

## Representation - Draft Modification Report UNC 0758

### Temporary extension of AUG Statement creation process

Responses invited by: **5pm on 04 June 2021**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

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

<b>Representative:</b>	Carl Whitehouse
<b>Organisation:</b>	Shell Energy Retail Limited
<b>Date of Representation:</b>	4 June 2021
<b>Support or oppose implementation?</b>	Oppose
<b>Relevant Objective:</b>	<b>d)</b> Negative <b>f)</b> Negative

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

This modification would set an unfortunate precedent if approved by Ofgem. It is an attempt to change the results of a third party process based on opinion. It logically suggests that you can raise a change modification if you do not like the outcome of a process engaged in good faith. There will naturally be a difference of opinion when the subject involves a redistribution of financial costs across the industry.

The appointment of the Allocation of Unidentified Gas Expert (AUGE) was procured through an independent tender process. The timeline for the appointment of the AUGE and the provision of the AUG Statement are clearly displayed on the roadmap and the AUGE would have been fully aware of these requirements. The proposer suggests that the AUGE have not had sufficient time to develop a robust statement due to the "extremely tight" timescales. The AUGE have not expressed any concerns around time limitations on providing an AUG Statement nor the CDSP (contract owner) have not highlighted or raised any performance issues with the handling of the process.

The annual AUG roadmap includes regular sub committee meetings along with an open consultation for industry parties to engage with the AUGE to discuss and formally appeal the work and/or calculations that make up the weighting factors. This modification and any subsequent modifications attempted in the future makes the formal process irrelevant and futile as a party could just rely on the modification to change the factors.

The attempt to roll over the previous years AUG weighting factors severely impacts our ability to accurately determine tariffs for our customers from October 2021. Ofgem have been placed in a difficult position whereby an instant decision is extremely unlikely. The diverse views and complex circumstances means the longer it takes for a decision to be made, the larger impact will be felt across industry parties.

From the evidence provided above, this change modification is very detrimental to the gas industry. We have engaged in the year-long process in good faith and if this modification is approved it shows that you do not have to engage and raise a change modification if you do not like the outcome.

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

This should not be implemented.

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

Significant redistribution of costs and a short term notice period if Ofgem decides to overrule the decision of an independently appointed expert.

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

Not examined.

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

*Q1: Please provide your views on whether the 2021/22 AUG Statement production process has been robust.*

The production process of this AUG Statement has not fundamentally changed from previous years. The outcome has delivered different results for which a section of the industry does not like. The AUGs are best placed to provide an opinion on the robustness of the process.

*Q2: Please provide your views on whether the 2021/22 AUG Statement production process has delivered a robust result and provide an explanation to support your response.*

See Q1 response.

*Q3: With reference to the existing governance arrangements, please provide your views regarding the effectiveness of the governance of the AUG Statement approval process, including, (but not limited to), the UNC and CDSP contracting arrangements, and the application of the Framework Document, including the UNC Committee stages.*

The recirculation of hundreds of millions of pounds around the industry should not be dictated by the current UNCC. We would be more supportive if subsequent changes to the UNCC include appointing members not employed by Shippers.

*Q4: Please provide a reasoned opinion as to whether the request for a direction on this Modification could be seen as placing a validation role of the AUG Statement on the Authority.*

An independently appointed expert means there should not be a role for the Authority to determine the validity of the AUG Statement.

**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.*

N/A

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

N/A