

Mr Bob Fletcher  
Secretary, Modification Panel  
Joint Office of Gas Transporters  
51 Homer Road  
Solihull  
B91 3LT

2<sup>nd</sup> November 2012

Dear Bob

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

British Gas supports the implementation of UNC Modification Proposal 0424.

British Gas supports the modification proposal and believes that implementing it will

- 1. Clarify Shipper UNC provisions**
- 2. Resolve a route cause of Shipperless sites**
- 3. Reduce smearing and better allocate industry Transmission and Distribution charges**
- 4. Better enable the Shippers ability to recover the customer costs**

Furthermore, we believe that this proposal facilitates the UNC relevant objectives, including Standard Special Condition A11.1 (d): so far as is consistent with paragraphs (a) to (c) the securing of effective competition:  
(i) between relevant shippers;  
(ii) between relevant suppliers;

## **1. Clarify the provisions under the UNC**

The UNC provisions allow for a Supply Point to be withdrawn or Isolated without the need to physically remove the meter. A Shipper can elect to withdraw from the site by ceasing the flow of gas, without removing the service or supply meter, by clamping the Emergency Control Valve.

Under the current terms of the UNC if a Transporter becomes aware that gas is capable of being offtaken, it shall notify the Shipper and if a Shipper becomes aware that gas is capable of being offtaken, it shall inform the Transporter.

Despite the Shipper liability for charging, the current UNC terms do not specifically require the relevant Shipper to re-register the Supply Point or permit the Transporter to re-register the Supply Point on their behalf. As a result of this ambiguity under the current code arrangements Shipperless site volumes are growing.

British Gas feels the modification proposal 424 improves the UNC code provisions by ensuring the relevant Shipper resolves the Shipperless site by registering the Supply Point and it allows for the Transporter to act on their behalf, should they not register the site.

## **2. Resolve a route cause of Shipperless sites**

Because of the uncertainty within code the volume of Shipperless sites increases. The industry Shipperless and Unregistered Workgroup was created to help resolve Shipperless scenarios. The gas industry captures the Shipperless sites information following a Transporter GSUI safety visit and Shippers have the opportunity to identify and resolve the sites they are responsible for.

The Workgroup has been effective at indentifying and resolving Shipperless sites, but it does not resolve all instances. Unfortunately most months more new Shipperless sites fall into the report than are worked and removed. This results in a situation whereby month on month Shipperless site volumes continue to grow. The risk is that with no further action the Shipperless site will remain as Shipperless indefinitely.

We feel that implementation of the 424 proposal will help reduce the number of sites which fall into the Shipperless and Unregistered report for the workgroup to resolve and therefore in time reduce the number of Shipperless sites.

### **3. Reduce smearing and better allocate industry Transmission and Distribution charges**

Where; following an effective Supply Point Withdrawal and subsequently where the same meter is found in situ; for which the Shipper has not re-registered the Supply Point:- the Transportation and the energy costs for that site are socialised to the industry through the Reconciliation by Difference (RbD) mechanism.

This results in the consumed energy being socialised to RbD Shippers and the Transporter's costs being smeared to the industry through higher Transportation charges. The issue and concern to the industry is that these costs are socialised to parties that have no ability to recover the charges, because they have no relationship with the Shipperless site.

The imbalance costs are picked up by RbD market share and this could have an adverse effect on competition, because other Shippers will pick up the costs of another Shippers action. British Gas feels this smearing of costs is an inadequate mechanism to incentivise Shippers to resolve these sites and feels the additional cost to a Shipper could act as a barrier to entry by increasing new entrant costs.

We feel that implementing this proposal will significantly reduce the smearing of imbalance costs, where following an effective Supply Point Withdrawal the same meter is found in situ. As a result this will improve the industry allocation of Transmission and Distribution charges and the respective allocation of energy charges. We feel this better facilitates the UNC relevant objectives regarding securing of effective competition between Shippers and Suppliers.

### **4. Better enable the Shippers ability to recover the customer costs**

British Gas feels that the Shipper who is responsible for the creation of the Shipperless site is best placed to resolve the Shipperless site. Not only does this Shipper have the relevant information to register the Supply Point they are also best placed to recover the industry charges from the customer.

Through the provisions of the 424 proposal and the current Gas Act 2B following an effective Supply Point Withdrawal and the same meter capable of flowing gas is found in situ the effective Supply Point Withdrawal will be reversed. This will result in the Shipper registration being continuous and under the provisions of the Gas Act a Shipper is deemed to have a contract with the customer. The Shipper is then able to contact the customer with rights to recovery of the industry charges.

Therefore we feel proposal 424 correctly re-joins the industry relationship between the customer and the relevant previously registered Shipper through the deemed contract provisions. We feel this is important for maintaining an efficient industry.

## 5. Conclusion

British Gas believes that Modification Proposal 424 remedies code for the situation where following an effective Supply Point Withdrawal the same meter capable of flowing gas is found in situ. This proposal clarifies the action for the withdrawing Shipper to register the site and it enables the Transporter to register them on their behalf.

Whilst Shippers have responsibilities to resolve Shipperless site we believe this proposal will significantly reduce the value of new Shipperless cases. We feel this is beneficial as it will, over time, reduce socialised costs to Shippers and it will mean industry charges are applied to the correct party.

Furthermore we believe that this proposal has a clear framework for Shippers to pass consumer charges to customers, by maintaining the Shipper customer relationship.

In addition to the points made above, we also believe this change proposal facilitate the relevant objectives of the Uniform Network Code, specifically: Standard Special Condition A11.1 (d): so far as is consistent with paragraphs (a) to (c) the securing of effective competition:

- (i) between relevant shippers;
- (ii) between relevant suppliers;

If you have any questions regarding the response from British Gas, please do not hesitate to contact me directly.

Kindest regards,

Andrew Margan  
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British Gas