

Representation

Draft Modification Report

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: **SSE**

Representative: Jeff Chandler

Date of Representation: 30 March 2012

Do you support or oppose implementation?

Not in Support *delete as appropriate*

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

As indicated in our response to Ofgem's "Trader User" consultation, SSE has the following concerns with the implementation of this modification and as a result are unable to offer support.

1. We believe all Users should be subject to the same set of UNC rules to avoid unnecessary complexity, unforeseen consequences and potential discrimination.
2. We believe that identifying which parts of the UNC are relevant and which are not is more of a barrier to entry than the existing Licence and UNC arrangement to trade on the wholesale gas market.
3. We are concerned that in the context of the SCR, "Trader Users" may be able to avoid the increased cashout penalties which other licenced shipper Users would be exposed to. This will result in an uncompetitive trading advantage due to the greater costs of risk mitigation required by licenced shippers. We also note that the GSMR precludes those that do not convey gas, thus a further sanction to ensure responsible action would be avoided.
4. We find it concerning that this modification, if implemented, would allow Trader Users to raise modifications that did not apply to sections of the code that they themselves were governed by.

0338V

Representation

30 March 2012

Version 1.0

Page 1 of 2

© 2012 all rights reserved

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

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We do not agree that on balance that this mod will enhance competition. We believe that the added complexity; potential for unforeseen consequences; potential discrimination and skewed competitive advantage from cashout and compensation risk arising from the SCR will distort competition.

Impacts and Costs:

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

This is a user pays mod and we believe that any costs associated with its implementation should be attributed to those who would make use of the Trader user Status.

Implementation:

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

We do not support implementation.

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.

We note the section TPD D of the DMR which states that "TUs shall be able to accept Physical Market Transactions as the Accepting Participant only." SSE does not understand how a non physical User can use the physical market and would like the proposer to explain how this will function in practice.