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**National Gas Emergency Service - 0800 111 999\* (24hrs)**  
\*calls will be recorded and may be monitored

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30<sup>th</sup> October 2015

Your Reference: UNC Modification Proposal 0551

UNC Modification Proposal 0551 - Protecting consumers who are disaggregated under Modification 0428 from Ratchet charges for Winter 2015/16

Dear Bob,

Thank you for your invitation seeking representation with respect to the above Modification Proposal which, as proposer, National Grid Gas Distribution (NGD) would like to offer qualified support.

**Do you support or oppose implementation?**

Support with qualification.

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

We believe the measures identified within the Modification Proposal to be reasonable in that they provide a practical, time limited solution to any adverse financial effects impacting on Shipper Users which may be associated with the implementation of UNC Modification 0428 - Single Meter Supply Points. Such consequences may arise from process complexities and understanding involving the Users' interaction with end consumers (whether reasonably foreseeable or otherwise).

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

Our qualification is founded on the position that this Modification would if implemented have an element of retrospection given that the proposed relief from Supply Point ratchet charges would apply from 1<sup>st</sup> October 2015. We note that Ofgem has previously expressed its concern regarding such effects although we recognise the process timing challenges faced by the proposer. The additional time taken in Modification assessment was necessary to ensure that there were clear circumstances where the relief from ratchet charges should be valid or invalid i.e. in the interests of ensuring that the Transporters' network capacity was protected. In this respect the proposer's willingness to accommodate these concerns in the solution was helpful.

## **Self Governance Statement:**

We agree that the Modification Proposal should not be subject to self-governance procedures given its material effect on gas consumers.

## **Relevant Objectives:**

Relevant Objective: d) Securing of effective competition:

NGD concurs with the comment in the Draft Modification Report concerning facilitation of the above relevant objective.

## **Impacts and Costs:**

We agree with the statement in the Draft Modification Report concerning the funding of this Modification Proposal and we have no further comment in this respect.

## **Implementation:**

This Modification can be implemented with immediate effect upon direction by the Authority.

## **Legal Text:**

NGD is satisfied that the drafting and text commentary as published by the Joint Office within the Draft Modification Report meets the requirements of the Modification Proposal.

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

NGD raised UNC Modification 0428 - Single Meter Supply Points in February 2013 as a solution to ensure cost reflectivity of charging by removing an inappropriate cross subsidy with respect to Supply Points in the gas market. The Modification was approved by the Authority in July 2013 and implemented on 1<sup>st</sup> April 2014.

Notwithstanding the substantial notice period given to parties regarding the disaggregation arrangements under Modification 0428, we have some sympathy with the comments in the Proposal concerning complexities and challenges faced by Shipper Users and their interactions with customers, particularly where aggregated arrangements have been established for some time.

We also accept that there was some uncertainty in the industry created with the deferral of the Project Nexus Implementation Date to 1<sup>st</sup> October 2016 although the contractual definitions in UNC were clear. In this respect we note Ofgem's letter in May 2015 which sought to add clarification with regard to their expectations regarding implementation of Modification 0428.

We trust that this information will assist in the compilation of the Final Modification Report. Please contact me on 01926 653541 should you require any further information.

Yours sincerely,

Chris Warner  
Stakeholder Implementation Manager, Distribution