

Representation

Draft Modification Report

0442 and 0442A:

Amendment to the implementation date of the Allocation of Unidentified Gas Statement (AUGS) for the 2013/14 AUG year

Consultation close out date: 22 February 2013
Respond to: enquiries@gasgovernance.co.uk
Organisation: SSE
Representative: Mark Jones
Date of Representation: 22 February 2013

Do you support or oppose implementation?

0442 - Support

0442A - Support

If either 0442 or 0442A were to be implemented, which would be your preference?

Prefer **0442**

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

SSE would prefer 0442 to be implemented as we feel that there is sufficient time for its implementation and it would give a fairer reallocation of unidentified gas at the earliest opportunity. The analysis has shown, and it has been stated by the AUGS, that the consumption based method is a more accurate method than the previous RbD method, and it has been stated by the AUGS that it will be the method that will be used for next year's AUGS.

Given that the aim of the AUG methodology is to give the most accurate and robust reallocation of unidentified gas from the SSP sector to the LSP sector, modification 0442 should be implemented as soon as possible. Otherwise largely domestic customers will continue to cross-subsidise largely I&C customers, the further prevention of which is the whole purpose of the AUG process. Due to a minor 10 day delay the process has ended up in a reallocation which is not equitable for

the coming AUG year and has, with experience, been deemed to be fundamentally flawed and unjust.

The result of this will be that inappropriate costs will be levied on domestic customers at a time when energy bills are under pressure and fuel poverty is becoming an issue for increasing amounts of customers.

The AUG process is a relatively new and complex process within the gas industry and it is not unrealistic or unexpected for modifications, with the hindsight of experience gained, to be raised against processes to improve them for the benefit of the gas industry as a whole, such as in this case, where an issue such as a minor delay is resulting in an incorrect reallocation of gas from the SSP sector to the LSP sector for a whole year due to the inflexibility in the current process.

Furthermore, it could not have been anticipated during the development of the AUG process that there would be fundamental differences in methodologies used by the AUGs from one year to the next that were so very time critical in their development, and that any rollover of figures would have resulted in potentially such large differences in reallocation amounts.

There is sufficient time for the implementation of either modification and for any system changes, which are minor, to be made.

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

No.

Relevant Objectives:

How would implementation of either of these modifications impact the relevant objectives?

We agree with the proposer that this proposal meets the following Relevant Objective.

d) Securing of effective competition.

Impacts and Costs:

What analysis, development and ongoing costs would you face if either of these modifications were implemented?

None.

Implementation:

What lead-time would you wish to see prior to either of these modifications being implemented, and why?

None.

Legal Text:

Are you satisfied that the legal text will deliver the intent of each of these modifications?

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Version 1.0

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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.