

Notes from Modification 053 – Introduction of annual updates to
the AQ values within the CSEP NExA table
Workgroup held on 30th July 2013

Attendees

Trevor Clark (TC) - Eon
Cher Harris (CH) - SSEPL
Jenny Rawlinson (JR) - GTC
David Bowles (DB) - Fulcrum
Gethyn Howard (GH) - GTC
Adam Pearce (AP) - ESP
Maria Hesketh (MH) – Scottish Power
Mark Jones (MJ) - SSE
Lisa Wong (LW) – ESP
Amie Charalambous (AC) – npower
Zoe Murphy (ZM) – npower
Leanne Thomas (LT) – npower

Scottish Power raised a question about the methodology that would be used, npower advised that it would be the same methodology used that was agreed in modification 392 and IGT40v. Scottish Power also asked if this could be included in the modification to ensure consistency.

It was questioned as to whether the table can be automatically updated without consultation as it forms part of the IGT UNC. Being a code document there was concern that the modification may not work as Code changes require some form of consultation which this proposal does not allow.

npower felt that the modification process would be more costly and timely and an enduring solution would ensure the values used were always accurate and in line with the proposed methodology.

The group questioned as to why an automatic change was required as this goes against the work carried out by the IGT040V development group. The previous development work group concluded that a new table would be drafted and discussed annually and should a party wish to raise the change, they were free to do so. No thresholds or restrictions were placed on whether a change could be made as the fundamental point was that the table would be subject to an open review including the quality of data included in the review. I stated that an automatic update process removes this annual discussion completely, thus removing any fail-safe's against poor data being used. GTC also suggested that a 3 year average could be used as an alternative which follows the same approach to be taken in the electricity market as suppliers were pushing for such approach as are strongly opposed to annual pricing swings and volatility.

GTC raised concerns about including the spurious AQs and that there doesn't appear to be many challenges against these in the past. There was also concern that if they were included in the updated Nexa table it would not show a true reflection. After some discussion around the table it was agreed that the amount of spurious AQs were too low for it to be an issue.

ESP had concerns that if a given year saw a winter with abnormal weather conditions, the corresponding AQ could be skewed. This was challenged by SSE as the weather should not affect the AQs given the application of the weather correction factors.

ESP suggested seeking a view from Ofgem as to whether Mod iGT051ANC addressed Ofgem's previous concern around the lack of a framework in place for ensuring the NExA table values are reviewed and updated or whether additional work was required.

There was also some discussion around having a tolerance level set, so the table would only be updated if the value changed outside of a set tolerance, however this would have a massive affect on the settlements side. The group could not decide on a threshold/tolerance. This has been reviewed by previous workgroups and no one could agree what tolerance should be applied.

It was suggested that this modification should be seen at the iGT039 group as the group would like to see how this mod would work post Nexus, rolling AQ and Single Service Provision.

SSEPL had some concerns about updating the table each year as they forecast many years ahead and would mean that they would have to change this process. The feeling from the group was that there could be some clause in the contract to say that these prices expire on a certain date.

There were discussions around the implementation timescales and iGTs requested a 4 to 6 month lead time. iGT's asked the development group to take into account the fact that Asset Values were offered to their customers (developers) on the basis of the values contained within the NExA table. If these values were to make a sharp rise or fall, iGTs would need to revalidate all outstanding Asset Values offered to developers – ESP mentioned that a lead time of at least 6 months from obtaining visibility of the proposed NExA values would enable iGTs to manage this.

Eon suggested that we change the NeXA table altogether, the group felt that this would be too much of a change at the current time within the industry.

GTC was concerned that this modification removes the flexibility and what happens if only two shippers contribute to the AQ review.

It was suggested that another modification to be raised to get the NeXA tables updated with 2012 figures ASAP in time for 2014. Therefore modification iGT053 would be used and worked up as a long term solution.

Action - npower to update modification with the agreed methodology.

Action - npower speak with Ofgem for guidance on how to take mod forward.

Action - npower to look at where this would sit in the code and to draw up a straw man

Action - npower to speak with xoserve with regards to post Nexus

Action - npower to speak with Gemserv about legal text