

0369/0369A:

Alternative Re-establishment of Supply Meter Points – measures to address shipperless sites



These modifications seek to modify the existing provisions of the Uniform Network Code regarding Re-establishment of Supply Meter Points to ensure Supply Point Registration where gas is consumed at a Supply Point which has been subject to Effective Supply Point Withdrawal but the original Supply Meter remains connected (or has been reconnected) and is capable of flowing gas. The Proposal features other associated measures to mitigate the detrimental effect of 'shipperless sites' on Transporters and the User community.

Modification 0369A provides an exception for Consumer owned metering equipment which cannot readily be removed from a consumers site and were the Transporter themselves have undertaken physical works allowing the Effective Supply Point Withdrawal.



Panel recommended implementation of 0369

Panel recommended implementation of 0369A

Panel voted that 0369 better facilitates the relevant objectives than 0369A



Medium Impact:

Transporters and Users.

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About this document:

This document is a Final Modification Report, the Panel will consider the responses and agree whether or not these modifications should be made.



3 Any questions?

5 Contact:
Joint Office

9  enquiries@gasgovernance.co.uk

11  0121 623 2115

13 Proposer 0369:
Chris Warner

17  chris.warner@uk.ngrid.com

20  07778 150668

26 Transporter:
National Grid
Distribution (NGD)

30  0121 623 2115

31 Proposer 0369A:
Steve Mulinganie

 steve.mulinganie@gazprom-mt.com

 07590 245 256

1 Summary

Is this a Self Governance Modification

The Modification Panel determined that Self Governance procedures were not to be followed.

Why Change?

Whilst clear in respect of User Transportation charge liability, the current provisions of the UNC do not clarify the User registration status at a Supply Point which has been subject to Effective Supply Point Withdrawal but which remains capable of flowing gas.

Accordingly, whilst in such cases the User (Shipper) is liable for Transportation charges, the Supplier is unable to recover its costs from the consumer given that the lack of a registration in the Transporters Supply Point Register (SPR) means that there is no Deemed Supply Contract in place.

This potentially results in costs, which are allocated to the remainder of the industry.

In addition, Modification 0369A provides recognition of consumer owned metering equipment, which is in situ and cannot be removed from site following its disconnection by the Supplier.

Solution

It is proposed that the UNC is modified to clarify that the User's registration remains in place from the date of Effective Supply Point Withdrawal where the Transporter (or another party) identifies that the same Supply Meter is installed at the premises and is capable of flowing gas. The terms proposed specify how the Supply Point Registration is re-generated in the SPR.

The presence of a registration in the SPR will ensure that a Deemed Supply Contract is in place and thus enable the User to recover its costs through its supplier arrangements. This will result in the appropriate targeting of Transportation and supply costs.

Modification 0369 - Measures are also identified to ensure appropriate recovery of relevant charges at Isolated only Supply Points.

Modification 0369A provides an exception where: -

1. Consumer owned metering equipment is present which cannot readily be removed from a consumers control and for which the supplier has taken steps to disconnect the relevant metering equipment, or
2. Transporters themselves have directly undertaken the physical works e.g. responding directly in response to an urgent cessation of gas.

In such scenarios Transporters cannot recover retrospective Transportation and Energy Balancing charges from the User following works undertaken to allow the Effective Supply Point Withdrawal.

For the avoidance of doubt this modification does not seek to alter the proposed arrangements in respect of charging for physical works where the Transporter seeks to levy an abortive GSIU charge.



Supply Point Withdrawal and Isolation

UNC TPD Section G3 sets out comprehensive terms which set out the conditions under which Users are able to remove themselves from being Registered to a Supply Point or to limit their transportation charge liability.

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Impacts & Costs

Implementation of the proposed terms would enable Users to recover the costs (to which they are exposed to pursuant to the prevailing terms of the UNC) through their supply arrangements. This would also reduce the overall population of so called 'shipperless sites' which has been highlighted as an industry concern in light of the risk of socialised costs being otherwise applied to the User community.

The proposed method of achieving re-registration is an existing process operated by both Users and Transporters (including the capability for the Transporter to register on the User's behalf). Notwithstanding this, it is expected that systems, process and administration costs are likely to be incurred by Transporters, Shippers and Suppliers.

Implementation

It is proposed that, subject to the appropriate direction from the Authority, and after a suitable period of development, notwithstanding that systems changes may be necessary, either modification be implemented as soon as reasonably possible.

A backlog of Supply Points relevant to Modification 0369 exists which will need to be addressed. The procedure for dealing with this are set out in section 6.

The Case for Change

Where practically achievable, consumers should use gas pursuant to supply arrangements. The Gas Act Schedule 2B defines the circumstances where such supply arrangements are deemed to exist; however the current UNC terms prevent such arrangements being deemed to exist in the case of shipperless sites.

Given that Users already have the charging liability under the prevailing terms of the UNC, it should be of benefit to the industry as a whole to enable deemed supply arrangements to exist by clarifying the SPR registration status in respect of the relevant shipperless sites. According to statistics provided by the Transporters' agent, Xoserve, shipperless sites are an increasing population, which increases the risk of socialised costs.

2 Why Change?



Industry Concerns

Statistics presented at the Transporter agent (Xoserve) administered 'Shipperless and Unregistered Sites Working Group' illustrate an increasing number of Supply Points which have been subject to an Effective Supply Point Withdrawal but remain capable of flowing gas. This is typically identified as a consequence of the Transporter conducting a service disconnection under the Gas Safety (Installation and Use) Regulations 1998 on behalf of the Supplier. Under these circumstances the Transporter is unable to expedite the disconnection, which constitutes an inefficient use of its resources.

The following graph illustrates such volumes since May 2009, differentiated by whether the original meter remains in place or whether a new meter has been installed.



If appropriate action is not taken to address the situation there is a clear risk that the costs of any gas consumed at shipperless sites will continue to be inappropriately targeted and will alternatively be smeared to the remainder of the industry.

Origin and Summary of the Current Provisions

Network Code Modification 0675, implemented in July 2004, created the current framework to enable a Registered User to cease its registration at a Supply Point and was part of a suite of Proposals designed to better facilitate the outcome of the Review of Gas Metering Arrangements (RGMA) programme. In broad terms, cessation of Supply Point ownership requires the User to submit a Supply Point Withdrawal (an expression to the Transporter that it intends to end its registration) and undertake physical works, which would have the effect of enabling an Isolation.

Shipperless and unregistered sites

- Unregistered Site**
A Supply Meter Point within the Supply Point Register that has never been registered by a User
- Shipperless Site**
A Supply Meter Point within the Supply Point Register that has no current registered User, but previously had one

Under current arrangements the work required to 'cease the flow of gas' need not incorporate the removal or disconnection of the Supply Meter; for example this work may be restricted in scope to the clamping of the Emergency Control Valve.

The UNC provisions covering Re-establishment (TPD G3.7) incorporate terms that where a Supply Meter Point is Isolated (but not Withdrawn):

- if a Transporter becomes aware that gas is capable of being offtaken, it shall notify the Registered User; and
- if a User becomes aware that gas is capable of being offtaken, it shall inform the Transporter who shall Re-establish the Supply Meter Point.

The 'Re-establishment' terms also dictate that where an Effective Supply Point Withdrawal occurs (i.e. a Supply Point Withdrawal and Isolation is submitted by the Registered User), the Supply Meter remains connected and gas is subsequently offtaken, the Registered User at the time of Isolation shall be liable for all charges as if an Isolation or Effective Supply Point Withdrawal had not occurred (TPD G3.7.5).

Despite User liability for charging, the current terms do not specifically require the User to re-register the Supply Point or permit the Transporter to re-register the Supply Point on the User's behalf. Furthermore where the Supply Meter is physically disconnected by the Withdrawing User from the Transporters' network, the charge liability set out above does not apply.

User Recovery of Costs (TPD G3.7.5)

In such circumstances, where the User does not elect to re-register the Supply Point, this would appear to create a risk to the User that it is not able to recover from the consumer its costs in respect of the Transportation charges it incurs under the UNC G3.7.5 terms. This is because in absence of a registration in the SPR there is no Deemed Supply Contract as per the provision of the Gas Act (Schedule 2B) para 8(2). In absence of such an arrangement there is no basis upon which a Supplier is able to recover supply charges.

Socialised Risks and Costs

On behalf of Transporters, Xoserve currently employs considerable resources to identify those Supply Points that have been subject to an Effective Supply Point Withdrawal and are nonetheless flowing gas (or are able to do so). In many cases this is identified by the Transporter where it undertakes a service disconnection under the Gas Safety (Installation and Use) Regulations 1998 (GSIU) on behalf of Supplier.

In circumstances where gas continues to be offtaken at a Supply Point, which is Isolated and Withdrawn, the Transportation commodity and energy cost exposure is borne by Users having Smaller Supply Points (SSPs) through the Reconciliation by Difference (RbD) mechanism. It is anticipated that an element of the energy cost would also be apportioned to Users having Larger Supply Points (LSPs) by the appointed industry expert (AUGE) under the Modification 0229 regime.

In its decision letter (dated 5 July 2004) in respect of Network Code Modification Proposal 0675 'Isolations - Changes required in accordance with the Review of Gas Metering Arrangements (RGMA)' Ofgem stated:

"Whilst it appears entirely pragmatic for meters to remain in place, where gas is no longer required for a short time, Ofgem is keen to ensure that meters do not remain connected and left in premises inappropriately, or for a long period of time, simply to avoid the costs of disconnection and removal. This could have implications for the transportation of gas and safety more generally.

Ofgem welcomes the assurance that Transco will conduct a site visit to ensure that safety aspects are maintained though it is likely that this work will focus upon the service pipe and not recovery of the meter. However Ofgem considers it likely that efficient competitive meter providers will have terms and conditions within their contracts to ensure that the supplier is charged for the meter, regardless of whether gas is actually flowing. This places an economic incentive on suppliers to have the meter removed when they are no longer in use as this would relieve them of the meter provision charges.

This is compounded by Transco's "cut off" charges as these could exceed the charge for disconnection and removal of the meter depending on the size of the meter. Ofgem will review this area as the competitive market develops, and to the extent required, may consider alternative remedies."

National Grid Distribution considers that the UNC provisions should be rendered more robust in respect of the Isolation and Withdrawal regime and in particular the incorporation of measures which discourage offtake of gas in the absence of a User Registration (a so called 'shipperless site'). They identified measures which may mitigate the risks arising from Supply Meters being left in properties and which are not removed from the premises by the Withdrawing User or their service provider.

Collective responsibility

Shipperless sites where gas is being offtaken or is capable of being offtaken can arise under two circumstances:

- The User procuring a Supply Point Isolation and Withdrawal has not correctly undertaken the necessary physical works or has provided erroneous data
- The consumer has reconnected the meter or removed the device preventing the flowing of gas.

The Workgroup agrees with the Proposers that Transporters have an overarching responsibility for 'unregistered' Supply Points. These 'greenfield' sites frequently have no supply contract in place and, in these circumstances, it is accepted that there are GT Licence obligations to investigate any offtake of gas and undertake reasonable endeavours to recover the cost of gas from the consumer where no Supplier is present. However in the case of shipperless sites, the view is that in certain cases a Deemed Supply Contract applies.

The purpose of these modifications is threefold:

- To facilitate arrangements for ensuring that, with respect to a Supply Point where an Effective Supply Point Withdrawal has taken place, a User Registration is in place at a relevant Supply Point in circumstances where the Supply Meter is found to be connected to the Transporter's system and capable of flowing gas (i.e. that the Supply Meter is not 'disabled' by an appropriate device (typically those identified within the Meter Asset Managers Code of Practice (MaMCoP)).
- To ensure that, in all circumstances where the Supply Meter is found to be connected to the Transporter's system and capable of flowing gas, the Registered User or Previous Registered User is responsible for relevant Transportation charges during the period of Isolation or Effective Supply Point Withdrawal
- To ensure that Transporters are able to recover the costs from Users of so called 'abortive' visits. These occur where the Transporter is unable to cut off the service pipe in accordance with the Gas Safety (Installation and Use) Regulations 1998 (GSIU) for reason that the Supply Meter remains connected to the Transporters network and is capable of flowing gas.

3 Solution

Proposed UNC Changes

It is proposed that the current TPD G3.7.5 terms are extended such that the UNC reflects that where the Transporter identifies that gas is being consumed at a Supply Point which has no Registered User as a consequence of an Effective Supply Point Withdrawal, and the relevant Supply Meter which was installed at the point of Isolation has been re-enabled such that gas can flow (either through reconnection of the Meter or removal of any relevant disabling device), the 'Relevant Registered User' is required (upon receipt of an appropriate notice from the Transporter) to re-register the Supply Point in accordance with Section G2 of the Transportation Principal Document.

It will be noted that the provisions of TPD of G3.7.4 and G3.7.5 currently apply only if the User at the point of Isolation (G3.7.4) or Effective Supply Point Withdrawal chose to leave the Supply Meter connected to the Transporters network. A scenario may occur whereby the User chose to disconnect the Supply Meter from the Transporters network but elected not to remove the Supply Meter from the property. In circumstances where the same Supply Meter is subsequently found to have been reconnected and gas offtaken or (in the case of a Withdrawn Supply Point) capable of being offtaken, it is proposed that the Registered User (in the case of G3.7.4) or the previous Registered User (in the case of G3.7.5) should be liable for relevant Transportation charges as set out in G3.7.4 and G3.7.5.

In addition for Modification 0369A:

The retrospective elements of these charges would not apply where Consumer owned metering equipment is present or where the Transporter has carried out the works, which allowed the Effective Supply Point Withdrawal e.g. safety related, demolition works etc. In the event that the Relevant Registered User does not submit an appropriate Supply Point Confirmation within one calendar month of the appropriate notice from the Transporter, the Transporter would register the Supply Point on behalf of the Relevant Registered User (using the data attributes pertinent to the relevant Supply Point as at the point of Effective Supply Point Withdrawal. This would include utilising as an Opening Meter Reading the Meter Reading previously provided as 'closing read'). For the avoidance of doubt, the relevant User would be treated as the Registered User from the date of the original Effective Supply Point Withdrawal.

Finally, where the relevant Transporter undertakes a visit to the consumers property for the purposes of undertaking a service disconnection under the Gas Safety (Installation and Use) Regulations 1998 (GSIU), on behalf of Supplier and the Supply Meter remains connected to the Transporters network and is capable of flowing gas, given its inability to disconnect the service, the Transporter will levy a charge to the User registered to or previously registered to the Supply Point. Such charge will reflect the costs so incurred from the so called 'abortive' visit. Where Consumer owned metering equipment is present which cannot readily be removed from a consumers control and the supplier has taken steps to disconnect the metering equipment. Transporters cannot recover retrospective Transportation charges from the User following works undertaken to allow the Effective Supply Point Withdrawal e.g. safety related, demolition works etc.

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This alternative proposal provides an exception where: -

1. Consumer owned metering equipment is present which cannot readily be removed from a consumers control and for which the supplier has taken steps to disconnect the relevant metering equipment, or
2. Transporters themselves have directly undertaken the physical works e.g. responding directly in response to an urgent cessation of gas.

In such scenarios Transporters cannot recover retrospective Transportation and Energy Balancing charges from the User following works undertaken to allow the Effective Supply Point Withdrawal.

For the avoidance of doubt this modification does not seek to alter the proposed arrangements in respect of charging for physical works where the Transporter seeks to levy an abortive GSIU charge.

Supply Contract

In the event of implementation, the position in respect of the Supply Contract would be clear in that the circumstances would meet the requirements of the Gas Act (Schedule 2B) paragraph 8. Accordingly, in absence of an express arrangement, a Supply Contract will be deemed to be in place between the Supplier and the consumer.

4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objectives d and f.**

The benefits against the Code Relevant Objectives

Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	No
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	No
c) Efficient discharge of the licensee's obligations.	No
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Yes - both
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	No
f) Promotion of efficiency in the implementation and administration of the Code	Yes - both
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	No

The Workgroup considered that these modifications would facilitate GT Licence Relevant Objectives (d) and (f) as follows:

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (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 into transportation arrangements with other relevant gas transporters) and relevant shippers;

These modifications identify measures, which serve to mitigate the likelihood of shipperless sites occurring. The impact of this is to promote cost targeting on individual Users and mitigate the risks of such costs being otherwise shared to the Users having Smaller Supply Points (and potentially Larger Supply Points via the AUGE mechanism). Such a mechanism must therefore be considered to facilitate competition in the gas market.

With respect to Modification 0369, some Workgroup attendees were concerned that charging for sites where the consumer has reconnected their own meter puts the onus on one shipper organisation when they have undertaken their obligations under UNC and cannot control the actions of the consumer. Some Workgroup attendees felt that shippers can recover their costs through deemed contracts which mitigate this risk.

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British Gas considers that both these modifications will reduce the amount of energy, which is allocated using the Allocation of Unidentified Gas process implemented by Modification 0229, by allocating the energy used to the Shipper who holds a deemed contract with the customer and therefore holds the rights to the associated revenue. They consider this is a more efficient allocation of costs and is therefore likely to secure more effective competition between Shippers.

ScottishPower considers that measures intended to remove the burden on SSP Shippers solely picking up the cost liability for Shipperless sites is a positive move forward and offers increased accuracy in cost allocations. As such implementation of this modification should promote competition between Shippers and Suppliers.

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

The measures identified within these modifications are likely to bring about a reduction in the number of shipperless sites. User Registration of Supply Points capable of flowing gas is fundamental to the efficient operation of the UNC.

ScottishPower considers that Modification 0369 will introduce appropriate incentives on Users to proactively manage redundant meter points and therefore reduce the instances of potential Shipperless sites. This reduction and the assignment of costs to the Relevant Shipper will promote the efficiency and operation of the UNC.

5 Impacts and Costs

Consideration of Wider Industry Impacts

No wider industry impacts have been identified by the Workgroup. However some Workgroup members considered that these modifications might have a short shelf life and may not be needed once SMART meters are installed.

Costs

Indicative industry costs – User Pays	
Classification of the proposal as User Pays or not and justification for classification	
Subject to Transportation Agent scrutiny. Systems development costs may be incurred as a consequence of implementing this modification. In its representation, National Grid Distribution suggest that this should not be classified as a User Pays modification since the changes have potential for broader industry utility in the future.	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
To be identified.	
Proposed charge(s) for application of Users Pays charges to Shippers	
To be identified.	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
To be identified.	

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> Changes required.
Operational Processes	<ul style="list-style-type: none"> EDF Energy considers A new process for networks to notify shippers of sites which have been withdrawn from and are still consuming gas would need to be set up in order for the shippers to reconfirm these sites.
User Pays implications	<ul style="list-style-type: none"> To be identified.

Impact on Users	
Area of Users' business	Potential impact

Impact on Users	
Administrative and operational	<ul style="list-style-type: none"> EDF Energy considers these modifications may increase the number of Adhoc invoices for offline TRE adjustments and could require a new process to be set up.
Development, capital and operating costs	<ul style="list-style-type: none"> To be identified.
Contractual risks	<ul style="list-style-type: none"> To be identified.
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> Some Workgroup attendees were concerned that the modifications introduce retrospective conditions for charging when they cannot recover these costs through their existing metering arrangements.



Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
<http://www.gasgovernance.com/networkcodearchive/551-575/>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> None identified.
Development, capital and operating costs	<ul style="list-style-type: none"> National Grid Distribution consider medium level implementation costs would be incurred by Transporters as a consequence of implementing either Modification.
Recovery of costs	<ul style="list-style-type: none"> To be identified.
Price regulation	<ul style="list-style-type: none"> None identified.
Contractual risks	<ul style="list-style-type: none"> None identified.
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None identified.
Standards of service	<ul style="list-style-type: none"> None identified.

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> None identified.
UNC Committees	<ul style="list-style-type: none"> None identified.
General administration	<ul style="list-style-type: none"> None identified.

Impact on Code	
Code section	Potential impact
TPD G3.7	Amendment required.

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	None identified.
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None identified.
Storage Connection Agreement (TPD R1.3.1)	None identified.
UK Link Manual (TPD U1.4)	None identified.
Network Code Operations Reporting Manual (TPD V12)	None identified.
Network Code Validation Rules (TPD V12)	None identified.
ECQ Methodology (TPD V12)	None identified.
Measurement Error Notification Guidelines (TPD V12)	None identified.
Energy Balancing Credit Rules (TPD X2.1)	None identified.
Uniform Network Code Standards of Service (Various)	None identified.

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None identified.
Gas Transporter Licence	None identified.

Other Impacts	
Item impacted	Potential impact
Security of Supply	None identified.
Operation of the Total System	None identified.
Industry fragmentation	None identified.

<p>Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties</p>	<p>Suppliers may need to consider the impacts of the modification, as they may not be able invoice back dated Transportation charges due to the requirements of the ERA code on back billing.</p> <p>SSE considers that where meters are removed from a site at the time of disconnection and if the consumer wishes to resume their supply the meter can be connected as easily. However, some large I&C bespoke meters are left on site as once removed they have no intrinsic value except for scrap, as they cannot be reused at another premise. They continue to have a value if they remain at the premise for which they were designed and would be suitable for use if gas were ever reinstated.</p>
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6 Implementation

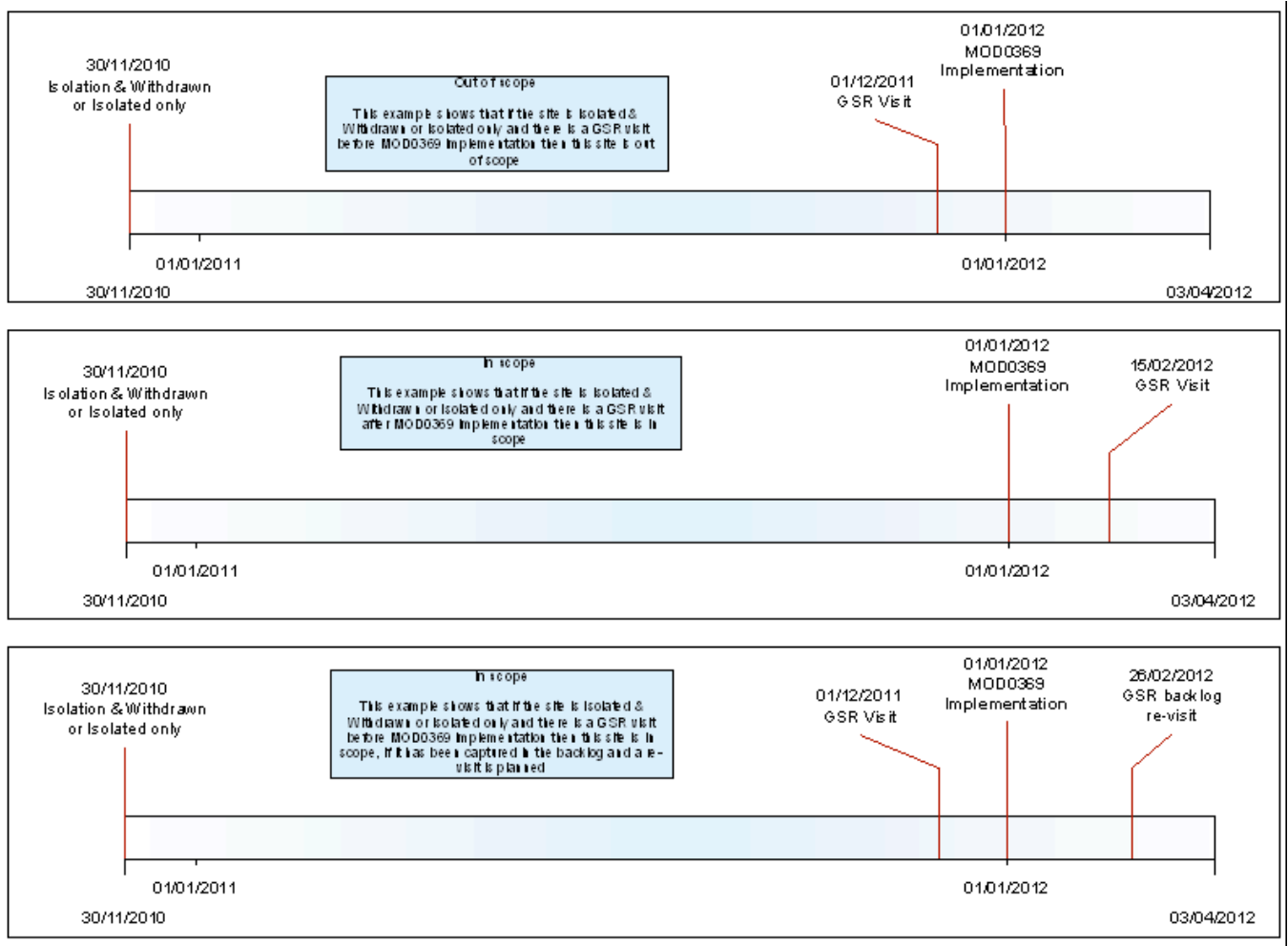
No specific timescale is proposed.

It is proposed that, subject to the appropriate direction from the Authority, and after a suitable period of development, notwithstanding that systems development may be necessary, either modification may be implemented as soon as reasonably possible.

The following implementation plan is applicable to Modification 0369.

It is necessary to accommodate a backlog of Supply Points where Isolation has occurred but where the Supply Meter present at the time of Isolation remains connected to the Transporters' network and is capable of flowing gas. There are currently approximately 2000 such sites in all networks.

The following diagrams illustrate the ways in which the backlog would be dealt with:



The first diagram shows an 'out of scope' scenario whereby the Transporter has identified before implementation of the Modification Proposal that the Supply Meter is connected and capable of flowing gas. In this case no attempt will be made to recover 'retrospective' gas costs. However, in the case where the Supply Point is Withdrawn, the previous Shipper will be asked to register the Supply Point. In the

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event this does not occur, the Transporter will undertake the registration on the previous Shippers behalf.

Diagram 2 illustrates an 'in scope' scenario. In this case given that the Transporter has identified that the Supply Meter is connected and capable of offtaking gas after implementation of the Modification Proposal, retrospective transportation and energy costs will be recoverable from the relevant Shipper. Re-registration of Withdrawn Supply Points would take place as set out in this Modification Proposal.

The third diagram shows that in circumstances where the Transporter identifies (typically by a GSIU re-visit) that the Supply Meter is connected and capable of offtaking gas at a point after implementation of the Modification Proposal, then retrospective transportation and energy costs will be recoverable from the relevant Shipper. As with the above two scenarios re-registration of Withdrawn Supply Points would take place as set out in this Modification Proposal. Legal text has been included which reflects each scenario.

EDF Energy suggest a six month implementation time to ensure enough time is allowed to set up new processes and any system changes that might arise from changes to the invoicing process.

National Grid Distribution advises systems development work would be required to facilitate implementation of either modification. They anticipate a period of 6 - 9 months lead time would be required to deliver components of the solution. Notwithstanding this it may be possible to implement the proposed arrangements ahead the systematised elements.

National Grid Distribution notes that Modification 0369A does not include any detail on matters of implementation. While this does not preclude implementation, parties would experience uncertainty as to how the existing 'backlog' of candidate sites would be dealt with. In the event that 0369A were directed for implementation it is likely that further modification of the UNC would be necessary to address this.

7 The Case for Change

In addition to that identified the above, the Workgroup identified the following:

Advantages

- Provides a mechanism under UNC whereby the collective User exposure to the costs of shipperless Supply Points is reduced. This applies to a marginally lesser degree to Modification 0369A, as it excludes consumer owned meters.
- Establishes the Deemed Supply Contract being in place where a Supply Point is shipperless but where gas is being offtaken and confirmed as such by the Transporter.
- Some Workgroup attendees consider these modifications incentivise the removal of meters from properties where the supply of gas is no longer required, thereby reducing the likelihood of gas being offtaken without a Supply Contract.
- Modification 0369A protects Shippers and Suppliers from the consequential risk of actions over which they have limited control i.e. the consumers legal right to own and operate metering equipment and Transporters initiated activities.
- Both modifications enable the accrual of benefits for sites being registered to those that are not registered.

Disadvantages

- The Shipper may not be able to mitigate their risk for transportation charges where a consumer reconnects a previously disconnected consumer owned meter. This applies to a marginally greater degree to Modification 0369.
- These modifications may lead to additional costs to consumers and/or Suppliers as meters may be removed from site to mitigate risks of meters being reconnected without the Suppliers knowledge.
- Some Workgroup attendees consider these modifications back charge Transportation and energy costs to the Shipper from the date of the isolation/withdrawal. It does not allow the Shipper to provide evidence that the meter was reconnected at a later date or a material error occurred, with a subsequent reduction in Transportation and energy charges.

8 Legal Text

Draft Legal Text 0369

The following draft text has been provided by National Grid Distribution.

Transition Document Part IIC

14. TPD Section G: Transitional Changes in relation to Section G 3.7 Re-establishment of Supply Points

14.1 The charges set out in TPD Sections G3.7.4(b), G3.7.5(b) (i) and G3.7.5 (c)(i) shall only apply to Supply Points where an Isolation has occurred and a Transporter identifies after [1 January 2012] that the Supply Meter present at the time of Isolation remains connected to the Transporters' System and is capable of flowing gas.

TPD Section G Supply Points

Amend paragraph 3.7.4 as follows:

3.7.4 Where a Supply Meter Point has been Isolated and is Re-established, and an Effective Supply Point Withdrawal has not occurred and the Supply Meter continues to remain physically connected to a System during the period from the date of Isolation to the date of Re-establishment the Transporter identifies that 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 a System such that gas is capable of being offtaken (without any further action being taken) from the Total System then where gas was or is being offtaken from the Total System during such period (as evidenced by Meter Readings), each Registered User in respect of the period for which it is or was the Registered User shall be liable for:

(a) all reasonable costs incurred by the relevant Transporter in accordance with the Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System; and

(b) all charges (including without limitation Transportation Charges and Energy Balancing Charges) associated with such Supply Meter Point as if it had not been so Isolated.¹

Amend paragraph 3.7.5 as follows:

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3.7.5 Without prejudice to the generality of paragraph 3.7.4 where a Supply Meter Point has been Isolated and an Effective Supply Point Withdrawal has occurred and the ~~Supply Meter~~ Transporter identifies that the previously connected Supply Meter (with the same serial number and number of dials as provided as part of the Meter Information) is still capable of flowing gas (without any further action being taken) from the Total System ~~continues to remain physically connected to a System then:~~²

- (a) the Effective Supply Point Withdrawal shall be deemed to be void as if such Effective Supply Point Withdrawal had never been effective, as set out at 3.7.7 below;³
- ~~(a)~~ where gas was or is being offtaken at such Supply Meter Point during such period the Relevant Transporter shall notify the party that was the Registered User at the time of Isolation (the "Relevant Registered User") and such Relevant Registered User:⁴
 - (i) shall be liable for all charges (including without limitation Transportation Charges and Energy Balancing Charges) associated with such Supply Meter Point, as if an Isolation and Effective Supply Point Withdrawal had not occurred;
 - (ii) shall register such Supply Meter Point in accordance with paragraph 2 or, failing which shall be deemed to be registered at such Supply Point in accordance with paragraph 3.7.7;⁵
 - (iii) shall be liable for all reasonable costs incurred by the relevant Transporter in accordance with Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a service disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected and capable of flowing gas;⁶
- ~~(b)~~ where gas has not been offtaken (but is capable of being offtaken without further action being taken) at such Supply Meter Point during such period then the Relevant Registered User:
 - (i) shall be liable for Capacity Charges and Customer Charges associated with such Supply Meter Point, as if an Isolation and Effective Supply Point Withdrawal had not occurred;⁷
 - (ii) shall register such Supply Point in accordance with paragraph 2 or failing which shall be deemed to be registered at such Supply Point in accordance with paragraph 3.7.7;
 - (iii) shall be liable for all reasonable costs incurred by the relevant Transporter in accordance with Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a service disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected and capable of flowing gas;

Delete paragraph 3.7.6

Renumber paragraph 3.7.7 to 3.7.6

Insert new paragraph 3.7.7 as follows:

3.7.7 Where the Relevant Registered User does not submit an appropriate Supply Point Confirmation in accordance with paragraphs 3.7.5 (b) (ii) and 3.7.5 (c) (ii) above within 1 calendar month of being notified by the Transporter:

- (a) the Relevant Registered User shall be deemed to have granted the Transporter authority to do so effective from the date of such Effective Supply Point Withdrawal; and
- (b) the Transporter shall submit a Supply Point Confirmation effective from the date of such Effective Supply Point Withdrawal using the information on the Supply Point Register in relation to such Supply Point as at the date of the Effective Supply Point Withdrawal, and for the purposes of calculating the Opening Meter Reading the Transporter shall use the Meter Reading taken at the time the Transporter identifies that 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 a System such that gas is capable of being offtaken (without any further action being taken) from the Total System together with the Meter Reading provided by the Relevant Registered User immediately upon the Isolation for the purposes of calculating the relevant Transportation and Energy Balancing Charges;

such that the Effective Supply Point Withdrawal shall be deemed to be void and any obligations associated with such Supply Point shall be applied as if the Effective Supply Withdrawal had never become effective.

Draft Legal Text 0369A

The following draft text has been provided by National Grid Distribution.

Modification 0369A TPD Section G Supply Points

Amend paragraph 3.7.4 as follows:

3.7.4 Where a Supply Meter Point has been Isolated and is Re-established, and an Effective Supply Point Withdrawal has not occurred and the Supply Meter continues to remain physically connected to a System during the period from the date of Isolation to the date of Re-establishment the Transporter identifies that 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 a System such that gas is capable of being offtaken (without any further action being taken) from the Total System then where gas was or is being offtaken from the Total System during such period: (as evidenced by Meter Readings), each Registered User in respect of the period for which it is or was the Registered User shall be liable for:

- (a) all reasonable costs incurred by the relevant Transporter in accordance with the Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System; and
- (b) all charges (including without limitation Transportation Charges and Energy Balancing Charges) associated with such Supply Meter Point as if it had not been so Isolated.⁸

Amend paragraph 3.7.5 as follows:

3.7.5 Without prejudice to the generality of paragraph 3.7.4 w Where a Supply Meter Point has been Isolated and an Effective Supply Point Withdrawal has occurred and the Supply Meter Transporter identifies that the previously connected Supply Meter (with the same serial number and number of dials as provided as part of the Meter Information) is still capable of flowing gas (without any further action being taken) from the Total System ~~continues to remain physically connected to a System then:~~⁹

- (a) the Effective Supply Point Withdrawal shall be deemed to be void as if such Effective Supply Point Withdrawal had never been effective, as set out at 3.7.7 below;¹⁰
- (ab) where gas was or is being offtaken at such Supply Meter Point during such period the Relevant Transporter shall notify the party that was the Registered User at the time of Isolation (the "Relevant Registered User") and such Relevant Registered User;¹¹
- (i) shall be liable for subject to paragraph (d) below, all charges (including without limitation Transportation Charges and Energy Balancing Charges) associated with such Supply Meter Point, as if an Isolation

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and Effective Supply Point Withdrawal had not occurred;

(ii) shall register such Supply Meter Point in accordance with paragraph 2 or, failing which shall be deemed to be registered at such Supply Point in accordance with paragraph 3.7.7:¹²

(iii) shall be liable for all reasonable costs incurred by the relevant Transporter in accordance with Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a service disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected and capable of flowing gas:¹³

~~(b)~~ where gas has not been offtaken (but is capable of being offtaken without further action being taken) at such Supply Meter Point during such period then the Relevant Registered User:

(i) shall be liable for Capacity Charges and Customer Charges associated with such Supply Meter Point, as if an Isolation and Effective Supply Point Withdrawal had not occurred:¹⁴

(ii) shall register such Supply Point in accordance with paragraph 2 or failing which shall be deemed to be registered at such Supply Point in accordance with paragraph 3.7.7:

(iii) shall be liable for all reasonable costs incurred by the relevant Transporter in accordance with Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a service disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected and capable of flowing gas:

(d) the charges set out in (b) (i) above shall not apply where:

(i) the connected Supply Meter is a consumer owned meter (and the Registered User has taken steps to disconnect the consumer owned meter and such Supply Meter cannot be readily removed from the consumer's control); or

(ii) a Transporter has undertaken physical works to disconnect the Supply Meter pursuant to Section G3.6).

Delete paragraph 3.7.6

Renumber paragraph 3.7.7 to 3.7.6

Insert new paragraph 3.7.7 as follows:

3.7.7 Where the Relevant Registered User does not submit an appropriate Supply Point Confirmation in accordance with paragraphs 3.7.5 (b) (ii) and 3.7.5 (c) (ii) above within 1 calendar month of being notified by the Transporter:

(a) the Relevant Registered User shall be deemed to have granted the Transporter authority to do so effective from the date of such Effective Supply Point Withdrawal; and

(b) the Transporter shall submit a Supply Point Confirmation effective from the date of such Effective Supply Point Withdrawal using the information

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on the Supply Point Register in relation to such Supply Point as at the date of the Effective Supply Point Withdrawal, and for the purposes of calculating the Opening Meter Reading the Transporter shall use the Meter Reading taken at the time the Transporter identifies that 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 a System such that gas is capable of being offtaken (without any further action being taken) from the Total System together with the Meter Reading provided by the Relevant Registered User immediately upon the Isolation for the purposes of calculating the relevant Transportation and Energy Balancing Charges;

such that the Effective Supply Point Withdrawal shall be deemed to be void and any obligations associated with such Supply Point shall be applied as if the Effective Supply Withdrawal had never become effective.

Gazprom would like to verify that the legal text is clear that in the event a Shipper / Supplier is unable to remove the meter from site as it is within the control of the consumer the Shipper / Supplier is not liable for any retrospective action and that this applies in cases of meters connected and off-taking and meters which are just connected.

SSE advise that the legal text does deliver the intent of Modification 0369, however there are concerns about the legal text for Modification 0369A.

The intent of Modification 0369A makes it clear that where a consumer owned meter, that has previously been installed, disconnected and subsequently left with the consumer at their premises, is found to have been reinstalled when the transporter conducts a Gas Safety (Installation and Use) Regulation visit, that these circumstances and those where the transporter has effected the disconnection are exceptions and shippers are not to be charged.

The legal text indicates that the exception only applies where gas is or has been off taken (charges specified in para. 3.7.5 (b)(i) not applied through para 3.7.5 (d)). Where the meter is connected but no gas has been off taken, the charges specified in para. 3.7.5 (c)(i) will apply regardless of the circumstances. This does not match the stated solution within Modification 0369A.

9 Consultation Responses

Representations were received from the following parties:

Respondent			
Company/Organisation Name	Support Implementation or not?		Stated Preference
	0369	0369A	
British Gas	Support	Support	0369
EDF Energy	Support	Not in Support	0369
E.ON UK	Qualified Support	Support	0369A
Gazprom	Not in Support	Support	0369A
National Grid Distribution	Support	Qualified Support	0369
Northern Gas Networks	Support	Support	0369
RWE npower	Not in Support	Not in Support	0369A
Scotia Gas Networks	Support	Support	0369
ScottishPower	Support	Not in Support	0369
SSE	Not in Support	Neutral	0369A
Wales & West Utilities	Support	Support	0369

Modification 0369

Of the 11 representations received 7 supported implementation, 1 offered qualified support and 3 were not in support.

Modification 0369A

Of the 11 representations received 6 supported implementation, 1 offered qualified support, 1 indicated neutrality and 3 were not in support.

For those stating a preference, 7 preferred 0369 and 4 preferred 0369A.

Summary of Responses

British Gas is concerned at the growing number of Shipperless sites and that gas is offtaken outside of a normal Shipper or Supplier relationship. In particular that these sites will not be subject to regular meter readings and the metering equipment is also less likely to be subject to a maintenance contract. Furthermore, customers at a shipperless site will not receive any of the safety information Suppliers are obligated to provide, such as the contact details for gas emergencies. They also consider these issues collectively give rise to safety concerns with the existence of shipperless sites.

EDF Energy understands there is a need to identify sites, which consume gas and are currently classed as shipperless, therefore the cost of the gas is smeared across the Small Supply Point market in accordance to their market share. They support the DNOs re-claiming transportation charges where sites have been incorrectly withdrawn

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and in such cases they believe that there is sufficient clarity to deduce the total transportation costs owed by the shipper.

EDF Energy considers that the additional clauses in Modification 0369A are too complex and address exceptions for a small minority of customers which would cause this derivation of the UNC to be unnecessary.

E.ON UK agrees that necessary controls are now required to ensure that where gas is capable of being offtaken there must always be a registered shipper and that where the responsible shipper fails to do so the transporter should put in place the registration on their behalf. This will allow all associated gas and transportation costs to be targeted at the responsible shipper rather than socialised as at present.

E.ON UK and Gazprom recognise the issues being addressed by Modification 0369. However, they consider Modification 0369A is preferable as it allows an exception for customer owned meters. It may seem possible for a shipper/supplier to include within their supply contract a provision whereby the customer will reimburse the supplier for all associated charges where a meter has been disconnected but left on site and is subsequently re-connected. In practice on large I&C premises the disablement may be performed by a simple 'blanking' of the meter inlet which is likely to reduce engineering costs. The supplier would have no reason to visit site following its withdrawal. However, re-establishment of supply may be relatively simple and may take place after change of tenancy and without the Supplier's knowledge or permission.

National Grid Distribution is aware in Modification 0369A that, where a consumer owned Supply Meter is installed or where the Transporter has undertaken physical works to remove the meter, these circumstances have been exempted from the scope as set out within Modification 0369. They appreciate the perspective that the Shipper may not be able to seek recovery from the premises of the disconnected meter, thereby mitigating its potential exposure to risk of the Meter being reconnected. However, they consider the risk to be very low given the small volume of such meters and not warranting the exemption treatment advocated in the modification. Similarly, the Transporter is required to notify the relevant User where it has disconnected the meter as a result of a safety related visit. The User can then determine whether it is necessary to seek removal of the meter from the premises.

Northern Gas Networks considers the costs for Shipperless sites are currently socialised across the User community via the Reconciliation by Difference (RbD) process regardless of where the responsibility for ownership lies and implementation of either of these modifications is likely reduce the number of these sites, which have been highlighted as an industry concern and been subject to ongoing investigations to reduce their number.

Northern Gas Networks disagrees with the exception for Consumer owned meters in Modification 0369A, the number of these is so small that they do not agree it will make a practical difference in the day to day operation of the proposals contained in the modification.

RWE npower does not agree that the benefits of these solutions would merit their development costs. They note that the costs of implementing this change are still unclear, and much will depend on the detailed processes, which are yet to be fully developed. The modifications also present a significant risk to data quality within internal systems and to their ability to invoice back-dated transportation charges due to the ERA code on back-billing.

In addition, RWE npower considers these modifications may also lead to increased costs to the consumer arising from the need to remove and replace meters where necessary.

Scotia Gas Networks agree that both these modifications ensure the correct allocation of costs to the responsible party (as already set out in the UNC) through registration of the relevant sites and as such fully support implementation. However, with regard to Modification 369A and the omission of sites where the Transporter has carried out the work Scotia Gas Networks are not convinced that these should be excluded. Suppliers, in their role of managing the Supplier Hub and holding the metering contract are ultimately accountable for the meter and its removal hence even if the work is carried out by the Transporter the supplier shall ensure that the meter is physically disconnected or that gas is not able to flow and so should still be liable for any costs if gas has been offtaken.

ScottishPower consider that the additional considerations of Modification 0369A and where the meter equipment is owned by the consumer, and do have sympathy where the Supplier is not permitted to physically remove the meter. However, they believe that appropriate measures can be taken through the terms of their contractual agreements that will permit these risks to be mitigated to some extent. In addition the consumer needs to be made fully aware, at the time of termination of the supply that any re-connection without registration of the meter point will be regarded as theft and as such they will be held liable for any gas offtaken.

ScottishPower advise that where a meter remains in situ, the Shipper/Supplier who has requested the Isolation and Withdrawal may chose to undertake additional monitoring at the site in an attempt to assist in the early identification of any change in circumstances. This action would allow appropriate action to be taken to register the meter point and establish a contract at the earliest opportunity.

SSE considers the modifications have unintended consequences. Suppliers are likely to remove all meters from site to reduce risk and all the costs of doing this, along with the cost of a replacement meter (if required by the customer in the future), will be passed through to the customer. There may also be an impact on the metering installation and provision market.

SSE adds that where a supplier leaves a meter on site, the customer may choose another supplier when they wish to restore the supply. If a live meter is identified by the transporter prior to the new supplier registering and updating systems, a complex situation will occur where the customer wishes to do business with one supplier while another is registered to the site. While the legal circumstances will be clear, the customer will not be and the reputation of the energy sector could be eroded further. Customers and suppliers should be able to fit meters legally (by completing

connection and disconnection notifications) without incurring retrospective charges for periods when it was not possible to offtake gas.

Wales & West Utilities considers that Modification 0369A seeks to exclude customer owned meters from the arrangements detailed within Modification 0369. Whilst they appreciate that the Shipper/Supplier may not be able to physically remove a customer owned meter from the customer's property, the proposed arrangements should apply as they put in place the mechanism for the industry to recover the appropriate costs. The Shipper will initially be charged for such costs but then have the ability to reclaim these from the customer. The number of customer owned meters is very small and they do not agree that these scenarios will occur on a frequent basis (if ever). Wales & West Utilities therefore support the Modification 0369A as the majority of the benefits from 0369 will still apply, however, their preference is for Modification 0369.

Additional Issues Identified in Responses

EDF Energy considers that there is no process currently in place to deal with supply points that are registered by transporters on shippers behalf which provides added complexities to Modification 369A.

National Grid Distribution notes that the Proposer of Modification 0369A has excluded certain categories of works from being eligible for the proposed arrangements. In the case of consumer owned Supply Meters, notwithstanding the negligible population of these across the country, they consider that it would be unreasonable and inequitable for Users to receive differing treatment based on meter ownership. Their view is that all Users should be subject to consistent UNC treatment which should provide the mandate and the ability to minimise the likelihood of gas being offtaken without a Registered User. The regime should be structured on the basis of encouraging parties where possible to ensure physical works is a pre-requisite of Isolation and Withdrawal and that this work is carried out appropriately with the meter removed from the premises where possible.

10 Panel Discussions

The Panel Chair summarised that some gas is unallocated as a result of consumption at shipperless sites. It is proposed that where a Shipper has withdrawn from a supply point but it is subsequently discovered that the meter was not disconnected, or has been reconnected, the supply point status will be set back to live retrospectively to the date of the withdrawal notice. The Shipper will then be liable for energy balancing and transportation charges from the date of withdrawal, and will have the vires to recover that amount from the consumer since a deemed supply contract will exist. This will provide an incentive for Shippers to avoid the potential charge by ensuring that gas cannot be consumed at the relevant supply points. While this would apply to all supply points under Modification 0369, the alternative, Modification 0369A, includes an exception where the meter is owned by the consumer. Modification 0369A also excludes supply points where a Transporter has disconnected the meter in response to an urgent cessation of supply (e.g. gas escape) and notified the Shipper accordingly.

Members recognised that reducing the amount of unallocated gas could be expected to lead to more appropriately targeted costs, and that appropriate cost allocations help to facilitate the securing of effective competition. By creating incentives to avoid shipperless sites, implementation could therefore be expected to facilitate the relevant objectives.

However, some Members were concerned that an inappropriate incentive may be created, and that Shippers may effectively be penalised for actions over which they have no control. For example, gas supplies may be reinstated by a consumer despite the Shipper having taken all the appropriate and necessary steps at the time of withdrawal. Implementation may therefore lead to meters being removed from sites where it is neither economic nor efficient for this to happen, preventing re-use in future and creating additional costs for subsequent gas users. As such, implementation would be inconsistent with facilitating effective competition since it could increase consumer costs and could deter some sites from entering the market. Members recognised that Modification 0369A seeks to address this in part by excluding sites where the meter is owned by the consumer.

Members then voted:

With nine votes cast in favour and one against, the Panel determined to recommend implementation of Modification 0369.

With ten votes cast in favour, the Panel unanimously determined to recommend implementation of Modification 0369A.

Six Members voted that implementation of Modification 0369 would better facilitate the Relevant Objectives than implementation of Modification 0369A.

Three Members voted that implementation of Modification 0369A would better facilitate the Relevant Objectives than implementation of Modification 0369.

11 Recommendation

Panel Recommendation

Having considered the 0369(A) Modification Report, the Panel recommends:

- that proposed Modification 0369 should be made;
- that proposed Modification 0369A should be made;
- that proposed Modification 0369 better facilitates the relevant objectives than proposed Modification 0369A.