

Representation

Draft Modification Report

0421: Provision for an AQ Review Audit (previously 0379A)

Consultation close out date: 10 December 2012
Respond to: enquiries@gasgovernance.co.uk
Organisation: First Utility
Representative: Chris Hill
Date of Representation: 07 December 2012

Do you support or oppose implementation?

Not in Support

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

Although we agree that AQ performance is an important issue, First Utility believes that the application of shipper charges in the manner proposed is likely to have a negative impact on smaller shippers and thus competition. Shippers are currently unable to amend SSP AQs for sites acquired after the close out date before the AQ Review commences, so it is therefore possible that a rapidly growing smaller shipper could be penalised for the performance of the previous shipper rather than its own.

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

No.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We believe that the Modification, as currently designed, may further relevant objective a) (Efficient and economic operation of the pipe line system) to a small extent. However, we also believe that implementation may also significantly negatively impact relevant objective d) i) (Securing of effective competition between relevant shippers).

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Impacts and Costs:

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

No significant additional operational costs should be incurred were the Proposed Modification to be implemented. However, the costs incurred should a shipper be deemed not to have met the requirements contained in the Proposed Modification could have a significant impact on smaller shippers and this could often be due to events beyond their control, particularly in relation to SSP sites won from another shipper where that site was acquired after the close out date before the beginning of the AQ Review Period.

Implementation:

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

First Utility does not support implementation of the Proposed Modification.

Legal Text:

Are you satisfied that the legal text and the proposed ACS (see www.gasgovernance.co.uk/proposedACS) will deliver the intent of the modification?

Yes.

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.

We do not believe that the benefit deriving from implementation of the Proposed Modification would outweigh the negative impact on competition, particularly as any benefit is likely to be short-lived given that Rolling AQ is likely to be introduced within the next several years.

It is also possible that implementation could potentially result in one shipper paying the total administration costs of the service which could then lead to serious unintended consequences for both that shipper and competition as a whole.