



Modification 0642, 0642A, 0643 Impact Assessment – Deadline 05 July 2018

In response to the impact assessment issued 7th June 2018.

We have reviewed the impact assessment provided and we are in support of the findings which Ofgem have collated and cascaded. We are supportive of the minded-to approach as we believe there is more benefit to evolving the Project Nexus modelling rather than to return to the RbD methodology.

We proposed 0642A as an alternative to 0642 and 0643 to ensure that options were available to the workgroup. Our preference would be to achieve stability and predictability through the modelling and by addressing root cause issues.

During the development of the Urgent Modifications and our individually sponsored Modifications we have committed a substantial amount of analytical resource which has been beneficial to quantify our view/solutions. We have been disappointed by the participation and analytical support provided by other parties, especially when the issue has been classified as warranting an urgent status.

The UIG task-force which is being mobilised is anticipated to make a difference to the industry understanding of the issue. To successfully complete its activities, it may require information from UNC parties and from current experience this may be a potential obstacle, especially with regard to the provision of analytical and data evidence, we would therefore encourage Ofgem to encourage parties to support this work in a more active way.

We are concerned that the AUGE has a ringfenced scope and focusses on the known issues rather than developing modelling which transparently adjusts UIG. If the minded-to position to reject is formalised we would support further activity in the UNC 0639R group to ensure that the AUGE is as effective and accurate as possible.

Please find below the answers to the questions posed:

Q1. do you consider that we have appropriately identified and where possible quantified the impacts of the proposals?

A1: Yes – we believe a thorough review of the proposals has been conducted. We support the minded-to position to reject all three options to concentrate on root cause fixes.

Q2. do you consider that there are additional impacts that we should take into account in our decision-making process?

A2: No – we do not believe anything additional should be considered.

Q3. do you agree that the current gas allocation arrangements should be assessed during a period in which all UNC obligations are being fully discharged and/or input processes are working as intended, before a conclusion can properly be made that further fundamental modification is appropriate?

A3: We support refinements to enhance the stability and accuracy of the demand estimation process and do not believe that radical changes are required at this time; as there is little evidence to support this. We do support a review of the processes and feel this is already being considered via Urgent Modification 0658 and CDSP change XRN4695.

Additional root cause Modifications/XRNs are being developed to evolve the current processes which again we support, these include:

- 0652 - Obligation to submit reads and data for winter consumption calculation (meters in EUC bands 3 – 8)
- 0644 - Improvements to nomination and reconciliation through the introduction of new EUC bands and improvements for the ALP and DAF
- 0654 - Mandating the provision of NDM sample data
- 0659 - Improvements to the Composite Weather Variable
- XRN4665 - Creation of new End User Categories

Q4. Do you consider that the AUGÉ terms of reference should be amended such that it has the explicit objective of developing a methodology that incentivises shippers to reduce unidentified gas?

A4: No – we would support this activity being absorbed into the Performance Assurance Committee (PAC) rather than via the AUGÉ. We would instead support the AUGÉ assisting the PAC with quantifiable analysis where required.

Currently we believe the AUGÉ doesn't have all known causes of UIG within its modelling. This could provide a contradicting view on the UIG issue between the AUGÉ, the new task force and PAC; rather than deferring modelling adjustments into subsequent years we'd instead support real-time development of the AUGÉ methodology and incorporating any new adjustments ASAP, hopefully resulting in year on year improvements in the AUGÉ accuracy for the variety of different issues and not just those already known e.g. theft.