

# Representation

### **Draft Modification Report**

0338V: Remove the UNC requirement for a 'gas trader' User to hold a Gas Shipper Licence

Consultation close out date: 30 March 2012

Respond to: enquiries@gasgovernance.co.uk

Organisation: Scotland & Southern Gas Networks

Representative: Erika Melén

**Date of Representation:** 30 March 2012

Do you support or oppose implementation?

Not in Support

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

In 2010 Ofgem launched a consultation to gain views on whether Gas Traders should be required to hold a shipper licence. The outcome of the consultation showed that a majority of industry parties did not believe this to be necessary. Ofgem's view on the matter is that the Gas Act does not require Traders to hold a licence and so it is not within Ofgem's powers to enforce this. Traders will be required to have FSA registration when no other licence is in place.

This modification is looking to introduce a separate Trader role into the UNC for appropriate sections to enable parties to sign up to the UNC and ensuring that relevant sections apply. Although this proposal is enabling Trader Users within the UNC hence creating some Governance once the licence requirement is removed SGN do not feel that it is appropriate to allow parties without a licence access to the UNC including the right to make modifications to the whole of the code.

Even with traders included as parties within the UNC, without a licence there is also nothing in place to deter breaches of the code without the 10% turnover penalty within the licence which could increase risk for market participants.

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

No

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#### **Relevant Objectives:**

How would implementation of this modification impact the relevant objectives?

We do agree that removing the need to hold a licence may encourage competition in the market for Traders through reduced administration and cost. However if Traders are no longer required to hold a shipper licence then this will most likely result in the FSA exemption being removed hence negating any benefits in relation to barriers to entry.

We do not agree with the argument that by removing the requirement to hold a licence that this will encourage parties to abide to the UNC in order to raise modifications. Allowing parties who are only party to sections of the UNC to raise modifications to the code as a whole may even add further risk to other code signatories.

#### **Impacts and Costs:**

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

None

#### Implementation:

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

None

## Legal Text:

Are you satisfied that the legal text 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.

No

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