

Cadent Gas Limited
Brick Kiln Street, Hinckley
Leicestershire LE10 0NA
cadentgas.com

Bob Fletcher
Joint Office of Gas Transporters
Pure Offices,
Room 64,
Lake View House,
Tournament Fields,
Warwick
CV34 6RG

Chris Warner
Regulation and External Affairs
chris.warner@cadentgas.com
Direct tel +44 (0)7778 150668

07th February 2018

Your Reference: UNC Modification Proposals 0642, 0642A and 0643

UNC Modification Proposals - 0642 (Urgent), 0642A (Urgent) - Changes to settlement regime to address Unidentified Gas issues and 0643 (Urgent) - Changes to settlement regime to address Unidentified Gas issues including retrospective correction

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposals each of which Cadent does not support.

Do you support or oppose implementation?

0642 Not in support
0642A Not in support
0643 Not in support

Alternate preference: No preference has been identified.

Relevant Objective: d) Negative

Reason for support/opposition:

Cadent's opposition to each Modification is founded on the premise that Project Nexus and the UK-Link replacement programme was carefully developed over a lengthy period of time with the full engagement and participation of the industry including a wide cross section of Shipper User representation. In particular, the principle of UIG treatment as a daily balancing figure was recognised as a component of the energy allocation and settlement arrangements.

Implementation followed under a comprehensive and costly programme overseen by Ofgem.

Conversely, we view each Modification as being reactive in nature to an immediate, albeit significant issue for a subset of UNC parties. We note in particular a concern that each Modification was prepared in a very short period of time and any opportunity for collective and full assessment by industry parties was therefore limited. In relation to this we would observe that much of the Workgroup discussion was focussed on clarification of the solution elements such that legal text could be prepared, rather than on undertaking relevant modelling and analysis to address root cause in the interests of seeking consensus on the way forward.

In addition we note that there is a marked lack of consensus between Shipper Users on the solution options identified within each Proposal. Noting that the associated systems changes are estimated to incur a development and implementation cost of up to £2.2m, we consider that this represents a high risk of a sub-optimal arrangements being adopted within the UNC to the possible detriment of some consumers. We would also question the merit of seeking urgent procedures for Modifications of such complexity with a likely long lead time to delivery.

Consequently Cadent's view is that the solution within each Modification does not facilitate GT Licence 'relevant objective' d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers...

Self-Governance Statement:

We agree that this Modification represents a material change and therefore should not be subject to self-governance.

Implementation

The implementation timescales contained within Modification 0642 cannot be achieved based on there being insufficient time for development, testing and implementation of the relevant supporting systems and processes. Consequently Cadent as a Transporter would not be prepared to instruct the Joint Office to issue an implementation notice containing an implementation date in the absence of a clear and agreed position from the DSC Change Management Committee. In all likelihood, for each Modification, should an implementation direction be received from the Authority prior to committee agreement being forthcoming, GTs would advise the Joint Office to issue an implementation notification containing a reference to "date to be advised".

Cadent believes it is not sustainable for the UNC to contain provisions which cannot be delivered (or as a minimum 'worked around' manually) by the CDSP. Furthermore Cadent has been advised that neither CDSP, UNC Modification Panel, UNCC or Ofgem are able to vary the rules within the UNC until supporting systems and processes are in place, unless specific provision for such is made part of the UNC Modification itself.

Impacts and Costs

All of the Modifications would have a significant impact on the CDSP change programme were they to be implemented. We note that Xoserve has produced a cost assessment for each Proposal although we would observe that this is high level in nature. In particular, given the scale and complexity of change likely to be necessary we believe the risk of cost overrun due to unforeseen issues arising is material.

We note that in the event of an Authority direction to implement any of the Modifications, the DSC Change Committee would need to consider the priority of the relevant systems changes in

accordance with the arrangements identified within the DSC Change Management Procedures. We would observe that the costs would need to be borne exclusively by Shipper Users albeit there is some uncertainty over accountability for the costs of modifying the Gemini system which would be necessary in each case.

Legal Text

Cadent is satisfied that the legal drafting and supporting text commentary contained within the Draft Modification Report meets the requirements and intent of each Modification.

Are there any errors or omissions in this Modification Report that you think should be taken into account?

We have not identified any errors or omissions.

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

We note that Modification 0642A proposes removal of the AUGÉ arrangements. Given that these are well established within the UNC and have been for some time, we would challenge whether sufficient information has been provided to justify such a significant step.

We would also observe that Modification 0643 contains arrangements which would necessitate the retrospective application of certain charges to Shipper Users. While we have chosen not to comment on the specifics or merits of the approach in this case, we believe the rationale for retrospection must be clearly justified and unambiguous such that the criteria clearly set out by Ofgem within its document 'Ofgem Guidance on Code Modification Urgency Criteria'¹ is satisfied.

We trust that this information will assist in the compilation of the Final Modification Report. Please contact me on 07778 150668 (chris.warner@cadentgas.com) should you require any further information.

Yours sincerely,

Chris Warner
Industry Codes Manager, Regulation & External Affairs

¹ https://www.ofgem.gov.uk/urgency_criteria.pdf