

Mr Bob Fletcher  
Secretary, Modification Panel  
Joint Office of Gas Transporters  
51 Homer Road  
Solihull  
B91 3LT

3<sup>rd</sup> February 2012

Dear Bob

**RE: UNC Modification Proposals 0369(A) – “*Re-establishment of Supply Meter Points – measures to address shipperless sites*”.**

1. British Gas supports both Modification Proposal 0369 and 0369A, and believes that these Proposals represent welcome steps forward in addressing the impacts associated with shipperless sites. Of the two, our preference is for Modification Proposal 0369.
2. Although the numbers of shipperless sites are relatively small when set against the total supply point population, we believe that they still represent a significant, and growing, issue in the gas market today. The gas offtaken at these sites is done so outside of a normal Shipper or Supplier relationship, and as such none of the normal safeguards apply to its use.
3. In particular these sites will not be subject to regular meter readings and the metering equipment is also less likely to be subject to a maintenance contract. Furthermore, customers at a shipperless site will not receive any of the safety information Suppliers are obligated to provide, such as the contact details for gas emergencies. We consider these issues collectively give rise to safety concerns with the existence of shipperless sites.
4. We also note that shipperless sites will not receive any of the help or support currently provided to the vulnerable or fuel poor, and neither will they be targeted by Suppliers as part of the drive to improve the energy efficiency of UK homes and businesses. This creates the risk of gaps in the coverage of Government policy associated with reducing both fuel poverty and energy consumption more generally.
5. Finally, as the usage on shipperless sites is unallocated, the costs associated with it have to be allocated between Shippers using the Allocation of

Unidentified Gas process introduced by MOD0229. Whilst this does provide a methodology to broadly allocate the usage to the correct sector, this is not as efficient as allocating it to the Shipper who holds a deemed contract with the customer at the site in question. Shipperless sites therefore lead to inaccuracies in the allocation of gas costs and therefore act as a barrier to effective competition between Shippers.

6. In this context, British Gas have long argued for a solution to the problem of shipperless sites. Whilst we note that both MOD0369 and MOD0369A address only a part of the problem we recognise them as welcome steps forward and believe that they both meet the relevant Code objectives. We would, however, welcome the development of future proposals which address all shipperless sites, including those with “new” meters installed on them.
7. Whilst we recognise the concern raised by the Proposer of MOD0369A that Shippers should not be held accountable if, through no fault of their own, they are unable to remove a meter from a site following a disconnection, we believe that Shipper could infer a deemed contract exists and thus collect the revenue associated with that shipperless site. This in turn means that it would be a more efficient to allocate the costs associated with that usage to that Shipper as opposed to allow it to be allocated using the MOD0229 process.. We therefore express a preference for MOD0369 on the basis that it will lead to a slightly more accurate allocation of costs than MOD0369A.
8. Our detailed reasoning of how these proposals meet the relevant objectives is provided below.

***(d) Securing of effective competition:***

***(i) between relevant shippers;***

***(ii) between relevant suppliers; and/or***

***(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.***

9. These proposals will both reduce the amount of energy which is allocated using the Allocation of Unidentified Gas process considered by MOD0229 by allocating the energy used to the Shipper who holds a deemed contract with the customer and therefore holds the rights to the associated revenue. We consider this is a more efficient allocation of costs and is therefore likely to secure more effective competition between Shippers.
10. As above, we consider that MOD0369A still allows a small possibility that the costs associated with shipperless sites may be misallocated and therefore believe that of the two proposals, MOD0369 better facilitates this objective.
11. Please do not hesitate to telephone me if you have any questions regarding this response.

Yours sincerely

David Watson  
Head of Market Design & New Markets, British Gas