

Gazprom Energy Representation

Draft Modification Report

Modification 0326VV - Allocation of unidentified gas following the appointment of the Allocation of Unidentified Gas Expert (AUGE)

Consultation close out date: 6th January 2012

Respond to: enquiries@gasgovernance.co.uk

Organisation: Gazprom Marketing & Trading Retail (GMT&R)

Representative: Steve Mulinganie
Regulation & Compliance Manager

Date of Representation: 5th January 2012

Do you support or oppose implementation?

NOT IN SUPPORT

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

The current process requires the AUGE to identify, on an annual basis, a reallocation of energy following a specific process, methodology and timeline leading to a report which can be relied on in respect of passing through costs to relevant market participants. Suppliers are therefore able to appropriately factor these costs into arrangements with Consumers for the following year.

The proposal reopens a previously closed out AUG year in the event of “new unidentified” gas topics being raised. Gazprom believe this “retrospective” proposal undermines the fundamental principles behind the AUGE regime as implemented under Mod 0229. The AUGE has undertaken a thorough analysis of the likely sources of Unidentified Gas and has provided ample opportunity for the industry to provide views on its approach. We therefore see no reason to add a complex and unnecessary reponer process.

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

Any new issue which is identified would not change the overall value of the AUGÉ statement but would have the impact of altering the volume of energy associated with the Theft of Gas component. It is therefore unclear to what extent this proposal would be of value in terms of moving the values which have already previously been determined by the methodology.

It is also worth noting that during the AUGÉ consultation process no new issues have been identified.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Gazprom believe that allowing retrospective cost allocations creates risk and uncertainty, potentially reducing the benefits introduced through the establishment of fixed annual values, applied prospectively, via the AUGÉ process. The increased risk and uncertainty would be counter to facilitating the securing of effective competition between Shippers, and may be particularly difficult for smaller shippers to manage since they do not have portfolios that provide an effective hedge.

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

We believe implementation of this proposal would introduce additional administrative costs associated with managing the potential for a closed AUGÉ to be reopened leading to a requirement to correct previously passed through charges.

Implementation:

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

No Comment

Legal Text:

Are you satisfied that the suggested legal text will deliver the intent of the modification?

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No Comment

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.

No