

Representation

Modification Proposal

0338V - Remove the UNC requirement for a 'gas trader' User to hold a Gas Shipper Licence

Consultation close out date: 30 March 2012

Respond to: enquiries@gasgovernance.co.uk

Organisation: British Gas Trading Limited

Representative: Chris Wright

Date of Representation: 28 March 2012

Do you support or oppose implementation?

Not in support

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

We believe that this modification proposal introduces a number of potential impacts which could be deleterious. Under this proposal, parties who do not hold a shipper licence can engage in certain UNC activities; however the absence of a shipper licence removes Ofgem's ability to require those parties to provide information about their activities. This risks creating a "two speed" compliance regime for certain UNC activities and risks damaging transparency around those activities. This is of particular concern where those activities could have an impact on traded markets and even elements of supply security.

We believe the approach taken to restructuring of the UNC to identify the sections which do and do not apply to this category of User may be unnecessarily complex and even discriminatory; all other categories of User are required to identify for themselves the sections of the UNC which apply to their activities (examples might include Users who have no direct NTS Entry interests, or NTS Exit interests).

We are concerned at the fragmentation of obligations relating to emergency arrangements between shipper licences for some parties and the UNC for other parties. We believe the proposed arrangements may serve to create uncertainty in an emergency (when clarity of roles and obligations should be a paramount concern) and again we believe the proposed approach could signal the onset of different compliance incentives, where a UNC breach may be considered less serious, or less likely to result in penalties, than a shipper licence breach.

We understand that becoming a trader user without holding a shipper licence means such Users would lose the exemption from FSA regulation granted by the shipper licence and could render that User subject to a different compliance regime with different associated costs. We are therefore not certain that trader users will necessarily face a lower regulatory burden as a result of this proposal.

On balance, we consider that these concerns outweigh the extremely minor competition benefits that might derive from its implementation.

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

There are no new issues we wish to add.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

On balance we believe that the potential detriment caused to the efficient administration and implementation of the UNC outweighs any potential benefits to the better facilitation of competition.

Impacts and Costs:

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

As a second order effect all users could face additional costs if, for example, it transpires that the revised emergency arrangements are not as robust as those in place under a completely licensed regime. Further, as a licensed shipper trader we would be concerned if the playing field were tilted as a result of this proposed licensed vs unlicensed approach.

Implementation:

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

Legal Text:

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

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.

No.