

## 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:** WINGAS UK Ltd  
**Representative:** Rob Johnson  
**Date of Representation:** 10 June 2013

#### Do you support or oppose implementation?

Not in Support

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

WINGAS UK Ltd is grateful for the opportunity to offer a consultation response on UNC modification 0456. The impact of this modification, should it be implemented, will be critical to our business. As a small supplier, WINGAS is much more exposed than larger businesses to the impacts of the uncertainty that would be introduced by this modification, and will find it more difficult to adjust to the mid-year changes it will create.

The AUGE process, was agreed by all parties during its development. It is therefore not appropriate for these to be challenged through the modification process; it severely undermines the integrity and independence of the AUGE process. Should this modification proceed and be implemented it would create a precedent for further unwarranted and unnecessary modifications adjusting the AUGE process.

To initiate the next AUGE table early to compensate for the lack of a new table when the roll over occurred provides insufficient time to allow for accurate pricing for our customers in the I&C sector. This time is required so that costs can be correctly and appropriately factored into customer contracts.

We also note that this modification is detrimental to our competitiveness purely by it being raised as we have to incorporate the potential risk it represents in our pricing strategies.

Finally, WINGAS UK Ltd notes the similarity of this modification and UNC Modifications 0442 / 0442A both of which were rejected by Ofgem. Ofgem stated in its response to the modifications that:

“Although the change in methodology may result in a significant change to the distribution of AUGE costs, the AUGE itself has been keen to play down the reliance that is being placed on the provisional numbers it presented to the UNCC in late 2012. It is

0456 (Urgent)  
Representation

31 May 2013

Version 1.0

Page 1 of 3

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possible that the final AUGE table will be substantially different. However, we consider that whichever end of the likely range the number ends up being, it will be a small proportion of the shippers overall energy costs. Given that shippers typically purchase gas 12-24 months ahead it is not clear what, if any, impact the AUGE's final figures may have upon tariffs for 2013/14. We therefore share the concern of those respondents who suggested that these proposals may potentially result in a windfall gain (or loss) for shippers.

While the AUG methodology and table remain incomplete we are unable to conclude whether early implementation of that methodology and table would offset the detrimental impacts to competition caused by increased uncertainty. In order to be more confident that the benefits of bringing forward the effective date of the revised methodology would offset the increased uncertainty and risk, we would also want to see more information from shippers on the extent to which, and when, this change would be reflected in tariffs."

WINGAS UK Ltd fails to see where UNC Modification 0456 accommodates the issues that Ofgem has raised above. We also note that Ofgem recommended in its response that the UNCC conduct a lessons learned exercise to avoid further inaccuracy in future AUGS tables. We are unaware of any such undertaking to date, Furthermore a report on the works undertaken by the AUGE by Phidex consulting highlighted a number of vulnerabilities in the data and process – as yet we are not satisfied that these errors have been accounted for in the process and as such a new table at this point would be premature and would only create inaccurate results.

### **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?*

0456 would negatively impact the following relevant objectives:

(d) *Securing of effective competition*; by undermining the independence and integrity of the AUGE any findings made through the established and agreed AUGE process would similarly be undermined. In turn this would generate risk & uncertainty in the market and impede competition.

#### **Impacts and Costs:**

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

No Comment

#### **Implementation:**

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

WINGAS does not endorse changes to the AUGE allocations outside of the normal timeframe set out during the AUGE's implementation.

### **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.*

0456 (Urgent)  
Representation

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31 May 2013

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Version 1.0

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Page 2 of 3

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No