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Dear Julian,

RE: Modification Proposal 0192: "Introduction of DNO obligations to facilitate resolution of unresolved USRVs"

British Gas fully supports the implementation of this modification proposal.

The present arrangements mean that an unknown volume of energy remains unreconciled. Moreover it may be commercially advantageous for some shippers to leave certain reconciliations suppressed so as to avoid the effect of clearing that reconciliation. The improvements to the liability regime triggered by modification 0141 may help this. However the potential for remains for shippers to benefit from ignoring higher value exceptions.

A recognised issue associated with modification proposal 0152V was that shippers may be able to avoid costs permanently by delaying clearance of User Suppressed reconciliation values until after the 4 year cut off window. This causes uncertainty and potential inaccurate allocation of costs.

The proposal helps address the issues described above by introducing additional industry processes that ensure outstanding reconciliations are completed more speedily. Implementation of this proposal would better facilitate objective A11.1 (d) and (f) in that it increases Users' level of certainty around the RbD charges and increases the accuracy of cost allocation between parties.

Background

Where a shipper submits a meter read in the Non Daily Metered Large Supply Point Market (NDM LSP) the financial value of the reconciliation that the meter read

creates is subjected to a validation process as defined in the UNC related document 'Network Code Suppression Guidelines'.

The suppression guidelines establish a 'filter' which looks at the daily value of the reconciled energy. Where the reconciled energy exceeds a fixed threshold on the reconciliation is not applied to the shipper and is deemed to be 'suppressed'.

Suppressed Reconciliations are passed to the shipper to investigate and are known as User Suppressed Reconciliation Values (USRV). On completion of their investigations into the causes of the suppression shippers are required to submit a response via the Conquest system.

The Suppression Guidelines establish performance standards around response times by Users. These standards require users to respond to 95% of instances within 3 months and 100% within 5 months. A financial incentive regime for the 95% and 100% targets was introduced on 21 February 2005.

However, the current incentive regime is based on a maximum £30 per month charge per item, which is further reduced by the application of a 'cap'.

The cost to a shipper in releasing a large suppressed item may in many cases exceed £30 per month and so the effectiveness of this regime as an incentive is limited.

Failure by Users to investigate and resolve USRVs results in the suppressed energy remaining unreconciled and can prevent future reconciliation.

This in turn exposes RbD shippers to erroneous costs as potentially correct reconciliations are not released and issues causing incorrect reconciliations are not resolved.

The proposal

A recognised issue associated with modification proposal 0152V was that shippers may be able to avoid costs by delaying clearance of User Suppressed Reconciliation Values until after the 4 year cut off window.

British Gas raised Review Modification 158 to look at how the issue of 'aged suppressions' could be addressed.

The review groups established a number of factors contributing to the level of aged USRVs. These include;

- Failure by shippers to investigate USRVs.
- Site access issues preventing site visit investigation.
- Issues arising with meter details or read history from other shippers' periods of supply.
- Limited meter read availability.
- Complex metering system.

It was established through the review group that there are some circumstances in which a shipper may have carried out detailed investigations into a USRV, but for reasons beyond their control will not be able to come to a resolution – for example because the error originated within another shipper's period of supply.

Modification Proposal 192 creates a 'back stop' mechanism, whereby after 30 months the Distribution Network Operators, via their common agency xoserve, will take over the management of the USRV and will facilitate a resolution either by the use of data available from their own systems and from data provided by relevant shippers.

Where there is insufficient data available xoserve will carry out a site visit to obtain further information and if this does not facilitate the resolution they will be able to carry out a 'neutral reconciliation'.

Conclusion

British Gas fully supports this approach as it provides a pragmatic solution to USRVs that would otherwise not be able to be resolved.

We agree that implementation of this proposal would better facilitate objective A11.1 (d) and (f) in that it increases users level of certainty around the RbD charges and increases the accuracy of cost allocation between parties.

Further, we agree that it is appropriate that costs for this service be recovered via a user pays mechanism and welcome the provision of indicative costs for this service by the Distribution Network Operators via xoserve.

If you would like further information relating to this consultation response, please feel free to contact me.

Yours sincerely,

Mitch Donnelly

Regulatory Manager
British Gas