

Representation - Draft Modification Report UNC 0792S

Amendments to Cost Recovery under OAD

Responses invited by: **5pm on 13 May 2022**

To: enquiries@gasgovernance.co.uk

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

Representative:	Shiv Singh
Organisation:	Cadent
Date of Representation:	9 th May 2022
Support or oppose implementation?	Support
Relevant Objective:	f) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

The process arrangements currently within OAD under Section L2.3 are focussed towards retrospective cost recovery. This can occur at any time and is also not time bound. This presents a number of issues for all operators. If cost recovery is identified after the event there is no guarantee that an operator's respective project will be still open, and if there has been a significant lapse of time for the request to be submitted e.g. in a subsequent financial year or price control period, this is also likely to cause issues in funding as this may not be readily available.

Self-Governance Statement: *Please provide your views on the self-governance statement.*

We agree that this proposal should be subject to Self-governance as there will be no material impact upon Shipper Users, Gas Transporters or Gas Consumers.

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

We are happy with the proposed lead time of 16 Business Days but recognise that some Transporters' internal processes may require amending. As such, we will liaise with the other Transporters to ensure a smooth transition.

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

None.

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

Yes, we are.

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.*

No.

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

We believe that these proposals extend and build upon the existing provisions set out within the OAD. They add transparency and clarity and will enable an increased level of engagement between Transporters that should ultimately lead to a more efficient outcome.

OAD Section L2.2.7 states “*For the avoidance of doubt (unless otherwise provided in this Document) the amount of recoverable costs shall be determined on the basis of actual costs (incurred by the Recovering Party in carrying out the relevant activities), and not on the basis of costs which it would not have incurred but for the relevant act or omission on the part of the Reimbursing Party*”.

In addition, **OAD L2.2.2** states “*The recoverable costs shall not exceed the costs which would have been incurred by a Reasonable and Prudent Operator in the circumstances (pursuant to the relevant provision)*”.

As such, we disagree with the comment that these proposals may lead to under-recovery of actual costs as these existing provisions provide the protection that Transporters seek.

The introduction of the 60 Business Day window within which to submit the notification of the intent to Cost Recover, should lead to a more efficient process as matters can be dealt with in a timely manner. Our Operational colleagues have determined that this timeframe (effectively 3 months), is more than sufficient to identify any operationally material fallout resulting from another Transporters activity.