

Bob Fletcher
Joint Office of Gas Transporters
31 Homer Road
Solihull
B91 3LT

7 January 2011

Dear Bob,

Re: UNC Modification Proposals 0277 and 0346

Thank you for the opportunity to provide representation of the above noted Modification Proposals. Northern Gas Networks (NGN) is supportive of both of the Modification Proposals, although has a preference for Modification Proposal 0277. Please find below NGN's comments in respect of each of the Modification Proposals.

The issue of Theft of Gas (ToG) has become more salient in recent months with a number of Modification Proposals attempting to deal with ToG. Ofgem is further expected to carry out an impact assessment in this area in the near future, and these Modification Proposals should be considered as part of that consultation.

The Proposer (British Gas) in raising these Modification Proposals and previous Review Proposals believes that there are not enough market incentives to encourage both shippers and suppliers to actively pursue ToG detections, and in their opinion, ToG detections largely go left unchecked. The creation of the Shipper Energy Theft Scheme (SETS) as laid out in both of these Modification Proposals will act to incentivise increased activity in revenue protection services by rewarding those who act upon relevant data. This reward will be at the cost of those who are inactive in ToG detection and resolution.

NGN believes that these Modification Proposals have been well developed with a wide consultation process which has led to a number of changes to the original proposals to take account of many different parties' views and concerns about the operation of the scheme, while maintaining the overarching intention and integrity of the original Modification Proposal. We also believe that these Modification Proposals need not be the sole incentive or activity in this area and that this scheme could be compatible with other schemes which are currently being considered such as the potential for a National Revenue Protection Service (NRPS).

NGN agrees with the proposer that both Modification Proposals will better facilitate the relevant objectives:

- A11.1 (c), the efficient discharge of the licensee's obligations as increased theft detection could lead to an increased prevention of unsafe interference in the system,
- A11.1 (d), the securing of effective competition between relevant Shippers, as linking the costs and benefits to theft detection performance should encourage competition to drive through improvements in theft detection, and

- A11.1 (e) the provision of reasonable economic incentives for relevant suppliers to secure domestic customer supply security standards, as increased theft detection and resolution will lead to increased accuracy of consumption data and Annual Quantities (AQs).

While NGN is supportive of both proposals our preference for Modification 0277 is due to our belief that the drivers for ToG investigations are not directly related to overall levels of throughput, but driven by supply point quantities.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,



Joanna Ferguson
Network Code Manager