

CODE REVIEW PROPOSAL No 0178
Reclassification of SSP to Domestic only
Version 1.0

Date: 01/10/2007

Nature and Purpose of Proposal

The licence requirements for gas shippers are linked to a Domestic/Non-Domestic categorisation. Ofgem definition of a Domestic customer is “a customer supplied or requiring to be supplied with gas at domestic premises but excludes such customer insofar as he is supplied or requires to be supplied at premises other than domestic premises”. The definition of Domestic Premises is outlined in standard condition 6 of the licence and is attached here for reference. Licences are issued for Domestic supply contracts.

There is a disconnect between the licensing regime and the operation of UNC where small supply points (SSP) are defined as any supply point with an AQ below 73,200Kwh per annum. This leads to suppliers with Non-Domestic licences still having a requirement to be subject to the RbD reconciliation mechanism where they supply small commercial premises below the SSP threshold.

Many of the current industry processes are linked to the 73,200KWh split and to implement a change would be extremely difficult. With the replacement of the UKLink systems in 2012 there is an opportunity to review this and to potentially design systems that would provide a flexible approach that matches operational balancing and capacity planning requirements with licence conditions.

There has been a domestic flag stored within UKLink for a number of years. This is not practically used as there is no validation on the flag and in many cases the flag is not populated. It is accepted that there would be an industry overhead in the implementation of a move from an AQ defined split into a premise categorisation and that data validation would be key to ensuring the success. This would be short term however, and data validation could proceed over the next few years until the UKLink replacement was finalised.

A review group is proposed to fully discuss the benefits and disadvantages of moving from SSP to Domestic categorisation across Transporters and Users in time to influence the UKLink system changes for 2012 replacement. Although there is some overlap with review group 168 this topic is not specifically limited to SSP impacts and will interest both LSP and SSP shippers.

Any further information (Optional)

Current processes ensure that LSP shippers often still receive and need to process RbD invoices. In addition shippers with large domestic portfolios are impacted by LSP sites threshold crossers that increase commercial risk and variability of invoices. If the SSP sector could be redefined to include only true domestic sites then the RbD mechanism would operate more effectively. This would reduce commercial risk for Users while allowing Transporters to operate the RbD mechanism thus effectively controlling cost.

Additional controls could be developed to ensure that manifestly inaccurate domestic AQ were not recalculated. This would ensure that more accurate AQ's were in place that would

benefit shippers, transporters and gas consumers.

Finally the UNC would then be aligned with the legislative requirements making entry to the market clearer for new entrants.

As profiles for the SSP EUC band 1 are developed using only domestic sites there would be no impact for allocation purposes to this band. Indeed profiles for the domestic band should be more accurate as variability from non-domestic sites would be minimised. This should ensure initial allocation is more reflective of actual consumption and minimised LSP reconciliation. Small non-domestic sites would need allocating through another EUC band which may require amendment to the profiles.

CSEP impacts would need consideration.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) A, E, G, H

Proposer's Representative

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Appendix 1: Gas Licence Extract

Condition 6. Classification of premises

Domestic Premises

6.1 Unless the context otherwise requires, a Domestic Premises is a premises at which a supply of gas is taken wholly or mainly for a domestic purpose except where that premises is a Non-Domestic Premises.

Non-Domestic Premises

6.2 Unless the context otherwise requires, a Non-Domestic Premises is a premises, that is not a Domestic Premises, at which a supply of gas is taken and includes:

(a) a premises where:

(i) the person who has entered into a Contract with the licensee for the supply of gas to the premises is a person who has entered or will enter into an agreement with any other person for the provision of a residential or any other accommodation service at the premises; and

(ii) the terms of the agreement referred to in sub-paragraph 6.2(a)(i) are commercial in nature and include a charge for the supply of gas to the premises (whether such charge is express or implied); and

(b) any other premises that is to be treated as a Non-Domestic Premises under paragraph 6.4 or 6.6.

Changes in use of gas

6.3 This paragraph applies if:

(a) after the licensee enters into a Non-Domestic Supply Contract with a Customer; or

(b) after a Deemed Contract for a Non-Domestic Premises begins, the Customer begins using the gas supplied to his premises under that contract or deemed contract wholly or mainly for a domestic purpose.

6.4 If paragraph 6.3 applies, the Customer's premises will be treated as a Non-Domestic Premises for the purposes of this licence until the Non-Domestic Supply Contract or the Deemed Contract, as appropriate, ends.

Multi-Site Contracts

6.5 Unless the context otherwise requires, a Multi-Site Contract is a Contract for the supply of gas to:

(a) one or more Non-Domestic Premises; and Standard conditions of 14 Gas Supply Licence

(b) one or more Domestic Premises which are occupied for a purpose ancillary to that for which any of the Non-Domestic Premises is occupied, where all of those premises are owned or occupied by:

- (i) the same person or body of persons whether corporate or unincorporate; or
- (ii) an Undertaking (for this condition only, the "principal undertaking") and a Holding Company, Subsidiary or Subsidiary of the Holding Company of that principal undertaking or any other Undertaking in which the principal undertaking has a Participating Interest.

6.6 A Domestic Premises supplied by the licensee under a Multi-Site Contract will be treated as a Non-Domestic Premises for the purposes of this licence until that contract ends.