

CODE REVIEW PROPOSAL No 0208
Information relating to Unallocated Energy
Version 1.0

Date: 13/03/2008

Nature and Purpose of Proposal

In light of the recent decision by Ofgem to reject UNC Modifications 115/115A “Correct apportionment of NDM error”, it is considered appropriate to better understand the causes of such unallocated energy. The principle of re-allocating a proportion of costs from the SSP to the LSP sector was core to both proposals however, in its decision letter Ofgem pointed to a lack of analysis supporting each proposal. In particular, certain key costs drivers were identified in the original UNC 115 proposal including; theft of gas, read performance and shipperless sites although little evidence was brought forward to substantiate their individual impacts.

Since then Centrica has raised modification 194 which again seeks to apportion in a new way the energy related to this unallocated energy. In the initial meeting of the development group for the modification Centrica have made clear that the group will not be considering targeted measures that would encourage Shipper behaviour that would reduce the overall level of unallocated energy.

Information brought forward previously by shippers during the course of these proposals has tended, unsurprisingly, to result in polarised views and ultimately in proposals, which were not backed by wholly representative evidence. To avoid a re-occurrence of this and the potential for further sub-optimal UNC proposals a Review Group should be established. The aim of the review should be to bring forward all relevant information from shippers, transporters and their agents in order to firstly; quantify the costs drivers and secondly; to form an evidence based conclusion with regard to the most appropriate mechanism to allocate any costs. Where possible any such mechanism should target costs to drive behaviour which reduces risk of unallocated energy occurring and where it does occur, identifies and mitigates the risk.

This review should consider:

- Quantify the relative contribution of cost/risk drivers, including:
 - Theft of Gas
 - Meter Read Performance
 - Meter Accuracy
 - Shipperless Sites
 - Other contributing factors to RbD costs
- Identify division of costs between market sectors
- Identify the relative contribution of the cost/risk drivers for each market segment.
- Identify incentives to improve performance in the cost/risk drivers identified above
- Investigate methods by which costs could be accurately allocated between market segments.

- Consider the impacts of potential changes to Transportation Charging Methodologies e.g. Capacity/Commodity split
- Identify the impact on changes to central systems associated with the implementation of any identified solutions.

Any further information (Optional)

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) Section E

Proposer's Representative

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Proposer

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