

IGT | UNC

▶ IGT UNC July 2021 Panel

IGT132V – AUTHORITY DIRECTION

- ▶ On 29 April 2021 the Final Modification Report (FMR) for IGT132V 'Introduction of iGT Code Credit Rules' was submitted to Ofgem for Authority decision.
- ▶ On 2nd July Ofgem took the decision to send back the Final Modification Report (FMR) for IGT132V.
- ▶ Ofgem determined they could not properly form an opinion on the approval of this modification proposal based on the information provided in the FMR.
- ▶ Ofgem have directed that the report is revised and resubmitted, to address the issues set out.

SUMMARY

- ▶ The FMR appears contradictory on the impact to consumers.
- ▶ No evidence as to the likelihood or materiality of the risk of bad debt costs for iGTs in future, or that current arrangements are not fit for purpose.
- ▶ Insufficient detail to consider the risk that bad debt exposure could lead to the failure of an iGT.
- ▶ Insufficient evidence that the additional costs of credit cover will not be passed through to consumers by Shippers, or the extent to which Shippers might expect to face additional costs.
- ▶ Relevant Objectives section does not include adequate evidence or analysis to demonstrate that credit cover arrangements will not impact competition between Shippers or suppliers.

FMR ISSUE SUMMARY

- ▶ Explain the extent to which iGTs may require credit cover in line with the modification.
- ▶ The impact that credit cover will have on Shippers, including on a range of different types of Shippers.
- ▶ The impact that the additional costs borne by Shippers will have on consumers as FMR suggests that there will be no consumer costs as a result of this modification.
- ▶ Consider if this modification will negatively impact competition between Shippers.

OFGEM EXPECTATIONS

- ▶ ‘In accordance with paragraph 12(b) of standard condition 9 of the gas transporter licence and Part L, clause 26 of the IGT UNC – Modification Rules, we direct that the FMR for UNC132V should be revised to address the points above, and resubmitted as soon as is practicable’.

OFGEM DIRECTION

- ▶ Consider what are the risks of doing nothing.
- ▶ Consider what are the risks of doing something.
- ▶ Consider the use of Scenario Ranges when setting out future impact analysis.

OFGEM GUIDANCE

- ▶ 26.3 Pursuant to Clause 26.2 and subject to Clause 31.5 and Clause 32.3 the IGT UNC Panel shall review the comments provided by the Authority and either:
 - (a) refer the matter to the appropriate Work Group for further development; or
 - (b) re-issue the Modification Proposal for further Consultation, highlighting the concerns raised by the Authority; or
 - (c) subject to the agreement of IGT UNC Panel, amend the Final Modification Report to address the concerns raised by the Authority.

NEXT STEPS