

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

7th September 2012

Dear Bob

RE: UNC Modification Proposal 0416s - Extending the data provision permissions created by Modification 0279 regarding historic asset and read data provision

British Gas does not support the implementation of UNC Modification Proposal 0416S.

British Gas does not support the modification proposal and believes that implementing it will

1. Not support the original intention of UNC Modification Proposal 279,
2. Increase manipulation of Annual Quantity (AQ) values by shippers during the AQ Review Process,
3. Maintain a lack of analysis to support the proposal,
4. Provide a disincentive on shippers to invest in collecting reads on their portfolio, and
5. Give valuable data held by shippers without recompense,

Furthermore, and crucially, we do not believe that this proposal facilitates any of the UNC relevant objectives, including Standard Special Condition A11.1 (d); nor do we believe that this proposal facilitates the Promotion of efficiency in the implementation and administration of the code A11.1 (f).

1. The intention of UNC Modification Proposal 279 is not reflected in UNC Modification Proposal 416S

UNC Modification Proposal 0416S states the proposers view is that “Modification 0279 originally intended to create general permissions for release of data rather than just an annual service”. This statement does not with stand scrutiny when reviewing UNC Modification 0279.

The original intention of the UNC Modification 0279 was to make available data to shippers for the annual AQ Review process on, “an annualised basis, just ahead of the annual AQ Review. Initially if the report cannot be produced ahead of the AQ Review it will be valuable to have the report during the AQ Review process”.

UNC Modification 0279 re-states that the Modification 279 was proposed to support the annual AQ Review. At no point is the intention of Modification 279 to make the information available outside of the annual AQ Review process as suggested. No explanation is provided to support why asset data is required throughout the year for the annual AQ Review process?

This inconsistency was raised with the proposer, who agreed upon review of 279 that the original intention of UNC Modification 0279 was only for an annual service. The proposer agreed to vary this proposal to ensure the industry was not misinformed. This action has not been fulfilled. To avoid any code conflict and to enable efficient implementation and administration of the code, this proposal must not be implemented until the conflict is resolved.

2. Increase in AQ manipulation

This modification proposal will provide partaking shippers with three years read history on each monthly/annual site which they have gained, apparently so that they can be in a better position to appeal the customer’s AQ during the annual review process or improve asset details.

We believe however that, rather than using this information to select the most accurate AQ, as the proposer imagines, shippers will instead have a strong incentive to select the most advantageous read pair available, lowering the AQ beyond what may be an accurate value in order to avoid paying for the energy they should. We therefore consider that this modification will not have the appropriate effect of that intended and will actually decrease the accuracy of AQ values held.

We note that although this was flagged during the modification process, there are no suggested remedies in this proposal, for example by bolstering the validation processes which assess the accuracy of appeals or by restricting which readings can be used from the history provided.

We believe that given the large scale of data this modification proposal will see passed to shippers, there is a proportionally large risk that the effect of this modification will be to reduce the accuracy of AQs across this industry,

distorting competition, and favouring those parties who are simply best at analysing historic read pairs rather than ensuring a level playing field where everyone pays for what they have taken from the system.

3. Lack of impact analysis does not support the statements that UNC Modification Proposal 0279 or 0416S results in improved industry data

This proposal states Shippers have advised that on acquiring a site they are unable to assess, if there are any data discrepancies, until receipt of the Modification 0279 annual report in May or June each year. This proposal has been raised on the premise that the ability to request and be provided with this data throughout the year will lead to a quicker resolution of data discrepancies and minimise the impact of such data discrepancies.

Shippers have advised that data issues with recently acquired sites could be resolved sooner if this historic asset and read information was available throughout the year. The resolution of discrepancies in asset data and the provision of historic read information will assist Shippers to deliver improved AQ Review calculations.

No evidence demonstrates that the implementation of Modification 0279 achieved the objective for participating Shippers to resolve data issues as envisaged. Furthermore no impact analysis has been presented that demonstrates that AQs have improved as a result of the implementation of Modification 0279.

As per British Gas' response to Modification Proposal 279 we highlighted the concern that historic data could be misused by a Shipper to artificially lower an AQ. We believe that a detailed impact analysis of the impact of Modification 279 against its objectives is required before this proposal can be progressed.

4. Disincentive to collect reads

One of the major incentives on suppliers to collect regular read data from sites is the maintenance of an accurate AQ. We believe that were suppliers simply to rely on obtaining the minimum number of reads permissible for the sites on their portfolio, the current allocation mechanism would place them at a commercial disadvantage compared to those who invest in more regular readings.

This modification will, however, give shippers three years worth of read history for all existing sites on their portfolio, and then monthly/quarterly for each site they have gained. This will enable those who invest comparatively little in meter read collection to reduce the costs considered above, and therefore reduce the natural incentive they have to collect those meter readings.

We strongly believe that investment in meter read collection is a behaviour to be encouraged, not simply as a tool to ensure AQs are as accurate as

possible, but also to improve the customer experience through reduced frequency of estimated bills and managing energy usage at customer's properties. Were the collection of meter readings to be dis-incentivised in any way across the industry, we believe that the knock on customer impacts would be disproportionate to the potential benefit the proposer has in mind with this modification.

5. Loss of reading assets without recompense

As above mentioned above, those who invest in collecting meter readings gain a competitive advantage over those who do not. In addition, we note that in a world where suppliers are becoming more energy management experts and less billing agents, the meter reading data a supplier collects itself has an intrinsic commercial value.

This modification considers that the asset of read history should be provided to the incoming supplier without regard for the value of that data, and without compensation for the investment which has been made in collecting it. As well as providing a disincentive to collect meter readings (as above), we do not believe this socialisation of commercial benefits is appropriate in a competitive market, and do not therefore believe that the modification proposal is fair to all parties. We may also consider that this could be resolved by providing the old supplier with suitable compensation for the assets transferred, but in the absence of such a provision, we are unable to support this modification.

Conclusion

We do not believe this proposal reflects the original intention of Modification 279 and we do not believe Modification 279 achieved its objective to improve data transparency and enable more accurate AQs. A detailed impact analysis of the impact of Modification 279 against its objectives is required before this proposal can be progressed.

We believe that contrary to ensuring “a more thorough AQ review process” and removing “the current inequity” from the process, this modification will, for the reasons given above, enable shippers to be selective about which read pairs they use to appeal an AQ, reducing their share of gas allocation and making AQs less accurate. This will have the effect of distorting competition between shippers, thus acting against the UNC relevant objective it claims to facilitate.

Furthermore, and for the reasons given above, this modification proposal will reduce the ability of suppliers to gain a competitive edge through investment in meter read collection, distorting the market in favour of those shippers who do little to secure meter readings. For these reasons, we believe this modification should be rejected.

In addition to the points made above, we also believe this change proposal fails to facilitate the relevant objectives of the Uniform Network Code, specifically:

Standard Special Condition A11.1 (d): so far as is consistent with paragraphs (a) to (c) the securing of effective competition:

(i) between relevant shippers;

(ii) between relevant suppliers; and / or

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

Nor do we believe that this proposal facilitates the Promotion of efficiency in the implementation and administration of the code A11.1 (f).

If you have any questions regarding the response from British Gas, please do not hesitate to contact me directly.

Kindest regards,

Andrew Margan
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British Gas