

## **Appendix E: Impact assessment and minded to position, consultation responses**

We received fourteen responses to this consultation. Non-confidential responses have been published on the Ofgem website: [www.ofgem.gov.uk](http://www.ofgem.gov.uk).

In addition to our position of being minded to reject each of UNC642, UNC642A and UNC643, we sought views on the questions set out below.

### **Question 1: Do you consider that we have appropriately identified and where possible quantified the impacts of the proposals?**

The majority of respondents considered that we had appropriately identified the impacts of the proposals and agreed that none of them would reduce UIG overall. One respondent considered that the 1.1% approximation of permanent unidentified gas was artificially low, noting that they had seen higher differences between their invoiced and metered energy volumes, and that the true level should be a minimum 3%. Some respondents explicitly agree that any certainty that the proposals would provide DM shippers, would come at the cost of greater volatility elsewhere.

None of the respondents contradicted or suggested that there were any errors in the quantified redistribution of energy and cost, as set out in the impact assessment. One respondent suggested that they had not seen anything to show that Ofgem has identified and quantified the impacts of the proposals, but made no specific reference to the impact assessment.

### **Question 2: Do you consider that there are additional impacts that we should take into account in our decision making process?**

Several respondents suggested additional issues that we should take into account. Two respondents suggested that we should specifically take into account the challenges faced by smaller suppliers. They suggested that there was additional difficulty when reliant upon third party shippers, and stressed that smaller parties do not have the same financial reserves with which to withstand cash-flow issues, as their larger counterparts.

One respondent noted that UIG can be influenced by errors in shrinkage calculation, which is outside of shippers' control; they therefore suggested that this should be brought under the governance of the UNC.

### **Question 3: Do you agree that the current gas allocation arrangements should be assessed during a period in which all UNC obligations are being fully discharged and/or input processes are working as intended, before a conclusion can properly be made that further fundamental modification is appropriate?**

Respondents views on this questions were broadly in line with their views on the proposals themselves, i.e. those who supported the proposals thought that they should be implemented immediately, while those who were opposed agreed that the current arrangements need time to be proven. One respondent did not believe that the NDM algorithm will ever be sufficiently accurate, while others points to several modifications that have been, or are being, progressed to further improve the current arrangements.

### **Question 4: Do you consider that the AUGE terms of reference should be amended such that it has the explicit objective of developing a methodology that incentivises shippers to reduce unidentified gas?**

Whilst there was some support for looking at shippers' incentives, the majority of respondents did not agree that this should be within the remit of the AUGE. Some

respondents suggested that this should be a role of the Performance Assurance Committee (PAC) while others noted that this is only one part of a wider set of action that are being, or need to be, progressed across the industry.