

## Representation - Draft Modification Report 0572

### Amendment to the definition of AUG Year within UNC TPD Section E

Responses invited by: **5pm 11 April 2016**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

<b>Representative:</b>	Angela Love
<b>Organisation:</b>	ScottishPower Energy Management Limited
<b>Date of Representation:</b>	11 <sup>th</sup> April 2016
<b>Support or oppose implementation?</b>	Support
<b>Relevant Objective:</b>	d) Positive

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

ScottishPower believes that it MOD572 should be implemented to ensure that the most up to date information in relation to unidentified gas is utilised at the earliest opportunity. It seems inconceivable that the industry would pay for an expert to determine the levels of unidentified gas applicable to each market segment and then have 7 months down time before applying it to the market arrangements.

With the introduction of the Performance Assurance Framework, ScottishPower believes in the principle that the industry should be taking every opportunity to be more dynamic in assigning risk in the market to parties/market segments that introduce the risk. This should in turn mean that parties act to address any issues within the market to reduce risk overall, if the risk that they are facing is directed at their market segment. Indeed the Proposer of MOD473 recognised this as an objective of the proposal: "As the aim should be to reduce unidentified gas, not simply target its allocation, and a universal scaling factor would seem to dilute any incentives to do so"<sup>1</sup>.

Whilst there have been some arguments put forward to suggest that publishing the AUG Table in July and making it effective in October (as proposed by MOD572) would present issues for Shippers/Suppliers in pricing Industrial and Commercial contracts, no detail has been forthcoming on the materiality of the implied risk. In addition, there was an opportunity, which was discussed in the workgroup, for an alternative proposal to be raised to MOD572, but this has not been forthcoming. This was in spite of the proposer

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<sup>1</sup> Why Change section of the MOD572 Final MOD Report:  
<http://www.gasgovernance.co.uk/sites/default/files/Final%20Modification%20Report%200473%200473A%20v2.0.pdf>

delaying progress on the proposal to allow for an alternative to come forward. It would therefore appear that the insinuated issue, although discussed, was not deemed significant enough for Shippers who raised the concern to warrant them raising an alternative approach to MOD572.

**Self-Governance Statement:** *Please provide your views on the self-governance statement.*

ScottishPower agrees with that this proposal does not meet the self-governance criteria.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

ScottishPower would like to see an Authority decision on this proposal as soon as possible to provide clarity on the arrangements and agrees with the proposer that MOD572 should be implemented.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

The proposal would see the introduction of the MOD473 arrangements in a timely manner and provide greater certainty of the implications of the new regime on parties.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No

**Please provide below any additional analysis or information to support your representation**

It is worth highlighting that Xoserve confirmed at the workgroup that this proposal would have no impact on the AUG work and would not constrain any of their efforts in producing the AUG Table. The proposal suggests moving from an April start to the AUG Year to one which starts in October. Whilst this means that the AUG Year will no longer coincide with changes to transportation charges, it will align with the major I&C contract round in October, providing 3 months-notice of changes (with the Transporters publishing the populated AUG Table by 1<sup>st</sup> July), allowing these to be factored into customer's contracts at an earlier date. It is also worth noting that this proposal provides more notice, than is currently provided in the existing AUG arrangements. It should also not be assumed that any changes in the table will be detrimental to I&C customers and therefore ScottishPower would highlight that to have the changes earlier could be in the interest of the customer.