

## 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:** EDF Energy

**Representative:** Stefan Leedham

**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.

As recognised by Total in their response to these modifications, both proposals seek to address the cross subsidy that currently occurs from the SSP to LSP market. It is widely recognised that cross subsidies are not beneficial to competition, or in the consumers' interests. It is therefore imperative that this cross subsidy is removed as soon as possible. 0340 facilitates this objective by removing the cross subsidy.

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

We note that under the current arrangements SSP Shippers are exposed to all of the costs of unallocated energy, and so the risks. The result is that when developing charges and energy allocation SSP Shippers have to forecast both SSP and LSP contributions to unidentified gas costs. Some SSP Shippers will have interests in both markets, but others are solely domestic Shippers with a small SME portfolio and so have no experience of operating in the LSP market.

As part of their recent Significant Code Review (SCR) in Gas Security of Supply arrangements, Ofgem noted that from their perspective one of their key objectives was to ensure that risks were targeted at those who were best placed to manage and mitigate these. Allocating LSP unidentified gas costs to LSP shippers as early as possible would be consistent with this, as LSP Shippers are arguably better placed to forecast this level of energy than SSP Shippers who may not have any exposure to this market, and are in a better position to identify and reduce this energy.

We therefore believe that implementation of 0340 will ensure that the costs and risks are correctly targeted as soon as possible. 0340 will require LSP Shippers to forecast costs; however, we believe that they are in a better position than some SSP Shippers who have no exposure to this market. 0340 will also ensure that the risks are attributed to those that are best placed to manage them in a timely and expedient manner.

### **Relevant Objectives:**

*How would implementation of this modification impact the relevant objectives?*

We agree with the proposer that implementation of this proposal will facilitate relevant objectives (d) and (f).

### **Impacts and Costs:**

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

### **No additional comments**

### **Implementation:**

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

We believe that both modification proposals can be implemented immediately after a decision from Ofgem.

### **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**

**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 have no further comments to make.**