

**Terms of Reference – v1.0**  
**UNC Modification Reference Number 0178**  
**Reclassification of SSP to Domestic only**

## **Purpose**

This Review Proposal seeks to establish the costs, benefits and opportunities associated with reclassifying the current Domestic population of Smaller Supply Points (SSP) as Domestic Only.

## **Background**

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 appended here for reference. Licences are issued for Domestic Supply Contracts.

There is a disconnect between the licensing regime and the operation of UNC where a SSP is defined as any Supply Point with an AQ below 73,200 kWh 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 73,200 kWh split and to implement a change would be extremely difficult. With the replacement of the UK Link System 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 UK Link 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 UK Link replacement was finalised.

The Review Group would fully discuss the benefits and disadvantages of moving from an AQ based to market sector categorisation across Transporters and Users and any alternative approaches that might be followed, in time to influence the UK Link system changes for 2012 replacement. Although there is some overlap with Review Group 0168, this topic is not specifically limited to SSP impacts and will interest both LSP and SSP shippers.

## **Scope and Deliverables**

The Group is asked to consider, in the context of any change in classification:

1. Identification of alternative solutions and their advantages and disadvantages
2. Operation of the RbD mechanism.
3. Impact on SPA processes.

4. Associated opportunities to introduce additional controls to ensure accurate Domestic AQs.
5. Additional controls on market sector flags and the associated work involved in population, validation and maintenance.
6. Impact on EUC banding, Demand Estimation, nomination and allocation.
7. IGT network impacts that would need consideration.

A Review Group Report will be produced containing the findings of the Review Group in respect of the work identified above.

### **Limits**

The Review Group will consider changes required to the following:

- Uniform Network Code

The Review Group in its initial phase will not concern itself with:

- Detailed changes required to processes and procedures
- Detailed changes required to existing systems
- Development of detailed business rules

Other than the details required in order to reach a conclusion on the way forward.

### **Composition**

The Review Group will comprise the following representation

<b>Name</b>	<b>Organisation</b>
John Bradley (Chair)	Joint Office
Mike Berrisford (Secretary)	Joint Office
Sallyann Blackett (Proposer)	E.ON UK
Chris Warner	National Grid Distribution
Fiona Cottam	xoserve
James Boraston	RWE npower
Joanna Ferguson	Northern Gas Networks
Joel Martin	Scotia Gas Networks
Marie Clark	ScottishPower
Mitch Donnelly	Centrica
Phil Broom	Gaz de France
Richard Street	StatoilHydro
Shelley Rouse	StatoilHydro
Stefan Leedham	EDF Energy

A Review Group meeting will be quorate provided at least 2 Transporter and 2 User representatives are present.

### **Information Sources**

- Uniform Network Code – Sections (to be identified).
- GT, Shipper and Supplier Licences.
- Gas Act.

- Various Industry legislation as appropriate – may include reference to:
  - Gas Safety (Installation & Use) Regulations.
  - Gas Safety (Management) Regulations.
  - Industry Codes of Practice as relevant.

### **Timetable**

It is proposed that a total period of 6 months be allowed to conclude this review.

- Frequency of meetings – monthly. The frequency of meetings will be subject to review and potential change by the Review Group.
- Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.

## **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.