

Representation

Draft Modification Report

0340 - Clarification of the AUG Year in respect of UNC Modification 0229 (alternative)

Consultation close out date: 14 February 2011

Organisation: ScottishPower

Representative: Lorraine Kerr

Date of Representation: 14 February 2011

Do you support or oppose implementation?

Support

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

We believe that a balance is required between cost certainty for LSP shippers and rebalance of inequitable costs for SSP Shippers. It has been widely recognised and acknowledged in the industry for at least 3 years that LSP Shippers should be contributing to the cost of unidentified gas. MOD 229 should have provided clarification on this point, with 1st April 2011 being included within the legal text. For this reason we believe that MOD 340 is appropriate to ensure there is absolute certainty that the first energy reconciliation will apply from 1st April 2011. This will provide an appropriate incentive to ensure that SSP Shippers, and their customers, are not exposed to any inequitable costs of unidentified gas for longer than necessary.

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

None.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

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Version 1.0

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Standard Special Condition A11.1(d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

The introduction of the Modification will ensure that the correct allocation of energy between LSP and SSP shippers takes effect from 1st April 2011, hence being a benefit to competition and removing the current undue discrimination. Further this provides absolute certainty of the legal text already contained within UNC implemented via UNC229 that cost allocation will occur from 1st April 2011.

Standard Special Condition A11.1(f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

This Modification provides clarity and certainty, therefore removing any ambiguity, over the date that the first AUG statement will apply from 1st April 2011. It potentially also provides an incentive for the timely appointment of the AUGE service provider.

Impacts and Costs:

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

We would not face any additional costs; the implementation of this MOD would result in SSP shippers facing a more equitable share of unidentified gas.

Implementation:

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

We believe this should be implemented immediately following decision by the Authority.

Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

NB: while formal legal text has not been provided, Suggested Text has been included in the modification and comments on this will be helpful when the text is finalised.

Yes, we believe the proposed legal text provides the required clarity that the 1st April 2011 is the application date of the first AUG year, irrespective of when the AUGE statement is produced.

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.

It has been recognised that the development of the AUGGE and the first AUG Methodology will not be completed by 1st April 2011, despite awareness and recognition of the inequitable cross-subsidy that currently exists between the LSP and SSP sectors and has done for a number of years. We therefore do not believe it is acceptable for true reconciliation between the market sectors to be delayed any longer than necessary. We recognise the steps taken, via UNC 0317, to attempt to address this balance but we believe that a further reconciliation is required should the AUGGE determine the allocation to the LSP sector differs from £2.75m currently in place.