

Representation

Draft Modification Report

0282 / 0282A: Introduction of a process to manage Vacant sites

Consultation close out date: 03 June 2011

Respond to: enquiries@gasgovernance.co.uk

Organisation: EDF Energy

Representative: Stefan Leedham

Date of Representation: 06 June 2011

Do you support or oppose implementation?

0282 - Not in Support

0282A - Not in Support

If either 0282 or 0282A were to be implemented, which would be your preference?

Neither

Please summarise (in one paragraph) the key reason(s) for your support/opposition.

The fact that a Shipper can submit meter readings for an SSP site showing zero consumption but will have no impact on the costs allocated to that site for the period in question highlights a fundamental flaw in the gas allocation regime. We therefore support the intent of the proposals – namely to correctly allocate gas. However, we have concerns with implementation of both proposals with regards to their impact on unidentified gas costs, in the case of consumption recommencing at a vacant property; the impact that this proposal could have on safety; the lack of protection to the industry through an audit mechanism; and the costs of implementing this process which could be seen as an interim solution until full system functionality and individual meter point reconciliation is delivered through system replacement.

Are there any new or additional issues that you believe should be recorded in the Modification Report?

0282 / 0282A
Representation

06 June 2011

Version 1.0

Page 1 of 3

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This proposal is based on the arrangements that already exist for electricity allocation and reconciliation under the BSC; however, there are 3 fundamental differences between electricity and gas that do not make it appropriate to implement this proposal:

1. Electricity fails safe, whereas gas does not fail safe. Implementation of this proposal could have a negative impact on the safe operation of the gas system if live gas supplies continued for a significant period of time into a vacant property. This is particularly the case as both proposals only require Shippers to use reasonable endeavours in the event that a property remains vacant for more than 24 months. This increases the risk that a live gas supply is maintained to a vacant property for more than 24 months as the commercial incentive to withdraw and isolate the sites has been removed.
2. All electricity meters are subject to "reconciliation", whereas gas SSP meters are not. In electricity the vacant process provides a cashflow solution to Suppliers as ultimately energy is allocated based on meter readings. In the event that a site is erroneously set to vacant or re-commences energy consumption without notification to the supplier then ultimately this is corrected with the submission of meter readings. This is not the case in gas, and so implementation of this proposal could increase the size and volume of Unaccounted for Gas as consumption is never corrected to actual meter readings. This would result in the mis-allocation of costs between Shippers and introduce an incentive to manipulate the vacant process for commercial reasons.
3. Audit arrangements are present in electricity. Under the BSC arrangements are in place for an audit to be conducted into suppliers to ensure that their application of the vacant process is consistent and in line with the business rules. Reports by Elexon to the UNC review group have demonstrated the value of these audits and also highlighted that interpretation of the rules differs between suppliers. UNC modification proposals 0282 and 0282A do not provide an assurance mechanism to the industry through an audit process.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

This proposal could result in the misallocation of costs between Shippers if different interpretations around the business rules were applied. This would have a negative impact on competition between Shippers and so not facilitate SSC A1111 (d).

Impacts and Costs:

What analysis, development and ongoing costs would you face if this modification were implemented?

0282 / 0282A
Representation

06 June 2011

Version 1.0

Page 2 of 3

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The cost of implementing this proposal at £520,000 to £672,000 appears high, especially for a proposal that will be redundant with the delivery of individual reconciliation and may have no impact on energy allocation. In particular we note that this proposal will not change the volume of energy that is allocated to the SSP market; it will only change the allocation to individual sites. If the prevalence of vacant properties is consistent across portfolios then there will be no impact on energy allocation at a Shipper level as although costs may decrease for vacant properties the energy allocated to non-vacant properties will increase so that the net effect at a portfolio level is zero. It would therefore appear that the industry would incur costs in excess of half a million pounds for no material benefit.

Implementation:

What lead-time would you wish to see prior to this modification being implemented, and why?

12 month implementation would be desirable to ensure Shippers have time to develop and implement robust mechanisms for identifying vacant sites.

Demand Information:

Please provide demand information to enable finalisation of the ACS.

Dependant on actions of other Shippers.

Legal and ACS (Agency Charging Statement) Text:

Are you satisfied that the legal and ACS text will deliver the intent of the modification?

No comments

Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.