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Your Reference:UNC Modification Proposal 0399

UNC Modification Proposal 0399 'Transparency of Theft Detection Performance'

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal which National Grid Gas Distribution (NGD) does not support.

Do you support or oppose implementation?

Not in support.

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

NGD has some sympathy with the principles behind Modification Proposal 0399. However we have on a number of occasions raised a concern within the UNC Distribution Workgroup as to whether the relevant provisions are being captured under the most appropriate contractual framework. Principally for this reason we are not able to offer support at this time.

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

NGD's opinion is that the arrangements advocated by UNC Modification Proposal 0399 would be more appropriately contained within the Supply Point Administration Agreement (SPAA). We believe this to be the case for the following reasons:

- Theft of Gas detection and investigation is inherently related to Suppliers and Transporters and the relevant duties and obligations are fully reflected in Transporter and Supplier Licences. Shipper involvement and obligations are very limited.
- Ofgem's consultation and draft Impact Assessment 'Tackling gas theft' proposes new Supplier Licence conditions.
- A Theft of Gas Codes of Practice is currently being developed under SPAA governance and is likely to form a new SPAA Schedule.

Inclusion of reporting provisions within the UNC would be inconsistent with the above and could lead to dual governance in the event that SPAA parties identified that a similar requirement should feature within SPAA.

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?

c) Efficient discharge of the licensee's obligations

We note that some members of the 0399 Workgroup believe that "This modification proposal provides the market with greater transparency on individual Network Owner theft detection performance, which in turn will better enable the market to identify best practice and poor performance. This in turn will facilitate improvements in the way in which theft in the course of conveyance is detected, thus improving the Network Owners' ability to comply with their obligations under Licence Condition 7".

NGD's view is that it has not been demonstrated how greater transparency on individual Network Owner theft detection performance would better enable the market to identify best practice. The forthcoming SPAA Theft of Gas Codes of Practice (see above) specifically identifies 'best practice' in a variety of relevant areas and should be considered to be definitive in this respect. NGD is currently investing considerable resources and effort in developing its own policies and procedures to ensure consistency and compliance with the Codes of Practice. We are mindful of Ofgem's aspirations set out within its recent consultation and impact assessment and are determined to further improve our performance in meeting our duty to investigate theft of gas incidents.

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 views expressed by some members of the 0399 Workgroup:

"Some members consider benchmarking adds little value and may be misleading due to the differences in actual theft across Shipper portfolios. The increased transparency may not lead to an increase in the detection of theft particularly as this information is currently available to Ofgem. Some members consider benchmarking may indicate poor performance, which may not be a true indicator of theft performance thus impugning Shippers reputations without their right of reply".

We have a general concern with regard to inclusion within the UNC of obligations to name individual parties within relevant reports. We note that similar views have been expressed with respect to the requirements of UNC Modification Proposal 0387 'Removal of Anonymity from Annual Quantity Appeal and Amendment Reports'. In particular it is not clear to us of the extent to which the naming of organisations would incentivise improved theft detection performance. In our opinion there is a risk of misinterpretation of reported statistics leading to the potential for unwarranted assertions and counter claims relating to perceived poor performance.

Impacts and Costs:

Minor level implementation costs would be incurred by Transporters as a consequence of implementing this Modification Proposal.

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 this Modification Proposal. Subject to the deliberations of the UK-Link Committee, a lead time of two months from Authority direction would be required.

Legal Text:

NGD has viewed the Legal Text as published by the Joint Office and are satisfied with its contents. However, we note that some corruption of the numbering sequence throughout the document appears to have occurred. We assume this will be rectified prior to finalisation and submission to the Authority.

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) should you require any further information

Yours sincerely,

Chris Warner
Network Code Manager, Distribution