

Vanessa Sturman
Wholesale Markets Policy
Ofgem
9 Millbank
London
SW1P 3GE

26 September 2014

Dear Vanessa,

RE – Consultation on the modification of relevant United Kingdom (“UK”) legislation and licence conditions to ensure Great Britain’s (“GB’s”) compliance with the European legislative definition of the gas day

This response to the above-referenced consultation is on behalf of the Centrica group of companies, excluding Centrica Storage Limited.

Thank you for the consultation document and the opportunity to provide comments. Answers to the specific questions you ask are set out below.

Overall, we consider the proposed changes to be necessary and timely in order to ensure that the identified legislative requirements are properly implemented.

Good progress has already been made in preparing for the gas day change to onshore gas transportation arrangements with the development and eventual direction to implement UNC Modification 0461. The proposals made in the current consultation document mark another significant step towards further necessary change.

However, it seems inevitable that there will be a significant misalignment between onshore and offshore gas days from 1st October 2015, with many offshore arrangements remaining on the current gas day definition. The arguments put forward by various parties in support of retaining the current gas day for onshore GB arrangements is well documented, however these arguments do not appear to have been sufficient to persuade DECC to support changes to legislation to allow this. Possible solutions for managing the likely consequences of misaligned onshore and offshore gas days have also been explored but there remains nothing concrete to work with. This is a far from satisfactory situation and we have serious concerns over how, as a consequence, an effective claims validation process can be maintained from October 2015. The absence of an effective claims validation process will likely impair shipper confidence, undermine the efficient operation of the gas transmission system and have significant negative impact on wholesale market (NBP) liquidity.

We therefore urge Ofgem to be proactive, and to work constructively with both DECC and industry to formally address the gas day misalignment so as to ensure that the implementation of CAM and BAL result in the benefits envisaged in the Third Package. These perceived benefits may not be realised without a satisfactory and timely outcome to this issue.

We now set out our responses to your specific questions:

Question 1: Do you agree that the identified legislative amendment to the definition of gas day in the GB Regulations is sufficient to align GB legislation with the EU legislative definition of gas day?

The identified change requirement is necessary to ensure the alignment of GB and EU legislation with respect to the definition of the gas day.

Question 2: Do you agree that amending the Directions is necessary following any change to the definition of the gas day in the GB Regulations?

Yes, this is necessary.

Question 3: Do you consider that any other GB legislative amendments are necessary to comply with the EU definition of the gas day?

We are not aware of a requirement for any other amendments.

Question 4: Do you agree that the identified modification to the gas shipper licence is sufficient to comply with the EU legislative definition of the gas day?

Yes, the proposed change should be made.

Question 5: Do you agree that the identified modifications to the gas transporter licence are sufficient to comply with the EU legislative definition of the gas day?

Yes, the proposed changes are consistent with the new gas day definition.

Question 5 (a): With regard to the identified changes to the definition of “Formula Year”/“formula year” and associated time periods in SSC A3(1) and Special Condition 1A.4 of the gas transporter licence, do you agree with the changes proposed to remain consistent with the CAM/BAL gas day definition?

The changes are consistent with the new definition. For the formula year you could alternatively, and perhaps more accurately, refer to it as the period of twelve months commencing from the beginning of the gas day on 1st April and ending at the close of the gas day on the following 31st March.

Question 5 (b): With regard to Special Conditions 3D.35 and 3D.36 of the gas transporter licence, do you agree with our reasons for not proposing any changes?

Yes, we agree with a minimum change approach which was also adopted during the development of UNC Modification 0461.

Question 6: Do you agree that no modifications to the gas interconnector licence are necessary to comply with the EU legislative definition of the gas day?

We are not aware of any need for change.

Question 7: Do you agree that no modifications to the gas supplier licence are necessary to comply with the EU legislative definition of the gas day?

We are not aware of any need for change.

Question 8: Do you consider that any additional licence modifications are appropriate to comply with the EU legislative definition of gas day, eg any references to “working day” or “business day”? Please include any additional changes you have identified in your response.

We agree that there is no need to change the specific examples identified by Ofgem and we are not aware of any other changes that may be required.

Please contact me if you would like to discuss this response.

Yours sincerely,

Graham Jack
Commercial Manager