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Dear Jon

**Project Nexus: statutory consultation on licence modifications and further consultation on UNC modifications to introduce IGT Single Service Provision**

Thank you for the opportunity to respond to this consultation. SSE believes that gas customers should have the same end-to-end experience of the gas market regardless of the network their premises is attached to. We would draw your attention to the arrangements in electricity for Independent Distribution Network Operators (iDNOs) where, from a consumer (and supplier) perspective there is no distinction between the market processes for iDNOs and those for large incumbent networks. Suppliers, iDNOs and consumers have all enjoyed the benefits of this for many years.

SSE is supportive of the move to oblige Independent Gas Transporters (iGTs) to use the common services of the Transporter's Agent and we support the "minded to" decision to accept Uniform Network Code (UNC) modifications 0440 and 0467. We feel that these proposals will improve the delivery of a consistent journey for the gas customer (and shippers) from connection through to change of supplier.

SSE expects that the operating costs of relevant 'Project Nexus' systems will be lower than the existing iGT systems. Where there is equivalence in service and process, economies of scale should dictate that the arrangement of a common agent for the market will result in a reduction in costs. We believe that the current iGT service and the proposed Transporter Agency service are not equivalent. We anticipate 'Project Nexus' will deliver a step-change improvement in the robustness, security and reliability of the iGT processes we are involved with. In the event operating costs of relevant 'Project Nexus' systems are higher, we request Ofgem consider whether the disparity in costs is a result of iGTs underinvestment in process. We would expect Ofgem to be cognisant of this point when comparing the cost of services provided by iGTs against those provided under a common agent. Furthermore, in the event iGTs put forward a lower cost than the common agent we would expect Ofgem to review iGTs accounts in support of this comparative exercise. Though we expect the operating costs will be lower, we note it is proposed a shortfall in meeting these costs would be met by shippers (via User Pays) and ultimately consumers.

SSE is supportive of innovation as a means of driving down costs and improving the standard of services. Ofgem state they do not wish to preclude the possibility of iGTs innovating to provide a more efficient or improved value service to that provided by the common agent. Our support of a common agent has been driven by an ambition to see all supply points managed uniformly, regardless of network type. We do not support this



fundamental benefit being unwound due to potential benefits an individual iGT may realise by breaking away from the common set of processes and standards.

We recognise that there are significant benefits from moving towards single service provision and we welcome that Ofgem have moved towards accepting the UNC modifications in response to our letter dated 13 November 2014. The near and challenging deadline for participation in Market Trials in June 2015 has resulted in additional costs to mitigate the risks to delivering the iGT component of Project Nexus, thus impacting the efficient delivery of systems. This is likely to result in an erosion of our benefits case submitted previously.

Yours sincerely

Adam Carden  
Head of Industry Codes