewed the legal text as the proposer and believe it satisfies the intent of the modification. We have not reviewed the ACS.

### **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.*

No.

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