

Representation - Draft Modification Report UNC 0711S

Update of AUG Table to reflect new EUC bands

Responses invited by: **5pm on 12 March 2020**

To: enquiries@gasgovernance.co.uk

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

Representative:	Rhys Kealley
Organisation:	Centrica
Date of Representation:	12 March 2020
Support or oppose implementation?	Oppose
Relevant Objective:	d) None

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

On balance we do not support this modification.

We acknowledge the intent of the change is to more accurately allocated UIG to the source, however:

- We are not convinced the data available to the AUG Expert is sufficiently reliable to accurately and robustly allocate UIG to the new EUC bands.
- It is expected that the change will shift UIG costs further towards residential and particularly pre-payment customers. The consideration of this impact has been explicitly removed from the remit of the AUG Expert, however it is relevant to the consideration of the UNC Panel and Ofgem.
- It has not been sufficiently established that the benefits will outweigh the costs to implement the change.

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

We disagree that this change should be considered self-governance.

The self-governance guidance specifies that a change that “materially increases costs that are passed on to consumers, or may be in future” should seek Authority decision.

We have seen arguments that insist that this is simply a change to the table and in and of itself does not impact consumers (as it is up to the AUG Expert to determine the weightings). We would counter that the changes to the structure of the table will almost surely lead to a change to the weighting factors, and hence materially change the distribution of UIG costs to consumers.

On balance it should be up to Ofgem to decide whether this change is in line with policy goals, particularly in relation to increasing cost pressures on residential and pre-payment customers.

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

Should the change proceed, we would expect the new table to be in place for the 2021/22 gas year commencing 1st October 2021.

This is conditional on changes to Xoserve systems and the AUG Expert contract being implemented with enough lead time to avoid any unintended outcomes – for example we wouldn't want the AUG Expert to be asked to produce a table in the new format without certainty that the Xoserve systems will be delivered on time.

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

Aside from the CDSP implementation costs and the changes in UIG cost allocations, we would face an increase to reporting and analysis costs of less than £50,000. At this point we have not yet assessed the costs to update our invoicing system, or other related systems.

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

The legal text delivers the intent of the solution.

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.*

None noted.

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

No further comments.