

Clive Whitehead
Senior Consultant
Software Solutions
GL Noble Denton

Date: 27 September 2013

Dear Clive,

Re: AUGÉ year 2014/2015 – Industry developments impacting unallocated gas

On behalf of Industrial and Commercial (I&C) Shippers and Suppliers (ICoSS) members, I would like to take the opportunity to submit the queries set out below for due consideration by the AUGÉ when calculating unallocated gas volumes for the 2014/2015 AUGÉ year.

The ICoSS group represents major non-domestic Industrial and Commercial suppliers in the GB energy market, supplying approximately 70% of the gas to the Industrial & Commercial market sector. A full list of ICoSS members can be found in Appendix 1 to this letter.

Ofgem approval & implementation of UNC Modification 410A

UNC 410A was raised by National Grid Distribution on 23 May 2012 as an alternative to UNC 410 (Raised by Total Gas & Power) which sought to sharpen the incentives on parties in control of the MPRN creation process. UNC410A was approved for implementation by Ofgem and requires shippers to ensure that a supplier has a valid supply point contract in place before commissioning the installation of a meter at a new connection point created after 1 September 2013. UNC410A also aims to ensure that, where a Gas Transporter identifies an unregistered site created after 1 September 2013 that has not been registered for at least 12 months since that date, they undertake proactive measures to identify any supplier responsible and provide them with an opportunity to register the site. If the Shipper fails to respond to the Gas Transporter within 1 month of notification, the Gas Transporter may register the site on the shipper's behalf. If a supplier which has a contract with the customer has not been identified then the Transporter will provide the consumer with an opportunity to secure a supply contract. Where the customer fails to secure a contract, the Gas Transporter will, in normal circumstances, seek to disconnect the supply of the gas to the consumer subject to any relevant prevailing legislation, regulation or codes of practice.

As a consequence of the implementation of this modification there will inevitably be invigorated action throughout the 2014/2015 AUGÉ year by Suppliers and Transporters to address unregistered new connections which contribute to approximately 700GWh of the overall unallocated gas as indicated in the original AUGÉ statement. As such we believe that the AUGÉ methodology for 2014/2015 should anticipate, calculate and account for the reduction in unallocated gas associated with unregistered siteworks.

Open letter to Gas Distribution Networks on tackling unregistered sites - Ofgem's demands on Transporters for measurable action under new connection action plans

Further to Ofgem's decision to implement UNC Modification 410A, Ofgem strengthened its demands on the industry to address the issue of new connections failing to be registered by a Shipper by writing to Transporters to formally request measurable action plans that, as a minimum, required the following:

A. New connections

- Improved controls on the Meter Point Reference Number (MPRN) creation process so that gas transporters better manage their allocation and use by connections companies.
- A review of the messages that appear on labels at new connections so that parties are aware of what should be done before fitting a meter or taking a supply.
- Agreed measures for the treatment of vulnerable customers identified at unregistered sites (we note that discussions are currently taking place on this under the SPAA).
- The introduction of a risk based approach to inspecting newly connected sites to identify whether they are, or are capable of, flowing gas prior to registration.
- Requirements for new connections to be locked so that gas cannot flow, without the lock being removed by an authorised person, if the site is not intended to be used in the near future.

B. Existing unregistered sites

- Draw up a robust plan to reduce the number and materiality of existing unregistered sites that are taking, or are capable of taking, a supply of gas.
- Implement the plan so that the impact of existing unregistered sites has been materially and measurably reduced within 12 months of the date of this letter.

Ofgem's demands that Transporters take immediate steps to prove that they quickly address the issue of unregistered sites will undoubtedly lead to a very rapid reduction in the amount of unregistered gas associated with the new connection activity. ICoSS therefore requests that the AUGE take this into account during its calculations of 2014/2015 unallocated gas attributed to this root cause.

UNC Modification 0431S and SPA MAM 13/02

Further to the above, Ofgem notes that two further modifications have been proposed and are being developed within the industry code change control arrangements as follows:

- A modification UNC431S would undertake a portfolio reconciliation between suppliers and gas transporters with the aim, amongst other things, to identify potential unregistered sites where a supply contract may be in place but the site has never been registered
- A change to the Supply Point Administration Agreement (SPAA) (MAM 13/002) aims to prevent unregistered sites from illegally off taking gas by requiring MAMs to only fit a meter at a site where there is a supply contract in place.

Ofgem welcomes the efforts of industry parties to reduce the impact of unregistered sites for consumers through these proposals and as a result, these initiatives will help in minimising unallocated gas associated with new connections and should be factored in to the AUGE's calculations for 2014/2015.

Mod 424 - Re-establishment of Supply Meter Points

UNC424 aims to clarify that a Shipper's registration remains in place from the date of a Supply Point Withdrawal, where it is identified that the same meter is installed at the premises and is capable of flowing gas. This would ensure that, where all the elements of the relevant statutory provisions are satisfied, a deemed supply contract is in place from the date of the effective supply point withdrawal and would enable the shipper to recover its costs through its supplier arrangements and this would lead to previously classified unregistered gas being attributed and paid for by a responsible shipper.

The proposal also aims to ensure that where, following either Isolation or an Effective Supply Point Withdrawal, the same meter is found to be connected to the Transporters system and capable of flowing gas, the shipper would be registered to the supply point within one month of notification

It is ICoSS's belief that the AUGE should calculate the impact that the implementation of this modification will have on unallocated gas volumes and a mechanism be derived for adjusting 2014/2015 AUGE values accordingly.

Impact of Industry Data Quality on the Approved 2014 / 2015 Methodology

Whilst the industry approved the proposed methodology ICoSS have repeatedly raised the issue of data quality and the negative impact this may have on the suitability of the new AUGE methodology for 2014 / 2015. It is widely recognized that gas industry data quality is poor with a high degree of errors and anomalies. This has recently been re-enforced by Transporters / Xoserve ahead of project Nexus with the recognition that industry data needs to be cleansed ahead of any data migration to new IT systems.

We would like to raise this issue again to the AUGE and ask for clarity on how they are mitigating the concerns there may be an unacceptable degree of error arising from poor data quality.

The new methodology should be appropriate to the data set that it is utilizing and it is ICoSS view that this hasn't been given due consideration under the process dictated by the AUGE Guidelines.

Conclusion

In conclusion, ICoSS would seek confirmation that the developments within the industry that have been outlined in this letter will be taken into consideration and factored in to the overall unallocated gas volumes associated with unregistered siteworks and the consequential affect this will have on the volume assigned to the LSP market sector.

Yours sincerely,

A handwritten signature in grey ink, appearing to read "G. Evans".

Gareth Evans
Chair, ICoSS Group

Appendix 1: ICoSS Members

- Corona Energy
- ENI UK
- Gazprom Marketing & Trading – Retail
- GDF Suez Energy UK
- Statoil UK
- Total Gas & Power Ltd
- Wingas UK
- First Utility (associate)