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Your Reference:UNC Modification Proposals 0369 & 0369A

UNC Modification Proposals 0369 & 0369A  
Re-establishment of Supply Meter Points – measures to address shipperless sites

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposals. National Grid Gas Distribution (NGD) would like to support the original Proposal and give qualified support to the alternative Proposal with a preference (as the proposer) for the original.

**Do you support or oppose implementation?**

Support/Qualified Support

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

As the Proposer NGD believes that implementation of UNC Modification Proposal 0369 to be an important measure in reducing the number of Supply Points which are 'shipperless' but are flowing or capable of flowing gas. The measures identified in the Proposal would have the effect of targeting costs and liability associated with these Supply Points on to the appropriate individual User, thereby reducing the corresponding cost which would otherwise be levied on the the general shipping community. An added benefit is that User registration of sites which would otherwise be shipperless would be achieved by an automated mechanism.

We are also in support of the alternative Proposal 0369A although we would qualify this by challenging the merit of excluding from the proposed arrangements consumer owned Supply Meters or where the Transporter has undertaken physical works. We also believe that 0369A does not sufficiently address matters of implementation.

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

As referred to above we note that the Proposer of Modification Proposal 0369A has excluded certain categories of works from being eligible for the proposed arrangements. In the case of consumer owned Supply Meters, notwithstanding the negligible population of these across the country, we

believe that it would be unreasonable and inequitable for Users to receive differing treatment based on meter ownership. Our view is that all Users should be subject to consistent UNC treatment which should provide the mandate and the ability to minimise the likelihood of gas being offtaken without a Registered User. The regime should be structured on the basis of encouraging parties where possible to ensure physical works is a pre-requisite of Isolation and Withdrawal and that this work is carried out appropriately with the meter removed from the premises where possible. We appreciate that in the case of a consumer owned meter such an action may not be possible but we view the risk of reconnection of such a low population of sites as negligible and not warranting special treatment. We have a similar perspective where works are undertaken by the Transporter. This would normally only occur as a consequence of an emergency safety related incident and in circumstances where it has been necessary to disconnect the Supply Meter the Registered User would be promptly informed<sup>1</sup>. The User would then be able to retrieve the meter from the premises if this was necessary.

NGD notes that unlike Modification Proposal 0369, the alternative proposal 0369A does not include any detail on matters of implementation. While this does not preclude implementation of the Proposal, parties would experience uncertainty as to how the existing 'backlog' of candidate sites would be dealt with. In the event that 0369A were directed for implementation it is likely that further Modification of the UNC would be necessary to address this matter.

To aid understanding of the likely impacts of implementation of either Modification Proposal, NGD has sought statistical information from Xoserve. The following data identifies the position as at the end of 2011 concerning the existing 'backlog' of shipperless sites which have been found to have the same meter connected and capable of flowing gas.

#### **Number of sites – LSP/SSP**

| <b>Market</b> | <b>Count of MPRN</b> |
|---------------|----------------------|
| LSP           | 169                  |
| SSP           | 2049                 |
| <b>Total</b>  | <b>2218</b>          |

#### **AQ banding**

| <b>Annual Quantity Band Desc</b> | <b>Count of MPRN</b> |
|----------------------------------|----------------------|
| <73,200                          | 2049                 |
| >=73,200 & <= 731,999            | 164                  |
| >=732,000 & <= 5,859,999         | 5                    |
| <b>Total</b>                     | <b>2218</b>          |

**Age analysis** This has been recorded from the date the relevant input file updated UK Link to remove the meter.

| <b>Meter Removal Input Date</b> | <b>Count of MPRN</b> |
|---------------------------------|----------------------|
| Within last year                | 50                   |
| Within last 2 years             | 531                  |
| Within last 3 years             | 518                  |
| Within last 4 years             | 408                  |
| Within last 5 years             | 145                  |
| Greater than 5 years            | 566                  |
| <b>TOTAL</b>                    | <b>2218</b>          |

<sup>1</sup> UNC TPD Section G3.6 Urgent Cessation of Flow of Gas

## “Customer owned” meters

NONE

### **Self Governance Statement:**

Do you agree with the Modification Panel’s decision that this should be a self-governance modification?

Not applicable.

### **Relevant Objectives:**

*How would implementation of this modification impact the relevant objectives?*

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.

NGD concurs with the statement in the Draft Modification Report that “these Modification Proposals identify measures, which serve to mitigate the likelihood of shipperless sites occurring. The impact of this is to promote cost targeting on individual Users and mitigate the risks of such costs being otherwise shared to the Users having Smaller Supply Points (and potentially Larger Supply Points via the AUGÉ mechanism). Such a mechanism must therefore be considered to facilitate competition in the gas market”.

f) Promotion of efficiency in the implementation and administration of the Code.

NGD agrees with the statement in the Draft Modification Report that “the measures identified within these Modification Proposals are likely to bring about a reduction in the overall number of shipperless sites. User Registration of Supply Points capable of flowing gas is fundamental to the efficient operation of the UNC”.

As referred to earlier with respect to Proposal 0369A, we are aware that where a consumer owned Supply Meter is installed or where the Transporter has undertaken physical works to remove the meter, these circumstances have been exempted from the scope as set out within Modification Proposal 0369. We appreciate the perspective that the Shipper may not be able to seek recovery from the premises of the disconnected meter, thereby mitigating its potential exposure to risk of the Meter being reconnected. However, we believe this risk to be very low given the small volume of such meters and not warranting the exemption treatment advocated in the Proposal. Similarly, the Transporter is required to notify the relevant User where it has disconnected the meter as a result of a safety related visit. The User can then determine whether it is necessary to seek removal of the meter from the premises.

In terms of treatment of costs, the Proposer states: “In such scenarios Transporters cannot recover retrospective Transportation and Energy Balancing charges from the User following works undertaken to allow the Effective Supply Point Withdrawal. For the avoidance of doubt this modification does not seek to alter the proposed arrangements in respect of charging for physical works where the Transporter seeks to levy an abortive GSIU charge”. We are unclear why the Proposer has elected to permit Transporters to recover the abortive GSIU charge but not to recover retrospective charges as appropriate. It would be helpful to understand why a distinction has been made in this respect.

## **Impacts and Costs:**

Medium level implementation costs would be incurred by Transporters as a consequence of implementing either Modification Proposal. NGD believes that the changes have potential for broader industry utility in the future, for example the 'auto registration' of Supply Points. Consequently it is not intended to recover these under User Pays arrangements. Therefore an Agency Charging Statement (ACS) is not required.

## **Implementation:**

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

Systems development work would be required to facilitate implementation of either Modification Proposal. We anticipate a period of 6 - 9 months lead time would be required to deliver components of the solution. Notwithstanding this it may be possible to implement the proposed arrangements ahead the systematised elements.

## **Legal Text:**

NGD has provided legal text and supporting commentary with respect to both Modification Proposals. We have received approval for the alternative Proposal drafting from the Proposer.

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

No further matters have been identified.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 653541 ([chris.warner@uk.ngrid.com](mailto:chris.warner@uk.ngrid.com)) should you require any further information

Yours sincerely,

Chris Warner  
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