

Representation - Draft Modification Report UNC 0831 0831A

0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method

0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method

Responses invited by: 5pm on 19 October 2023

To: enquiries@gasgovernance.co.uk

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

Representative:	Harry Hailwood
Organisation:	Brook Green Supply
Date of Representation:	18.10.2023
Support or oppose implementation?	0831 - Oppose 0831A - Support
Alternate preference:	0831A
Relevant Objective:	0831 d) Negative f) Positive 0831A d) Positive f) Positive
Relevant Charging Methodology Objective:	Not Applicable

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

We see some value in 0831 and the 'Vanilla Smear' approach to all its classes, eliminating volatile AUGÉ values and hence reducing risk premiums to customers. However, it does not tackle overall levels of UiG and arguably discourages movement to Daily Metered status which ultimately increases UiG on a like for like basis in future years.

0831A provides the market with the same stability of ending the AUGÉ process, but also ends the payment of UiG by Class 1 meters. Class 1 meters are settled on actual reads and don't contribute to the settlement error that makes up the majority of UiG.

We also note that the original intention of 0831A was to zero out UiG for Class 2 meters. Although this was changed due to constraints with industry systems, a positive outcome for 0831A is likely to result in a similar modification being raised for Class 2 meters. We think that by incentivising the shift to daily metering is good for the gas industry through more accurate billing and aligning it with progress made in the electricity industry with MHHS.

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

Whilst we would like to see implementation as soon as possible, we think this should also be dependent on how long it takes to make a decision. Should a decision not be made until well into the new year, we would recommend using 1st October as a start date.

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

Reduction in volatility of UiG allocation with the weighting factors not being reset every October. This will reduce costs for suppliers and ultimately customers.

Incentivisation of daily metering and the benefits this has for the gas industry.

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

Insert Text Here

Modification Panel Members have requested that the following questions are addressed:

Q1: Do you have views on the effect of these two alternatives on end consumers?

We believe the certainty and transparency in UiG allocation will reduce costs for suppliers and ultimately customers.

Q2: Is the process in electricity comparable? (please explain)

The process in electricity attempts to allocate residual electricity use to suppliers in a GSP. The current electricity regime has sought to manage this issue, tackle losses such as theft and encourage appropriate supplier behaviour without the need for a volatile and

complex allocation mechanism. This reinforces our view that a stable mechanism for allocating settlement error should be the main driver for managing allocation of residual energy in both gas and electricity.

We note that the electricity process wholly allocates this error to NHH customers, the equivalent of NDM customers, recognising that HH do not contribute to this error. This in line with the objectives of 0831A.

It is also pertinent that the Unidentified Gas process has been subject to a number of industry modifications in the last ten years, the Group Correction Factor process has remained unchallenged.

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.*

Insert Text Here

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

Insert Text Here