

Bob Fletcher
Joint Office of Gas Transporters
31 Homer Road
Solihull
B91 3LT

Andy Clasper
Network Code,
Distribution
Andy.clasper@uk.ngrid.com
Direct tel +44 (0)1926 655299

www.nationalgrid.com

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Your Reference: UNC Modification Proposal 0424.

UNC Modification Proposal
0424: Re-establishment of Supply Meter Points – prospective measures to address shipperless sites

Dear Bob,

Thank you for your invitation seeking representation with respect to the above Uniform Network Code (UNC) Modification Proposal which National Grid Gas Distribution (NGD), as Proposer would like to support.

Do you support or oppose implementation?

Support.

Please summarise (in one paragraph) the key reason(s) for your support.

NGD believes that implementation of UNC Modification Proposal 0424 to be an important measure in reducing the number of Supply Points which are 'shipperless' but are flowing or capable of flowing gas. The measures identified in the Proposal would have the effect of targeting costs and liability associated with these Supply Points on to the appropriate individual User, thereby reducing the corresponding cost which would otherwise be levied on the general shipping community. An added benefit is that User registration of sites which would otherwise be shipperless would be achieved by an automated mechanism.

Are there any new or additional issues that you believe should be recorded in the Modification Report

NGD has sought to address Ofgem's comments made in their Modification Proposal 369/369a decision letter (dated 22nd March 2012) when drafting Modification Proposal 0424. In this respect we would highlight that the Proposals are broadly similar but with detail differences.

In particular we have made clear that only those shipperless sites identified post modification implementation date would fall under its scope, stating:

"Its terms apply with respect to any Supply Meter Point, which has been Isolated or any Supply Point where the Isolation has become effective through Withdrawal no earlier than the implementation date. For the avoidance of doubt no charges identified within this modification would be retrospectively applied to any User in respect of any period prior to the implementation date nor would any re-registration of the Relevant User in respect of a previously Withdrawn Supply Point be required in respect of any period prior to the implementation date."

NGD would also like to clarify the intent of the drafting of the current UNC TPD Sections G3.7.4/3.7.5 (in its decision letter Ofgem appears to have interpreted these sections as applying to the same or a different Supply Meter) which Modification Proposal 0424 seeks to amend.

The current drafting of Sections G3.7.4 and 3.7.5 were incorporated following implementation of Network Code Modification Proposal 0675 which NGD had raised and progressed as part of the Review of Gas Metering arrangements (RGMA) programme. As we have previously asserted, we would like to clarify that the intent of the relevant text was that a previously Registered User is only liable for relevant charges for which it is or was the Registered User associated with such Supply Meter Point as if it had not been so Isolated where the **same** meter was found to be offtaking. As the proposer of Modification Proposal 0675 we can warrant that it was never contemplated that liability should be imposed on the previous Registered User for relevant charges when a different Supply Meter was found to be present. While we believe the legal text is reasonably clear, we acknowledge that there is possibly scope for differing interpretation. We believe Modification Proposal 0424 provides the necessary clarity.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

- d) Securing of effective competition:
- (i) between relevant shippers;
 - (ii) between relevant suppliers; and/or
 - (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

NGD concurs with the statement in the Draft Modification Report that "this modification identifies measures, which serve to mitigate the likelihood of shipperless sites occurring. The impact of this is to promote cost targeting on individual Users and mitigate the risks of such costs being otherwise shared to the Users having Smaller Supply Points (and potentially Larger Supply Points via the AUGE mechanism). Such a measure must therefore be considered to facilitate competition in the gas market."

- f) Promotion of efficiency in the implementation and administration of the Code.

NGD agrees with the statement in the Draft Modification Report that "the measures identified within this modification are likely to bring about an eventual reduction in the overall number of shipperless sites by reducing the number of new instances. User Registration of Supply Points capable of flowing gas is fundamental to the efficient operation of the UNC."

Impacts and Costs:

Medium level implementation costs would be incurred by Transporters as a consequence of implementing this Modification Proposal. NGD believes that the changes have potential for broader industry utility in the future, for example the 'auto registration' of Supply Points. Consequently it is not intended to recover these under User Pays arrangements. Therefore an Agency Charging Statement (ACS) is not required.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

Systems development work would be required to facilitate implementation of this Modification Proposal. We anticipate a period of 6 - 9 months lead time would be required to deliver components of the solution. Notwithstanding this it is possible to implement the proposed arrangements ahead of the systematised elements. On this basis we would recommend early implementation.

Legal Text:

NGD has provided legal text and supporting commentary. NGD is satisfied that the text as published by the Joint Office within the Draft Modification Report meets the requirements of the Modification Proposal.

Is there anything further you wish to be taken into account?

No.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 655299 (andy.clasper@uk.ngrid.com) should you require any further information.

Yours sincerely,

Andy Clasper
Network Code, Distribution