

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: **ScottishPower Energy Management Ltd**

Representative: David McCrone

Date of Representation:

Do you support or oppose implementation?

Support

[Top of Form](#)

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

As the proposer ScottishPower supports this modification proposal. Under the current arrangements the UNC does not ensure that the impacts of issues that are identified by, and or raised to, the AUGE are properly assessed for the historic period to which the issues relate. This can mean that unidentified gas is not correctly allocated between the SSP and LSP sectors and can result in a cross subsidy from one to the other. This was not the intent of UNC Modifications 0229 or 0317 which were approved by Ofgem and looked to ensure that energy costs were correctly and appropriately assigned to the relevant market sector. This proposal advances the aims of modifications 0229 and 0317 by further ensuring the accurate allocation of unidentified gas.

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

We have not identified any new or additional issues.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

d) Securing of effective competition:

(i) between relevant shippers;

(ii) between relevant suppliers; and/or

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

We believe that the modification promotes effective competition between shippers by ensuring a more accurate and equitable ongoing distribution of costs and therefore furthers relevant objective (d).

Under current arrangements a shipper may be incentivised to withhold information relating to an issue that only they are aware of. That shipper may then release such information at a particular time in the knowledge that they will only be accountable to the start of that AUG Year. This is at odds with the industry's intention to address unidentified gas and to improve the accuracy of RbD. Modification 0326VV ensures that the costs associated with such an error are properly reconciled for the length of time that the issue existed (back until 1 April 2012) and therefore is an incentive for Shippers to identify issues relating to unidentified gas at an early stage.

Some parties have indicated a concern about retrospective invoicing creating risk and uncertainty to the AUG process and being unable to manage such a risk. Parties already manage risk in a number of areas and there has been no indication that this would present an unacceptable additional level. In particular this risk is no more onerous than the existing risk of RbD and the current invoicing rules set out in UNC S 1.4.4. The modification will ensure that costs, and also any risk which does exist, is allocated to the correct sector ensuring that Shippers are only accepting risk relating to their portfolio make up – unlike the current arrangements.

Impacts and Costs:

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

We have not identified any material costs that we would incur as a result of the modification being implemented.

Implementation:

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

We would want an implementation date of 1 April 2012 if an Authority decision was received on or before 1 April 2012. If a decision was received later than this we would want a lead time of 1 Business Day before implementation.

Legal Text:

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

We are satisfied that legal text as drafted delivers the intent of the modification.

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.

During the development phase a party noted that the industry had an employed an AUGÉ and that they should be aware of all issues relating to unidentified gas. It is perfectly reasonable however to expect that shippers and or transporters may identify a previously unknown issue and there should not be any deterrent in reporting this to the AUGÉ. Indeed the AUGÉ themselves acknowledge that their own methodology is based upon incomplete data and assumptions have been required.

As an example of this we would like to highlight the fact that modification 0403 has since been raised to address the gas off taken at new connections which it describes as a "significant source of Unidentified Gas" – the need for this modification demonstrates that there are issues that Shippers are aware of that the AUGÉ has not identified.

In supporting the principle of ensuring the most accurate and appropriate allocation of unidentified gas, it would be wrong to restrict parties from being able to raise previously unknown issues to the AUGÉ as, and if, they are unidentified and for the volumes of gas associated with those issues to be fully reconciled for the time for which they were an issue.

Bottom of Form

0326VV

Representation

18 November 2011

Version 1.0

Page 3 of 3

© 2012 all rights reserved