

# High Level Cost Report

for

## “Next Day Transfer”

This High Level Cost Report is Xoserve's response to an Evaluation Service Request. The response is intended to support Networks involvement in the development of industry changes.

Should the request obtain approval for continuance then a Change Order must be raised for any further analysis / development.

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## **Change Driver / Origin**

Ofgem has started to review the Change of Shipper / Supplier process (CoS) with the industry to explore reductions in timescales for the CoS process. As part of this initiative, the newly formed (and Ofgem led) Change of Supplier Expert Group (COSEG) has been exploring a number of options for reform, and Xserve has been asked to undertake an assessment for an optional reduction in the confirmation lead-time (currently 7 business days) to less than one gas day. In effect this would mean that should a Shipper and consumer wish a site to transfer more rapidly, it could do so from the start of the next gas day following the completion of any cooling off and objection periods.

COSEG envisage that this new transfer process would apply to NDM sites only.

## **Analysis**

### **Context**

The anticipated timing of changes to the confirmation lead-time means that the solution would likely be a feature of the future (but not current) UK Link system. As Ofgem has requested the preparation of a cost estimate for delivery to COSEG in Q3/Q4 2013, the assessment has been made on the basis of delivering the requirement against Xserve's current IT estate (even though it is not expected that a solution would be delivered in this way), operating the current UNC (except in relation to timing of collection and submission of transfer reads).

In order to conduct the cost assessment, a number of assumptions have been made:

### **Assumed requirements**

- The Next day transfer option will be applicable for any supply point that is NDM before and after transfer
- The Next day transfer option will not be applicable for any supply point that is DM before or after transfer
- The minimum confirmation lead time (if requested) for an applicable supply point will be less than one gas day plus the applicable minimum objection period (which could be zero calendar days).
- If no objection period or rights are applicable, Xserve must be capable of transferring an applicable supply point (if requested) ready for the start of the gas day that follows the gas day within which a valid confirmation for that gas day was submitted (so long as it was submitted by the relevant input deadline time on that day).
- Effective 'ownership' of a meter point will change at the start of the gas day for the registration start date.
- Data values available for standard reporting and visible in the Data Enquiry (DE) should reflect a next day transfer from the start of the working day one day after the registration date
- Restricted access to data via DE (i.e. stakeholder can only view MP details for their own registered portfolio) should reflect a next day transfer from the start of the working day one day after for the registration date
- The Next day transfer option (where applicable) will be permitted on every gas day in the year.
- Other processes whose timing is based on the current D-7 confirmation lead-time will operate to current UNC rules and lead-times, including
  - Data changes that result in stop commodity being set, e.g. meter removal
  - Data changes that result in start commodity being set, e.g. meter installation
  - Making a supply point withdrawal effective.
- The next day transfer option will be applicable to "dumb" as well as smart meter points so the following changes to transfer read rules will be required...
  - Change OPNT read collection window to run from D to D+7 gas days. Despite moving the read-collection dead-line back by 5 gas days, the overall number of gas days to arrange and collect a meter reading is reduced from about 12 gas days to 7 gas days

- The OPNT read submission dead-line will be moved from D+10 to D+[15] to preserve the same number of gas days between the read-collection dead-line and the read-submission dead-line

### **Performance considerations**

- Introduction of the next day transfer option may increase the overall volume of transfers but not more than the highest annual volumes seen historically.
- The profile of next day transfer volumes should be no more skewed (or flat) than the current profile
- Impacted processes will need to operate on every gas day in the year.

### **Analysis Results**

#### **Input dead-line**

Costs are based on completing all next day transfer processing (which includes reflecting all Next Day transfers in all downstream production systems) before the current schedule of overnight batch processes start at about 7pm following closure of UK-LINK interactive services at the end of the working day.

It is assumed that approximately 5 hours is required to complete these processes, therefore the dead-line for submission of a next-day-transfer needs to be around 12.00pm on the preceding gas day.

#### **Potential effects of late Next Day transfer processing**

Examples:

- Access to data on D (via Xoserve or DCC services)
- Acceptance of data updates on D from live shipper, e.g. OPNT reads, DM reads
- Accuracy of provisional (pre-exit-close-out) portfolio energy allocation
- Accuracy of provisional (pre-exit-close-out) NDM portfolio demand forecasts (NDM gas nominations)
- Emergency procedures and rules
- Interruption procedures and rules

#### **Out-of-scope / Exclusions**

- Any potential change to objection rights and rules
- Any additional requirements and costs for IGT sites
- There will be no change to how quickly isolations and reconnections are reflected in NDM demand forecasts, energy balancing and commodity billing, i.e. the 7 business-day lead-time from processing these asset updates, will still apply.

## **High Level Costs & Timescales**

*Note: HLC information is not based on any formal systems analysis and should be used with caution.*

### **Estimated costs:**

The solution will cost in the range of £1million to £3million

Additional ongoing Application Support will cost at least **£50k**, but probably not more than **£120k** per annum

### **Estimated duration:**

*Note: durations are subject to Xoserve resources and priorities at the time that documents are received*

### **Timescale guidance:**

- It should be noted that a 'stand alone' change is not expected to be the most efficient manner in which to deliver this change, either from a cost or timescale perspective.
- In the order of 12 months

### **Project costing assumptions:**

- High level assessment of delivering the requirement against Xoserve's current estate operating the current UNC except where explicitly stated

### **Xoserve cost estimates included:**

- Xoserve Project Team costs to implement the solution
- Xoserve Operations Team costs to support implementation of the solution
- Detailed analysis and application development
- Infrastructure service implementation

### **Customer costs not included:**

- Shipper trials

## Assumptions

- It is assumed that approximately 5 hours is required to complete these processes, and they need to be completed by 7pm, therefore the dead-line for submission of a next-day-transfer needs to be around 12.00pm on the preceding gas day.
- Also, see assumed requirements in analysis section

## Concerns

- Reduced accuracy of provisional (pre-exit-close-out) NDM portfolio demand forecasts (NDM gas nominations) [a] always on D-1 as they will not reflect next day transfers and [b] on subsequent days when process completion is delayed. However NDM gas nominations will always reflect next day transfers by the start of the gas day on which exit closes out. It should be noted that the accuracy of NDM portfolio demand forecasts (NDM gas nominations) are already dependent on the accuracy and stability of the following...
  - DN total energy forecasts
  - Weather variables provided to DNs and Xserve
  - CV measurements
  - NTS offtake measurements
  - Shipper DM nominations
  - DM supply point measurements
- Unless mitigated, there is an increased risk that the capacity invoice would be delayed, due to potential delays in completing both next day transfer processing and AQ updates during annual review. Potential mitigations to ensure there is no delay are as follows.
  1. Performance changes to avoid / minimise SPA catch up around Oct 1<sup>st</sup> sustaining project (costs include in the cost range).
  2. Application changes to avoid / minimise SPA catch up around Oct 1<sup>st</sup>. (considered an expensive option)
  3. Reschedule capacity invoice for 2 to 5 days later
  4. If the capacity invoice is rescheduled, then if necessary, reschedule the commodity invoice 1 to 2 days later

## Shipper Impacts

- Reduced time to arrange and collect meter readings at dumb meters
- Reduced accuracy of provisional (pre-exit-close-out) NDM portfolio demand forecasts (NDM gas nominations) on D-1 and when process completion is delayed, on subsequent days, but NDM gas nominations will reflect next day transfers by the start of the gas day on which exit closes out.
- Potential for period within which to validate capacity invoices for payment may be reduced but would not be less than the 12 days generally available to validate invoices.