

Representation

Draft Modification Report

0425: Re-establishment of Supply Meter Points – Shipperless sites

Consultation close out date: 15 April 2013

Respond to: enquiries@gasgovernance.co.uk

Organisation: British Gas

Representative: Andrew Margan

Date of Representation: 15 April 2013

Do you support or oppose implementation?

Support

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

British Gas supports the modification proposal and believes that implementing will -

1. Clarify Shipper provisions under UNC for when a different meter is found in situ following an Effective Supply Point Withdrawal
2. Provide a resolution path for a root cause of Shipperless sites
3. Reduce the imbalance smearing cost to the industry and better allocate the industry Transmission and Distribution charges
4. Re-establish the Shipper and customer relationship to better enable Shippers to recover the customer costs
5. Clarifies the Transporters responsibility for the theft in conveyance scenario

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

From the modification workgroup we believe there were concerns raised by Shippers with regard to theft in conveyance. The concern was once a Shipper has completed an Effective Supply Point Withdrawal it has no legal right to that site and therefore should a consumer take an action to reconnect the site to the network, if the responsibility to address this action was placed solely on the Shipper this would legitimise theft.

We believe the modification clearly separates the responsibility in this scenario. For example following an Effective Supply Point Withdrawal the last relevant Shipper may be asked to warrant if they took an action which resulted in the site being reconnected. Following an internal investigation by the Shipper of its own systems and processes should they confirm they did not warrant an action which resulted in the site being reconnected to the system, for this specific scenario the query can be passed back to the Transporter for them to take an action.

0425
Representation

15 April 2013

Version 1.0

Page 1 of 6

© 2013 all rights reserved

As part of the Theft in Conveyance process, as only the Transporter has legal rights to the site, therefore the Transporter is in the best position to resolve situation and Modification UNC425 makes this provision.

Relevant Objectives:

We believe that this proposal facilitates the UNC relevant objectives, including 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;

A detailed explanation of how this would fulfil the relevant objectives is captured in the anything further section of this report.

Impacts and Costs:

We believe that Shippers would not incur additional system costs. The Transporter system costs have been covered through the development of modification UNC424. Additional ongoing administration costs will be incurred by Xoserve whilst reporting and allocating the Shipperless sites identified by the Transporter Gas Safety visits.

Additional cost may be incurred by Shippers should they perform or not perform an action which results in the creation of a Shipperless site. We believe that the Shipper who is responsible for the Shipperless site should be responsible for the industry costs (Energy & Transportation).

Transporters may incur additional cost for site visits, but under the modification rules most of these costs should be transferable to the relevant Shipper who caused the Shipperless site. We believe this is an adequate incentive to ensure effective withdrawals are managed appropriately by Shippers.

Transporters may incur additional cost for sites where a consumer has taken an action to reconnect a site, which is known as Theft in Conveyance. Under their Licence Condition we believe this responsibility is already managed by Transporters.

Implementation:

British Gas believe the implementation of the modification should be early as reasonable possible to align modification 424 and 425 processes.

Legal Text:

We are satisfied that the Legal text reflects the modification rules

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

We have detailed 5 key areas of the modification which we believe it is useful to expand upon and suggest why modification UNC425 should be supported.

1. Clarify the provisions under the UNC

British Gas raised modification UNC0425 as it believes the current UNC code provisions do not clarify the User (Shipper) registration

0425

Representation

15 April 2013

Version 1.0

Page 2 of 6

© 2013 all rights reserved

status at a Supply Point which has been subject to an Effective Supply Point Withdrawal or Isolation, but which remains capable of flowing gas.

The UNC provisions allow for a Supply Point to be withdrawn or isolated without the need to physically remove the meter. A Shipper can elect to withdraw from the site by ceasing the flow of gas, without removing the service or supply meter, by clamping the Emergency Control Valve (ECV).

Despite the Shipper liability for Transportation charging, the current UNC terms do not specifically require the relevant Shipper to register the Supply Point or permit the Transporter to register the Supply Point on their behalf. As a result of this ambiguity under the current code arrangements Shipperless sites are created. Shipperless sites result in Transportation and Energy costs being smeared to the remainder of the industry.

National Grid Distribution raised modification UNC0424 to address the issue where the previously connected Supply Meter (with the same serial number and number of dials as provided as part of the Meter Information) is physically connected to the System such that gas is capable of being offtaken.

British Gas believe this clarifies the current code which addresses the issue when the same meter is found to be capable of flowing gas, but the code is not prescriptive for the event when a different meter capable of flowing gas is found in situ.

British Gas believes modification UNC0425 improves the code provision for when a different meter is found by ensuring the relevant Shipper resolves the Shipperless site by registering the Supply Point and it allows for the Transporter to act on their behalf, should they not register it.

2. Provides a Resolution path for Shipperless Sites

Because of the uncertainty within code the volume of Shipperless sites has continued to increase. The industry Shipperless and Unregistered Workgroup was created to help resolve Shipperless scenarios. The gas industry captures the Shipperless sites information following a Transporter GSUI safety visit and Shippers have the opportunity to identify and resolve the sites they are responsible for. However in circumstances where a different meter has been found on site, there is no clarity over who should take responsibility to resolve the situation.

The Workgroup has been effective at indentifying and resolving Shipperless sites, but it does not resolve all instances. Unfortunately most months more new Shipperless sites enter the report than are worked and removed. This results in a situation whereby month on month Shipperless site volumes increase. The risk is that with no further action the Shipperless site will remain Shipperless indefinitely.

We believe that implementation of the modification UNC425 proposal will help reduce the number of sites which enter the Shipperless category for the workgroup to resolve and therefore in time will reduce the overall volume of Shipperless sites reported.

0425

Representation

15 April 2013

Version 1.0

Page 3 of 6

© 2013 all rights reserved

3. Reduce smearing and better allocate industry Transmission and Distribution charges

Following an Effective Supply Point Withdrawal and subsequently where a different meter is found in situ, for which a Shipper has not registered the Supply Point; the Transportation and the energy costs for that site are socialised to the industry through the Reconciliation by Difference (RbD) mechanism.

This results in the consumed energy being socialised to RbD Shippers and the Transporter's costs being smeared to the industry through higher Transportation charges. The issue and concern to the industry is that these costs are socialised to parties that have no ability to recover the costs, because they have no relationship with the Shipperless site.

The imbalance costs are picked up by RbD market share and this could have an adverse effect on competition, with some Shippers picking up the costs of others Shippers actions. British Gas feels this smearing of costs is an inadequate mechanism to incentivise Shippers to resolve these sites and believes the additional smearing cost to a Shipper could act as a barrier to entry by increasing new entrant costs.

The intent of modification UNC425 is to reduce the smeared cost and allocates the industry charges by first identifying the Shipper who is responsible for the Shipperless activity. This could be the last registered Shipper or another Shipper who has taken an action following the Effective Supply Point Withdrawal or Isolation.

We believe registration by the Shipper who has the last relationship with the site, which enabled the offtake of gas, is an important aspect to reducing imbalance costs and allocating Transmission and Distribution charges appropriately.

The modification UNC425 will incentivise Shippers to take reasonable steps before withdrawing from a site and it will also incentivise a new Shipper to correctly register a site, as the relevant Shipper will be responsible for registering the site and will pick up all the associated costs.

Therefore we believe that implementing this proposal will significantly reduce the smearing of imbalance costs and will improve industry allocation of Transmission and Distribution charges and the respective allocation of energy charges to the appropriate Shipper.

We believe this better facilitates the UNC relevant objectives regarding securing of effective competition between Shippers and Suppliers.

4. Better enable Shippers to recover the customer costs

British Gas believes that the Shipper who is responsible for the creation of the Shipperless site is best placed to resolve it. Not only does this Shipper have the relevant information to register the Supply Point, they are also best placed to recover the industry charges from the customer.

Through the provisions of the modification UNC425 and the current Gas Act 2B, following an effective Supply Point Withdrawal and a

0425
Representation
15 April 2013

Version 1.0

Page 4 of 6

© 2013 all rights reserved

meter capable of flowing gas is found in situ the Effective Supply Point Withdrawal will be reversed for the previously registered Shipper or registered to the active Shipper.

This will result in the Shipper registration and under the provisions of the Gas Act a registered Shipper is deemed to have a contract with the customer. The Shipper is then able to contact the customer with rights to recover the industry charges.

Therefore we believe modification UNC425 correctly re-joins the industry relationship between the customer and the relevant Shipper through the deemed contract provisions which enables the correct recovery of costs from the customer. We believe this is important for maintaining an efficient industry.

5. Clarifies Theft in conveyance

British Gas believes there is a scenario not covered by code whereby a consumer takes an action to reconnect their supply without Shipper or Supplier involvement. The scenario can be identified by the Transporter conducting a GSUI safety visit where a different meter capable of flowing gas is found connected to the system.

We believe it is correct that in the first instance the Transporter contacts the last registered Shipper (or any other Shipper) to ensure no contractual relationship exists between them and the consumer. It is our opinion that sufficient incentives are placed on the Shipper to complete a thorough investigation to identify its relationship.

If the Shipper warrants they have no relationship with the consumer, i.e. they have not taken an action which has resulted in the consumer being able to offtake gas at that Supply Point, there is no deemed contract and therefore the Shipper or the Supply organisation has no rights of access to the property or ability to curtail the theft of gas.

In this instance we believe it is appropriate for the Transporter to take an action to contact the consumer and request the consumer signs a supply contract with a Supplier or they curtail the theft of gas by removing the gas supply. If the customer contracts with a Supplier the relevant Shipper should register the site on the Transporter Supply Point Register (SPR).

Whilst modification UNC425 is not prescriptive about how the Transporter performs the Theft in Conveyance task, we believe the proposal is clear in its intent that the site is treated in line with other unregistered sites resulting in the customer obtaining a valid supply contract or that the gas service is removed. Further guidance for Theft in Conveyance is available under UNC Modification UNC0410A and the SPAA Theft Code of Practice governance arrangement.

Conclusion

British Gas believes that Modification Proposal UNC0425 remedies code for the situation where following an Effective Supply Point Withdrawal a different meter capable of flowing gas is found in

0425
Representation

15 April 2013

Version 1.0

Page 5 of 6

© 2013 all rights reserved

situ. This proposal clarifies the action for the withdrawing or active Shipper to register the site and it enables the Transporter to register them on their behalf.

Whilst Shippers have responsibilities to resolve Shipperless sites we believe this proposal will significantly incentivise Shippers to reduce the volume of new Shipperless cases. We feel this is beneficial as it will, over time, reduce socialised costs to Shippers and it will mean industry charges are applied to the correct party.

We believe this proposal improves the incentive to correctly manage withdrawing sites. Plus we believe it incentivises better management of meter fit requests that result in Supply Point registrations. As well as the Shipper role this proposal clarifies the Transporters industry role regarding Theft in Conveyance.

Furthermore we believe that this proposal has a clear framework for Shippers to pass consumer charges to customers, by maintaining the Shipper customer relationship.

In addition to the points made above, we also believe this change proposal facilitates 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;

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