

Modification proposal:	<b>Uniform Network Code (UNC099): Management of erroneous Domestic AQ's during the registration process</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made <sup>2</sup>		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	20 February 2007	Implementation Date:	To be confirmed by the Joint Office

## Background to the modification proposal

When a supplier gains a site through the Change of Supplier process, the Supplier inherits the Annual Quantity (AQ) value associated with the site's Meter Point Reference Number (MPRN). In some instances the AQ value that the supplier inherits will be incorrect. This can be due to a number of reasons, for example a meter exchange may have gone undetected by the old supplier, an incorrect meter read may have been submitted to the new Supplier by the old supplier or because the new Supplier was unable to get an opening meter read from the customer or the old Supplier. As a consequence the AQ value may not reflect actual consumption, in which case the Shipper will be incorrectly billed by the transporter for both capacity and commodity charges. Whilst the commodity charge can be corrected by the reconciliation process following the submission of a valid meter read, the capacity charge will not be corrected.

The Proposer states that there are two<sup>3</sup> routes available for shippers to correct an inaccurate initial AQ value. One of which is by using a British Thermal Unit (BTU) form. The BTU form is sent to the customer and allows the Shipper to obtain information as to the likely consumption for the residential property. The information required on the BTU form includes details of customer's property and the gas ratings of all appliances. In addition, it requires the customer's signature certifying the details provided. For an appeal<sup>4</sup> against an erroneous AQ to be successful, a Shipper must have received the completed BTU form from the customer and submit this to the Transporter by no later than 23 Business Days after the Supply Point Registration Date or more than 7 Business Days earlier<sup>5</sup>.

The Proposer notes that there are only a small number of residential properties with high erroneous AQ, but considers that the high level of customer involvement needed to complete the relevant details on the BTU form and the technical nature of the information required, has meant that there is an extremely low level of customer response in completing the BTU form. Given the timescales set out in the UNC within which shippers must register sites<sup>6</sup>, the Proposer considers that it is not effective to use the existing BTU form to appeal an erroneous AQ. In addition, the Proposer considers that inaccurate AQ values provide inappropriate signals to the Transporter for system management purposes.

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

<sup>3</sup> The other route is by submitting two meter readings with a minimum of 186 days between the reads.

<sup>4</sup> An appeal is made under section G.1.6.13 of the UNC

<sup>5</sup> As defined under section G 1.6.11 of the UNC

<sup>6</sup> As defined under section G 1.6.11 of the UNC

## **The modification proposal**

UNC Modification Proposal 099 (UNC099) is concerned with the downgrading of residential sites when an incoming supplier gains a site that has an overstated AQ. It is acknowledged that there may be a corresponding issue with regards to the upgrading of residential sites with erroneous low AQs, but it is not the intention of this modification proposal to consider these changes.

UNC099 therefore seeks to revise the current BTU form so that it includes a table of indicative AQ values based on the current NExA table<sup>7</sup>. This will replace the need for the customer to fill in details of their property and gas appliances. In addition, it is proposed that the customer will not have to sign the form to certify it. Finally, the proposal will only be used in conjunction with the change of supplier process where a domestic property has an AQ above the industry's recognised threshold of 293,000 kWh, eg sites that are subject to a monthly read cycle.

The Proposer considers that the use of the revised BTU form would provide greater transparency and accountability of AQ values relating to erroneous charges. The Proposer also considers that the use of more accurate consumption data will allow transporters to more efficiently manage their systems.

## **UNC Panel<sup>8</sup> recommendation**

At its meeting held on 18 January 2007, the UNC Panel unanimously recommended that this proposal be implemented.

## **The Authority's decision**

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) version 2.0, dated 18 January 2007. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR<sup>9</sup>. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC<sup>10</sup>; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>11</sup>.

## **Reasons for the Authority's decision**

We note that the Joint Office received six responses to the consultation on this modification proposal, of which four were supportive and two offered qualified support.

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<sup>7</sup> Contained within the Network Exit Agreement (NExA) is a table that provides aggregate regional AQ values for different property types in GB.

<sup>8</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules

<sup>9</sup> UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.com](http://www.gasgovernance.com)

<sup>10</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see Ofgem's electronic Public Register at: <http://epr.ofgem.gov.uk/>

<sup>11</sup>The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

The majority of the respondents in support of the modification proposal agreed that the customer's signed declaration required on the existing BTU form made it difficult for the shipper to complete and submit it within the timetable set out in the UNC<sup>12</sup>. This frustrates the process for making an appeal against an erroneous initial AQ<sup>13</sup>.

In addition, given that inaccurate AQs can lead to a misallocation of gas used, some respondents considered that the modification proposal would lead to a prompt correction of erroneously registered AQs. In turn this would reduce the workload when performing Reconciliation by Difference (RbD). These respondents therefore considered that there would be a potential cost saving to both shippers and transporters.

Respondents who were in support of the modification proposal therefore agreed with the Proposer that it would lead to a more accurate and equitable allocation of costs and would make the change of supplier process more efficient, such that the modification proposal would facilitate effective competition between relevant suppliers and shippers. However, one respondent highlighted that in some instances the information provided in the revised BTU form will not be as accurate as that which would have been supplied using the current BTU form and considered that meter readings should be used wherever possible.

The respondents who offered qualified support to the modification proposal considered that the legal text was unclear as to whether one or both of the conditions<sup>14</sup> will need to be satisfied for the revised process to apply. In this respect, one of the respondents highlighted that during the development phase of the proposed modification, it was made clear that the intention of this modification proposal was that both of the conditions would need to be satisfied for the revised process to apply. This respondent considered that the modification would facilitate the securing of effective competition between relevant suppliers and shippers, only where both conditions had been satisfied.

We agree with the majority of the respondents that the revised BTU form may lead to a more effective correction of erroneously registered AQs and may provide a corresponding reduction in the workload from Reconciliation by Difference (RbD) transactions. We also consider that the modification proposal would lead to a more accurate and equitable allocation of costs to the benefit of both Shippers and Transporters. This would facilitate the securing of competition between relevant shippers and suppliers and would make the change of supplier process more efficient.

We note that system implications and costs have not been quantified. We therefore support the comments of those respondents who suggested that the use of this process should be monitored to ensure that the costs incurred are proportionate. However, like the proposer we consider it likely that this process will only be used in a small number of instances and should not require systems changes.

In addition, we note the concerns regarding the clarity of the associated legal text. However, the legal text provided with version 2.0 of the FMR has been revised to clarify that the process would only be used where the residential property has an AQ above 293,000Kwh and a change of supplier has occurred, as was the intent of the modification proposal.

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<sup>12</sup> As defined under section G 1.6.11 of the UNC

<sup>13</sup> An AQ appeal is made under section G.1.6.13 of the UNC

<sup>14</sup> i.e. the change of supplier process and the domestic properties with an AQ above 293,000 Kwh

## Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC 099: *'Management of erroneous Domestic AQ's during the registration process'* be made.



**Mark Feather**

**Associate Director, Industry Codes and Licensing**

Signed on behalf of the Authority and authorised for that purpose.