

SEFE Energy Representation Draft Modification Report

Modification 00831 – 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

- 1. Consultation close out date:** 19th October 2023
- 2. Respond to:** enquiries@gasgovernance.co.uk
- 3. Organisation:** SEFE Energy
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8 First Street
Manchester
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- 4. Representative:** Steve Mulinganie
Senior Regulation Manager
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0799 097 2568
- 5. Date of Representation:** 19th October 2023
- 6. Do you support or oppose Implementation:**
We **Do Not Support** implementation of Modification 0831
We **Do Not Support** implementation of Modification 0831A

**If either 0831 or 0831A were to be implemented, which would be your preference?
Our preference would be for 0831A**

- 7. Please summarise (in 1 paragraph) the key reason(s) for your position:**
The role of the Allocation of Unidentified Gas Expert (AUGE) in determining the allocation of Unidentified Gas (UIG) ensures that Shippers Users shares of UIG are independently determined equitably and transparently. This leads to a better and more targeted outcome than simply smearing UIG across the market as a function of throughput. Unless the cost of undertaking this exercise outweighs the benefit it is difficult to see how these proposals improve upon the current arrangements. No compelling evidence has been provided to suggest that the AUGE process is inefficient compared to simply smearing back UIG as a function of throughput.

8. Are there any new or additional Issues for the Modification Report:

No

9. Self-Governance Statement Do you agree with the status?

No

10. Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We believe the Modification is **negative** in respect of relevant objective [d] as it removes a process that independently determines UIG in an equitable and transparent manner and replaces it with an inherently less accurate allocation as a function of throughput.

We believe the Modification is **negative** in respect of relevant objective [f] as no evidence has been provided to suggest that the current AUGE process is inefficient, considering the hundreds of millions of pounds involved, compared to smearing back UIG as a function of throughput.

11. Consumer Benefits:

Do you have any comments on the Consumer Benefits?

Whilst we acknowledge that removing the cost of the AUGE process may have a minor benefit in terms of overall costs. We believe this is outweighed by the additional costs that it will impose upon some consumers who will have much higher costs smeared against them than had previously been independently and transparently determined to be appropriate. Consumers will no longer be able to rely upon an independent expert determining their fair share of UIG.

12. Impacts & Costs:

What analysis, development and on-going costs would you face if this modification was implemented?

We **have not** identified any significant costs associated with the implementation of this modification

13. Implementation:

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

We do not support implementation of these modifications

14. Legal Text:

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

We note that the **workgroup has considered the Legal Text and Commentary and is satisfied** that it meets the intent of the Solution

15. Modification Panel Questions:

Do you have any comments on any questions raised by the Modification Panel?

No comments

16. Performance Assurance Considerations:

Do you have any comments?

No comments

17. Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that you believe should be taken into account or you wish to emphasise.

Yes

If the recent analysis by the Retail Energy Code is correct then the levels of Theft which previously formed a large proportion of UIG are over estimated. If these modifications are given effect, then the ability via the AUGE to identify and target this new source of UIG will be unavailable as UIG will simply be allocated as a function of throughput. At the AUGE meeting on the 29th September 2023 the potential for a new unknown contributor was discussed.