

## Representation

### Draft Modification Report

#### **0410 and 0410A: Responsibility for gas off-taken at Unregistered Sites following New Network Connections**

**Consultation close out date:** 07 June 2013  
**Respond to:** enquiries@gasgovernance.co.uk  
**Organisation:** E.ON  
**Representative:** Colette Baldwin  
**Date of Representation:** 07 June 2013

#### **Do you support or oppose implementation?**

**0410** - Not in Support \* *delete as appropriate*

**0410A** – Not in Support \* *delete as appropriate*

#### **If either 0410 or 0410A were to be implemented, which would be your preference?**

Prefer **0410A** *delete as appropriate*

#### **If either 0410 or 0410A or both were to be implemented, which would be your preference?**

Prefer **0410A** *delete as appropriate*

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

Whilst we are supportive of the desire to reduce the unregistered gas and the intentions of the modification which is affecting all customers' costs, there are flaws in the approach to both these modifications.

Metering competition allows for the installation of a meter by the transporter, the supplier, or indeed the customer, but not a gas shipper. When opening the market to metering competition Ofgem didn't place a requirement on a meter installer to have evidence of a supply contract before it is permitted to install a meter. Equally Gas Transporters are in control of the release of the MPRN which allows the registration of the customer on their networks (once the service is laid with or without the installation of a meter), but again no evidence is required of the existence of

0410/0410A  
Representation

07 June 2013

Version 1.0

Page 1 of 4

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supply contract before the release of the MPRN to the connection company or to the end consumer.

410A makes it difficult for customers to exercise their right to have their meter fitted independently by their MAP/MAM/OAMI of choice until they have agreed a supply contract – when the Gas Act clearly envisages that a meter may be fitted in the absence of the knowledge of the supplier:

Gas Act Schedule 2B (The Gas Code: S12)

*No person shall connect any meter with a service pipe through which gas is conveyed to any premises by a Gas transporter, or disconnect any meter from any such pipe, unless he has given—*

*(a) In a case where gas is supplied to the premises by a relevant gas supplier whose name and address are known to him, to the supplier; and*

*(b) In any other case, to the transporter*

An integrated gas supply company with a metering business may offer to install meters for customers (if it operates as a MAP), but it cannot require a customer in those circumstances to enter into a supply contract as a condition of fitting the meter, as that would limit customers' choice of suppliers. It is not clear how the GT would distinguish the role of the supplier in fitting the meter from that of any independent MAP/MAM/OAMI.

In respect of the GDNs, on a new connection a customer may ask various suppliers for quotes and it may be the first supplier/shipper who request the MPRN to confirm transportation costs, however if the customer doesn't enter into a contract with that or any other supplier it is unclear under what arrangements the shipper who originally requested the MPRN could deem that a valid supply contract exists and that it has agreed to ship for that supplier. Equally those suppliers who operate independently as MAP or MAM could not require the customer to enter into a supply contract with them as a condition of fitting the meter as other suppliers would rightly challenge such behaviour as anticompetitive.

The prevalence of unregistered gas supply points do not exist on independent gas transporter networks, because the iGTs control the release of the MPRN to the connection companies or direct customers doing self build work only on confirmation of the existence of a supply contract in place with the relevant shipper (irrespective of how far ahead the lead time of the connection might be) before services are laid. This can result in change of supply instances before connections occur, but ensures there are no gaps in responsibility for the gas off-taken and that a deemed contract can always exist and there can be no illegal extraction of gas by the absence of a contract.

**Modification Panel Members have indicated that it would be particularly helpful if the following question could be addressed in responses:**

*Q1: Do you believe that both Modifications could be implemented, such that both the 0410 and 0410A requirements are introduced to the UNC?*

No – they are different approaches and are incompatible. 410 makes the party requesting the MPRN responsible irrespective of whether they fitted the meter and 410A seeks to make the supplier (if integrated Shipper A) who fits the meter responsible, even if a supply contract might exist with an alternate supplier (Shipper B) who has failed to register the supply point correctly. Shipper A then picks up costs where no contract exists, when Shipper B has the contractual relationship with the customer and is “invisible” to the transporter by it’s failed process.

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

Schedule 2B of the Gas Act gives the customer the right to install a meter without the corresponding requirement to have a gas supply contract in place first.

iGTs control the release of the MPRNs and ensure that a shipper has agreed to be responsible for the supply point before any services are laid, this reduces significantly the risk of unregistered supplies on their networks.

**Relevant Objectives:**

*How would implementation of either of these modifications impact the relevant objectives?*

We disagree that it facilitates any relevant objectives and could create competition issues, and concerns about enforceable deemed contract provisions.

**Impacts and Costs:**

We believe the proposals are both flawed and aren’t capable of being fully implemented without significant assessments of the risks of competition in metering.

Additionally, robust validation and auditable recording of information on customer requests not resulting in supply contracts would need to be retained in the event that the customer illegally connected and gas was later offtaken, but no contract was ever entered into.

**Implementation:**

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

The system development time, process changes and legal reviews would require a lead time of at least 18 months.

**Legal Text:**

*Are you satisfied that the legal text and the proposed ACS (see [www.gasgovernance.co.uk/proposedACS](http://www.gasgovernance.co.uk/proposedACS)) will deliver the intent of these modifications?*

No – for the reasons already stated.

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

*Please provide any additional comments, supporting analysis, or other information that you believe should be taken into account or that you wish to emphasise.*

iGT processes, whilst not perfect and without other issues, provide a more robust process in ensuring that there are no gaps in registration and we would encourage the gas transporters to consider a revised approach which mirrored that of their smaller industry colleagues.