

Representation

Draft Modification Report

0335: Offtake Metering Error – Payment Timescales

and

0335A: Significant Offtake Metering Error – Small Shipper Payment Timescales

Consultation close out date: 02 December 2011
Respond to: enquiries@gasgovernance.co.uk
Organisation: SSE
Representative: Mark Jones
Date of Representation: 02 December 2011

Do you support or oppose implementation?

0335 – Not in Support

0335A - Not in Support

If either 0335 or 0335A were to be implemented, which would be your preference?

Prefer 0335A

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

SSE believes that neither of these modification proposals are the best method to incentivise transporters to avoid metering errors and are also not the best use of funds. Implementation of Modification Proposal 335 would effectively impose large penalties for known about significant metering errors not yet invoiced and for future ones, whilst Modification Proposal 335A would impose potentially much smaller future penalties.

Whilst Modification Proposal 335 would give all shippers some cash flow benefits, we believe that the costs incurred by transporters in financing such a cash flow would be significantly more, thus increasing overall costs within the gas industry, and could lead to transporters being unable to finance other functions, such as improvements in the detection of metering errors as outlined in Modification Proposal 335A. In this proposal Scotia has indicated that in order to fund the Aberdeen error it would incur financing costs of approximately £3M were Modification Proposal 335 to be approved.

Most errors are found whilst they are still occurring, but this is not necessarily the case. A large error discovered today that occurred for say 2 months in 2009 would be invoiced over a 2 month period, whereas an equally sized error that occurred over a 2 year period would be invoiced over that period. An error that occurred over a 2 month period should, in most cases, have been easier to detect than an error of similar size that occurred over a 2 year period.

There have been meter errors in the past where, in some cases, they have not been picked up due to a lack of basic checks, and in some cases have been due to a subtle equipment failure that could not have reasonably been detected until the next scheduled check of that equipment. It makes no logical sense to make the payment period the same as the length of the error, irrespective of when it occurred, the reasons for it, or the size of it once above the 50GWh threshold.

There is a significant time lag between large metering errors being identified and the invoice to shippers due to the various stages in the process, including the work that has to be done by the independent metering experts. This time lag allows shippers to accrue for these charges and also in itself gives significant cash flow advantages. Also, shippers have the benefits of the errors at the time they occur in reduced gas allocation and charges and receive the billed revenue from customers. We do not agree with the proposer that non-implementation of Modification Proposal 335 may result in a risk premia being added, as the modification states that Farningham occurred over a period of several years whereas Braishfield B occurred over 3 months, and so profiling the payments of the latter would have had a very small effect.

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

As Modification Proposal 335 aims to deal with known about errors, SSE feels that there is an element of retrospection in the proposal.

Relevant Objectives:

How would implementation of these modifications impact the relevant objectives?

As we do not believe that either of these modifications are the correct way to incentivise transporters to find metering errors, we do not believe that any relevant objectives would be impacted positively.

Impacts and Costs:

What analysis, development and ongoing costs would you face if these modifications were implemented?

None.

Implementation:

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

None.

Legal Text:

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

Yes.

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.

No.