

Representation

Draft Modification Report

0456 (Urgent): - Revision to the treatment of Allocation of Unidentified Gas for the 2013/14 AUG Year

Consultation close out date: 11 June 2013
Respond to: enquiries@gasgovernance.co.uk
Organisation: SSE
Representative: Mark Jones
Date of Representation: 11 June 2013

Do you support or oppose implementation?

Support

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

The AUGE process was implemented to provide an independent calculation of unallocated energy that should be transferred from the SSP sector back to the LSP sector. Prior to this there had been a cross subsidisation to the LSP sector from the SSP sector. The AUG process was always going to require refinement in the first few years, but it could not have been envisaged that the AUGE would effectively run out of time by a short period in the provision of figures for the April 2013 reallocation amounts which were calculated from a far better and more robust consumption based methodology. The result of this short delay was that a significant cross subsidisation would continue to exist for another year. This modification has been raised to provide a far more accurate reallocation of unidentified energy 6 months earlier which will, overall, benefit domestic customers. Given the current very high level of energy prices compared to those historically, it is not fair that domestic customers are continuing to subsidise larger industrial and commercial customers.

As SSE is active in both markets any change in the allocation brought about by this modification will be reflected in the LSP pricing structure, and we feel that given the timescales of this modification that shippers operating in the LSP sector have sufficient notice to price in any increased premium. As the AUG figures are effective from April each year anyway, there will always be a disconnect between LSP contracts offered at different times of the year, and sometimes for a more than one year, that span multiple AUG statements and are often agreed prior to AUG figures being published for the following April. Therefore, the AUG risk is something that has to be factored into LSP contracts as a matter of course.

Any reallocation of costs as a result of this modification to the LSP sector will not result in a 'windfall' to SSP shippers as the benefits will feed into decisions made about prices in the future which are made up of a number of very complex factors. We are seeing increasing amounts of customers being classed as 'fuel poor' and

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implementation of this modification will help reduce this number as overall costs will be removed from the SSP sector where energy costs are continuing to come under pressure and domestic suppliers are striving to keep tariffs as low as is sustainably possible.

The consumption based methodology of identifying and reallocating unidentified gas has been shown by the AUGE to be a far more accurate method. SSE is of the opinion that this modification should be implemented in the timescales indicated within it so that gas is allocated on as accurate a basis as is possible in the non daily metered market as soon as is practicable.

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

No.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We agree with the proposer that implementation of this modification would positively impact relevant objective (d) as removal of the cross subsidy would help benefit competition in the SSP market sector as costs would be targeted more accurately.

Impacts and Costs:

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

None.

Implementation:

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

None Required. The modification should be implemented as per the urgent timetable.

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.