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Jonathan Dixon
Ofgem
10 South Colonnade
Canary Wharf
London E14 4PU

Dear Jonathan,

Consultation on impact assessment and minded to position on UNC modification proposals 0642, 0642A and 0643

This submission has been prepared by Citizens Advice, which has the statutory responsibility for representing consumers' interests in Great Britain's energy markets. The contents of this letter are non-confidential and may be published on your website.

In line with our February representation¹ on these proposed gas industry modifications, our view is that any unidentified gas (UIG) related changes to the post-Nexus arrangements should promote a fair and equitable model for addressing UIG. We recognise that since Project Nexus was implemented, daily estimates for UIG have exhibited volatility which has created material difficulties for gas shippers needing to balance their daily positions. Consequently, we are broadly supportive of proposed modifications to the UNC that seek to address calculation issues in order to provide stability and ensure fairness in the post-Nexus UIG arrangements.

We support Ofgem's recent minded to position to reject UNC modification proposals 0642, 0642A and 0643, which in our view would be retrograde steps unwinding key aspects of Project Nexus. This position is in line with the majority of UNC Panel Members, who voted to reject 0642, 0642A and 0643 in February.

¹ Available:

<https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/energy-policy-research-and-consultation-responses/energy-consultation-responses/consultation-response-on-new-gas-industry-modifications/>

Below we have set out responses to the specific questions asked in the consultation document.

1. We consider Ofgem's Impact Assessment of the above mentioned UNC modification proposals to have appropriately identified the primary impacts that are relevant in making a decision on their suitability.
2. We are not aware of any major additional impacts that Ofgem should have taken into account in its decision making process for these modification proposals.
3. In principle, we agree that gas allocation arrangements can be most accurately assessed when all pending UNC obligations are fully discharged, working as intended and measurable.
4. We are supportive of amending the AUGE terms of reference such that it has the explicit objective of developing a methodology that incentivises shippers to reduce UIG volumes. Aside from enabling more accurate estimations of the actual quantity of UIG, market players should also be incentivised to reduce its volume.

If you would like to discuss anything from this letter in more detail please do not hesitate to contact me.

Yours Sincerely,

Joel Atherton
Senior Policy Researcher
Energy Networks & Systems Team