

Representation - Workgroup Report
UNC 0642 (Urgent) 0642A (Urgent) - Changes to settlement regime to address Unidentified Gas issues
UNC 0643 (Urgent) - Changes to settlement regime to address Unidentified Gas issues including retrospective correction

Responses invited by: 5pm on 08 February 2018

To: enquiries@gasgovernance.co.uk

Representative:	Joel Atherton
Organisation:	Citizens Advice
Date of Representation:	08 February 2018
Support or oppose implementation?	0642 - Oppose 0642A - Oppose 0643 - Oppose
Alternate preference:	
Relevant Objective:	d) Negative for 0642/0642A/0643

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

The priority of any immediate changes to the post-nexus arrangements should be the promotion of a fair and equitable model for addressing UIG. Without an adequate assessment of the consequential impacts of 0642/0642A/0643 on consumers, we cannot support their fast-paced regressive changes to the previously agreed and long-known post-nexus arrangements.

0642/0642A/0643

The volatility arising from the post-nexus UIG algorithm was broadly predictable and the associated costs to shippers could have been managed through reasonable preparation for the changes that were agreed in 2014 (e.g. through ensuring that the known increase in UIG costs were reflected in recent contracts, which some shippers did). Costs arising from inadequate preparation should not be paid for by small scale gas users by reversing key aspects of the long-planned project nexus.

We believe that Ofgem should enact its right to deviate 0642/0642A/0643 from the current urgent timetable, until evidence on the impacts on consumers (both projected and retrospective) has been made available for scrutiny. Without this reasonable intervention, the reputational authority of the industry-led UNC process risks being called into question. Ofgem stated in their letter dated 21 December 2017 (see https://www.ofgem.gov.uk/system/files/docs/2017/12/unc642-643_ud.pdf) that it “remains to be established whether the appropriate means of addressing the issues highlighted in these proposals [0642/0643] is via a further UNC modification rather than, for instance, through the individual actions of shippers,” a route that is unlikely to be explored given the modifications’ urgent statuses. We urge Ofgem to take account of these relevant considerations before making a decision on the proposals themselves.

In addition to 0642/0642A/0643 lacking adequate impact assessments, the proposers provide no substantial evidence to show that the post-nexus arrangements are functioning differently from what was predicted or that 0642/0642A/0643 will provide a net benefit to the market as a whole.

0644

We are broadly in support of 0644, which addresses the algorithm volatility issue introduced by 0432 without unwinding key aspects of project nexus. This option avoids the (currently unestimated) market-risks posed by 0642/0642A/0643 whilst providing stability to the post-nexus UIG arrangements.

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

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

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

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

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