

Bob Fletcher
Joint Office of Gas Transporters
31 Homer Road
Solihull
B91 3LT

3 June 2011

Dear Bob,

Re: UNC Modification Proposal 0282/0282A – Introduction of a process to manage Vacant Sites

Thank you for the opportunity to provide representation of the above noted Modification Proposals. Northern Gas Networks (NGN) does not support these Modification Proposals. Please find below NGNs comments in respect of the Modification Proposals.

NGN does not support either of these Modification Proposals.

Summary of key reasons for NGN Stance:

NGN acknowledges that the shipper/supplier community may have access to information relating to the status of site occupancy and believes that where a shipper/supplier has evidence that a site is no longer consuming gas as a result of vacancy, and is not expected to do so in the near future, that the supply point should be routed into the existing Isolation process if the shipper wished to remove liability for charges for the supply point. The introduction of a new process with the sole intention of removing charges is inappropriate and we are concerned that the proposal lacks proper rigour to ensure that sites (and charges) are reinstated when the supply point restarts offtaking gas. This process further encourages suppliers to leave unoccupied buildings with live a gas supply for a prolonged period of time which NGN believes poses a safety risk.

Relevant Objectives:

NGN do not believe that these Modification Proposals will better facilitate the relevant objectives as noted below:

Standard Special Condition A11.1(d): effective competition.

These proposals present a risk to the current commercial regime in so far as they provide an opportunity for sites to be able to consume gas without incurring LDZ Commodity or energy charges, and in doing so would transfer cost to remaining sites within the Smaller Supply Point (SSP) market. This would not only have a detrimental effect on competition, but would further exacerbate the existing issues that have been raised relating to Allocation of Unregistered Gas.

The cost savings claimed within the Modification Proposal is that of Isolation which can be obtained relatively economically by disabling a meter by an approved method. For these Modification Proposals to be effective there will need to be robust monitoring in place by suppliers who wish to use regime to ensure that when a site recommences offtaking gas that it is reinstated to its 'live' status in a timely manner. NGN believes that the ongoing costs of meter

reading and undertaking the required two year safety inspection for all properties, even when registered as vacant, will erode any saving that a shipper may make by using the vacant process in place of the existing Isolation process. It is likely that in some cases the Isolation will take place at a later date with the supply point then incurring these costs in addition to those of maintaining the supply point as Vacant.

Standard Special Condition A11.1(f): efficient implementation and administration of the UNC.

NGN does not believe that the addition of a new process will necessarily lead to efficient implementation or administration, but add complexity and the potential for confusion over the most appropriate use of the existing Isolation and Withdrawal process which is proven to be effective and efficient.

Implementation:

If directed to implement this, NGN agrees that it could be achieved in accordance with the timescales set out in the Rough Order of Magnitude provided by Xoserve.

Legal Text:

NGN are satisfied that the suggested legal text reflects the intention of the Modification Proposals.

Other Comments:

NGN have concerns about several of the detailed business rules associated with these Modification Proposals and believes that these should be considered alongside the above comments on the Modification Proposals.

Modification Proposal 0282

Business Rule 4: although the Registered User is required to warrant the timing and content of the two notifications from the Meter Read Agent, there is no verification.

Business Rule 11: the Registered User notification at the 'earliest opportunity' for reinstatement to 'live' does not provide a specific enough regime.

Business Rule 12: while the Registered User has an obligation to remove sites identified by the Transporter as no longer Vacant, we would prefer to see a process whereby if this is not undertaken within a specified time period that a default action is taken to reinstate the 'live' status.

Business Rule 14: as with rule 12, this requires a backstop action to be taken when the Registered User does not take the appropriate action within a specified time period.

Business Rule 16: NGN are concerned that although there is a 24 month trigger to reassess the status and Isolate the supply point, there is no consequence of a shipper not taking any action and leaving supply points with vacant status.

Modification Proposal 0282A

All comments relating to Modification Proposal 0282 apply with the following relating to the specific differences arising in Modification Proposal 0282A.

Business Rule 7: NGN remains unclear of whether the inclusion of Vacant Sites in the RbD market share improves the accuracy of allocation or not as this scenario was not sufficiently discussed or analysed during development.

Business Rule 10: the ongoing responsibility for the Supply Meter Point in its entirety provides a more comprehensive obligation which NGN considers to be an improvement over business rule 10 in Modification 0282.

Business Rule 13: this provides additional confidence that charges will be targeted at the appropriate party where there is evidence that the Vacant process has been incorrectly.

Business Rules 19 & 20: these provide some additional confidence that sites have been inspected at the 215 calendar day trigger.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,



Joanna Ferguson
Network Code Manager