

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: Total Gas & Power Ltd
Representative: Andrew Green
Date of Representation: 22 February 2013

Do you support or oppose implementation?

0442 Not in Support
0442A Not in Support

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

TGP does not support either modification and therefore does not have a preference

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

0442 / 0442A

The AUGS guidelines and timescales were agreed by all parties and it is not therefore appropriate for these to be challenged through the modification process. If either of these modifications were implemented it would be likely to trigger many more modifications as other parties attempted to challenge the AUGS process and manipulate the outcome. No party should therefore be allowed to influence the agreed process or, indeed the independence of the AUGS to their own commercial advantage.

The rollover contingency was anticipated and agreed by the industry (including those parties who raised these modifications) This rollover process has now been formally triggered and this

should be accepted by all parties that initially agreed to be bound by the AUGÉ guidelines.

Sufficient lead time is required to provide certainty of pricing for the I&C sector so that costs can be factored into customer contracts and competition is not adversely impacted. Further, the modifications would create uncertainty and risk to the LSP sector as there would be differing approaches to this which would impact competition in the I&C sector meaning AUGÉ charges would not be able to be accurately and correctly accounted for in suppliers' customer pricing arrangements.

The AUGÉ has not published the output data from the new methodology, nor has the industry had the chance to review and challenge the output so the modifications are based on unfounded assumptions. This consultation and review process is essential and in the past has led to very significant changes to output data which have serious commercial implications for the LSP sector.

We are also concerned that these modifications have been rushed through the modification process following rejection of the request for Urgency by Ofgem. Meetings (and exceptional meetings) have been called at very short notice and in quick succession not allowing sufficient time for development and review of the documentation. Again, this sets a dangerous precedent especially in light of potential further counter modifications that would likely to follow.

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

There is no supporting data to justify the modification as the AUGÉ hasn't produced the output from the new methodology and the industry hasn't had the chance to review this and comment. The AUGÉ have acknowledged that there have been considerable difficulties due to data issues which have caused the significant delay to the process.

Relevant Objectives:

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

The modifications would adversely impact competition between shippers and suppliers as they would create pricing uncertainty in the LSP sector. It would also disadvantage Suppliers without very large domestic portfolios with potential for cross subsidisation between market sectors.

Impacts and Costs:

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

Potential under recovery of AUGÉ charges and the administrative burden of passing amended charges through where end consumer contracts permit this at a time of year when customers are not expecting it or accounting for it. Any justification or explanation by suppliers would be incomprehensible to end consumers, especially trying to explain why there has been a change in methodology.

Implementation:

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

We don't believe there is any justification for these modifications as they are contrary to an agreed industry process where milestone dates were put in place for logical reasons that align with existing industry processes.

Legal Text:

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

No Comment

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