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Jonathan Dixon
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25 February 2009

Reference: dwg0208/01

Dear Jonathan,

UNC Review Group 0208: “Information Relating to Unallocated Energy”

I am writing to you in my capacity as Chairman of UNC Review Group 0208, “Information Relating to Unallocated Energy”. The final Review Group Report was accepted by the Modification Panel on 19 February 2009 and included a recommendation that the Joint Office should write to Ofgem since the Review has identified a number of issues that cannot be addressed by modifying the UNC. This letter has been agreed with Review Group Members.

1. Management of Theft

The Report recommends an investigation into industry wide processes and procedures for the management of theft in both the domestic and I&C sectors of the gas market. Evidence presented to the Review Group demonstrated that the current approach could be regarded as failing since it focuses purely on the responsibilities of the gas supplier/shipper. In reality many of the issues cross a range of industry parties (including the shipper/supplier, UIP, MAM, MRA and GT) and the flow of information between these respective parties can be crucial. In light of the range of parties involved, and the desirability of cross industry participation and cooperation, it would seem appropriate for Ofgem to sponsor and lead any such investigation.

Should the suggested investigation proceed, the Review Group recommends that this includes a review of:

- i) Incentives for the management of theft which promote good practice and help ensure energy is appropriately allocated.
- ii) Common procedures for all gas industry participants on the discovery of evidence of potential theft and how such discoveries are recorded and reported.
- iii) Incentives for suppliers to pursue customers for theft, helping to ensure costs are targeted appropriately.

2. Connections Process

The Review Group Report identifies issues in the gas connections process and associated information flows. Development of UNC obligations would be insufficient to resolve these issues in isolation of a wider industry change. Further, the Review Group felt that any new UNC obligations had the potential to create commercial disadvantages for Suppliers and Shippers and their service providers, who must comply with the UNC, if this was taken forward in isolation of a wider industry review.

During the discussions the Review Group considered various solutions and participants would be willing to share these views in any applicable industry forum should Ofgem wish to implement industry reviews into theft and connections processes.

Please let me know if you wish to discuss the content of this letter in more detail.

Yours sincerely

Bob Fletcher

(By Email)

Joint Office of Gas Transporters

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