

Representation - Draft Modification Report UNC 0831 0831A
0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method

0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method

Responses invited by: 5pm on 19 October 2023

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Paul Bedford
Organisation:	Opus Energy
Date of Representation:	16/10/2023
Support or oppose implementation?	0831 - Oppose 0831A - Oppose * <i>delete as appropriate</i>
Alternate preference:	<i>If either 0831 or 0831A were to be implemented, which would be your preference?</i> 0831A
Relevant Objective:	A Negative (for both UNC831 and UNC831A) B Negative (for both UNC831 and UNC831A) C None (for both UNC831 and UNC831A) D Negative (for both UNC831 and UNC831A) E None (for both UNC831 and UNC831A) F None (for both UNC831 and UNC831A) G None (for both UNC831 and UNC831A)
Relevant Charging Methodology Objective:	Not Applicable

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

We are opposed to UNC831 and UNC831A because we don't believe that either modification addresses the fundamental issue that Shippers / Suppliers are unable to influence UIG-related factors other than theft. Other factors, that contribute towards gas leakage/shrinkage such as poor metering at Entry Points where gas is not measured correctly, or leakages are outside of the Shipper/Supplier scope of influence. Neither modification addresses these fundamental issues or provides sufficient analysis that the proposals provide the right economic incentives compared to the status quo to reduce UIG or distribute the costs to parties who can alter their behaviour to limit UIG. We therefore believe that relevant Objectives a) b) and d) are negative. We believe that relevant objectives c), e), f) and g) are unaffected. In our opinion, there is not sufficient evidence that the proposals are better at reducing UIG, and allocating the controllable elements of UIG to those who can best manage the risks than those they replace. Notwithstanding our opposition to both modifications, we have highlighted our preference for UNC831A.

UNC831

UNC831 is our least favoured option because the 'vanilla smear' option, where UIG is allocated flatly across all Classes based on throughput, would result in an unjustified cross subsidy of end consumers. If all customers were Daily Metered (smart metering), Gas Networks should be able to conclude that any volumes not captured by that metering relates to UIG. On that basis, we would argue that any Daily Metered customers (across Classes 1-4) should be excluded from UIG.

UNC831A

As stated above, we don't believe that either modification addresses the fundamental issue that Shippers/Suppliers are unable to influence UIG-related factors other than theft. Although we're opposed to both modifications, UNC831A has the benefit of excluding Class 1 Daily Metered customers because increased meter read frequency should ultimately reduce levels of UIG.

Preferred way forward

Because theft is the only UIG-related factor which Shippers/Suppliers are able to influence, we believe that costs associated with other factors such as leakage should be borne by the Gas Networks.

We disagree with any proposal to replace the Allocation of Unidentified Gas Expert (AUGE). The AUGE is an independent third party that calculates UIG based on non-discriminatory evidence. We believe that continued use of the AUGE would allocate costs more accurately to relevant market sectors and would remain to be positive to Relevant Objectives a)-f) (in line with UNC229 which introduced the AUGE).

If there are any concerns regarding the AUGE methodology, we would not be opposed to an industry review, including potential changes to the current AUGE table to be produced at LDZ level in order to increase accuracy of UIG allocation.

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

Insert Text Here

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

Insert Text Here

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

Insert Text Here

Modification Panel Members have requested that the following questions are addressed:

Q1: Do you have views on the effect of these two alternatives on end consumers?

UNC831 is our least favoured option because the ‘vanilla smear’ option, where UIG is allocated flatly across all Classes based on throughput, would result in an unjustified cross subsidy of end consumers.

Q2: Is the process in electricity comparable? (please explain)

Yes, the process is comparable. A key difference is that electricity is based on half hourly Settlement and gas is based on Daily Settlement.

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.*

Insert Text Here

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

Insert Text Here