

Representation

Draft Modification Report

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

Consultation close out date: 06 January 2012

Respond to: enquiries@gasgovernance.co.uk

Organisation: **Corona Energy**

Representative: Richard Street

Date of Representation: 06 January 2012

Do you support or oppose implementation?

Not in Support

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

UNC Modification 0229 created a third-party agent, the AUGE, which would impartially determine the level of Unidentified Gas attributable to the LSP Sector, with Suppliers billed by the Gas Transporters to Suppliers in proportion of their LSP market share. The AUGE process attempts to estimate the amount of Unidentified Gas that is attributable to the LSP NDM sector in the forthcoming year, using the best information available at the time.

The current process is not retrospective, but Modification 0326 would create a retrospective element to it. Retrospective payments are an inherently unfair mechanism of allocating Unidentified Gas costs. Payments after the costs were incurred mean that LSP consumers would pay more or less than is fair (owing to the fluctuations in market share of their Supplier) and that SSP Suppliers would instead receive a windfall profit, instead of passing their reduced costs to their consumers through their tariffs. It also fundamentally undermines the principles of the AUGE process (to ensure that costs are predictable) and is likely to add cost to the industry were it to be used.

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

No

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

The modification creates the risk of retrospective charges which will unfairly penalise or benefit shippers depending on whether their market share has increased or decreased since when the costs were first incurred. Retrospective cost allocations also create risk and uncertainty for all Shippers and prevent these costs and benefits from being passed through transparently. This modification therefore goes against objective (d).

Impacts and Costs:

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

Corona Energy will incur additional costs in handling the unwarranted risk this modification creates, so increasing costs for consumers.

Implementation:

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

We have no comments on the proposed implementation timescale.

Legal Text:

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

We have not reviewed the legal text

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.