



Gazprom Energy
Bauhaus, 5th Floor
27 Quay Street
Manchester

T 0845 230 0011
F 0845 230 0022
E enquiries@gazprom-energy.com
W www.gazprom-energy.com

Representation

Draft Modification Report

Modification 0441 Continuation of Daily Metered (Voluntary) service until the implementation of Project Nexus

Consultation Close out date: **7th June 2013**
Respond to: enquiries@gasgovernance.co.uk
Organisation: Gazprom Marketing & Trading Retail (GMT&R)
Trading as Gazprom Energy
Representative: Steve Mulinganie
Regulation & Compliance Manager
Date of Representation: **7th June 2013**

Do you support or oppose implementation?

SUPPORT IMPLEMENTATION

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

We are concerned that the removal of the DMV service from 1st October 2013 will leave customers with only the option of being NDM which may not be appropriate for their requirements. When the removal of the DMV service was approved (Modification 0345) it was in the expectation that a viable DME (Modification 0224) product would be available. However subsequent take up of the DME product has been very poor due to a large extent by the phased implementation, liabilities and the complexity associated with using the service.

Having considered the appropriate solutions including a full review of the existing DME regime it becomes apparent that the proposed implementation of Project Nexus, scheduled for Q4 2015, would mean any changes to the DME regime would have a limited duration and thus any cost benefit analysis would have to be set against a shortened life span. It would also require industry time and resource to review existing arrangements and develop any changes at a time when the industry is focused on Project Nexus.

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Therefore, we believe, the most pragmatic, and cost effective, solution which enables customers to continue to enjoy a DM Service would be to extend the life of the existing DMV product until Project Nexus delivers an enduring solution

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

We would note that in Ofgem's decision letter (<http://www.gasgovernance.co.uk/0345>) for Modification 0345 concern was highlighted about the low take up of the new DME product and this was recognised by Ofgem. However at the time Ofgem noted that

"..We do not consider that credible information has been provided that would lead us to conclude that DME is not a viable alternative to DMV. If such evidence arose, for example, shippers were unable to procure metering services at a similar or lower cost than they incur under DMV, then we note that a further modification could be raised to address this issue."

We believe that evidence is now clear that the DME product, as it stands, is not a viable alternative to the DMV and for the reasons set out above and the proximity of Project Nexus we believe that continuation of the DMV product until Project Nexus implementation provides the most pragmatic solution

Relevant Objectives:

(How would implementation of this modification impact the relevant objectives)?

We believe this modification will facilitate the securing of effective competition between Shippers by continuing current levels of daily metering services for a longer period. In the absence of this modification, no viable alternative daily metering service is expected to be available prior to delivery of the Project Nexus changes

By ensuring sites can continue to be daily settled rather than being reclassified as NDM, implementation will improve data accuracy and frequency. This will lead to more accurate allocations of costs between Shippers, and so meet one of the fundamental objectives of a competitive market. Improved data accuracy and frequency will also increase the potential for competition and therefore encourage efficiency improvements

Implementation:

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

To provide clarity & assurance to all market participants we would like to see the modification implemented as soon as possible



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Legal Text:

Are you satisfied that the suggested 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 you believe should be taken into account or you wish to emphasize.

No

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