

Non Confidential

Lisa Charlesworth
Industry Codes & Licensing
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23rd November 2012

Dear Lisa,

Reference: Code Governance Review (Phase 2) Proposals
Due: 23rd November 2012

Gazprom Marketing & Trading Retail Limited ("**Gazprom Energy**") would like to thank you for the opportunity to respond to your consultation. We do not consider our response to be confidential and we are happy for our comments to be shared with other interested parties.

Gazprom Energy operates in the UK Non Domestic Sector as a Gas Supplier and a Gas Shipper. In addition, it also operates in the UK Non Domestic Power Market as an Electricity Supplier.

In general we welcome Ofgem's attempt to identify best practice and introduce it across all the relevant codes.

We also welcome the workshop held by Ofgem on the 2nd November 2012 and believe that the Issues Log provides a high-level overview of the output from the day.

Therefore, rather than duplicating this consolidated output, we would like to focus on a couple of key areas of concern for Gazprom Energy.

Interaction with new Governance Arrangements

We believe it would be helpful if Ofgem could provide clarity on the interaction between the Codes being consulted upon and the new Smart Energy Code (SEC). It would also be helpful if a holistic Industry Plan could be created and managed centrally to enable a joined up approach across the whole industry.

Phased Implementation

At the workshop it was noted that there were certain new proposals not in the original consultation such as the proposal to obligate Non Domestic Suppliers to enter into the Supply Point

Administration Agreement (SPAA). It was recognised that SPAA in particular is not a “housekeeping” change and should be managed on a separate timeline so these discussions don’t interfere with the more straightforward proposals.

Supply Point Administration Agreement (SPAA)

In the original consultation, there was no mention of making accession to the SPAA mandatory to Non Domestic Suppliers. As we noted in the workshop, this proposal is not an extension of best practice, but is instead a proposed extension of our existing licence obligations. As we discussed in the meeting, we are concerned that we are being forced into signing the SPAA even though there exists acknowledged concerns over the governance arrangements within SPAA.

As was discussed in the Workshop, to date there has been no clear reason for I&C Suppliers to enter SPAA on a voluntary basis. Further, as the I&C market (unlike the domestic market) is highly competitive, the costs and benefits of entering such a regime are unproven.

In addition to participation in SPAA being a ‘new’ proposal, we also noted in the meeting the concerns we had about the recent licence drafting for the new obligations for managing theft, and the introduction of the Theft Risk Assessment Service (TRAS).

At the meeting, Ofgem noted that it would provide clarity as to how the obligations in relation to theft of gas & the TRAS would interact with the SPAA. We would be grateful if Ofgem could provide this guidance prior to the Licence Conditions taking effect on 7th January 2013, with the TRAS obligation likely to take effect from 31st March 2014.

We hope you find our comments useful. Should you have any questions on or would like to meet to discuss our response, please don’t hesitate to contact me directly

Yours sincerely,

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