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Dear Dora,

### **Open letter consultation on changes to Ofgem licensing policy for gas traders**

The Gas Forum is a membership association representing the views of gas shippers and suppliers active in the UK market. The Gas Forum does not support Ofgem's proposal to remove the obligation for Users who only want to trade gas to obtain a Shipper licence.

- We disagree with Ofgem's assertion that a gas shipper licence "*represents an inappropriate barrier to entry, especially for small parties*". We do not find it credible that Ofgem considers £350 to be a barrier to entry to the GB wholesale gas market but accept that the application process is complex and should be streamlined.
- We disagree with Ofgem's statement that "*Clearly defining gas trading as a separate activity from gas shipping would make the status of industry parties more transparent.*" The Gas Forum is concerned that allowing special categories of Users to be created under the UNC will potentially open the floodgates to other, new types of User being created, potentially undermining the rights and responsibilities of existing Shippers. Carving out sections of Code which do or do not apply to certain Users will add more complexity and less transparency to the current arrangements. The risk of unintended consequences – e.g. the inability to effectively enforce penalties or sanctions – is also a significant concern to our Members.
- We note that not issuing a shipper licence necessarily reduces or eliminates Ofgem's power over 'Trader Users'. Whilst Ofgem may be comfortable that this does not currently present any problems, we fear that removing this power may leave Ofgem open to future enforcement problems which may not necessarily be foreseen now. For example, the removal of the licence would remove other powers Ofgem has over licenced parties such as the power to issue Statutory Information Requests. This could leave Ofgem in a position where it suspects inappropriate behaviour but it is unable to assess the situation or investigate fully as it doesn't have access to the information it would normally be able to obtain. Worse still, Ofgem could issue requests to all licenced parties in the hope that they may be counterparties to trades they have an interest in, thus placing an increased burden on licenced parties.

In summary, the Gas Forum has significant concerns about this proposed change to Ofgem's licensing policy. Our members consider that this change would add unnecessary complexity to the current arrangements, which we fundamentally do not consider to be broken. The current "burden" of obtaining a Shipper licence is minimal and we find it difficult to believe that any party would be deterred from entering the gas wholesale market due to the small administrative and cost burden of obtaining a shipper licence. We therefore urge Ofgem to continue with the current arrangements and focus on streamlining the licence application process.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'R Fairholme', written in a cursive style.

Richard Fairholme  
Chair, Gas Forum Transmission Shipper Group