

## Representation

### Draft Modification Report

#### 0428/0428A - Single Meter Supply Points

**Consultation close out date:** 10 June 2013  
**Respond to:** enquiries@gasgovernance.co.uk  
**Organisation:** British Gas  
**Representative:** Andrew Margan  
**Date of Representation:** 10 June 2013

#### Do you support or oppose implementation?

428 - Support

428A - Not in Support

#### If either 0428 or 0428A were to be implemented, which would be your preference?

Prefer 428

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

British Gas supports Modification 428, because it seeks to allow Transportation costs to be levied to shippers on a like for like basis, leading to cost reflective charges for all users. We believe this is a positive step in promoting competition between shippers or suppliers.

British Gas opposes Modification 428A because it seeks to 'Grandfather rights' aggregated sites non-cost reflective charging advantage. We believe this position demonstrates an undue discriminatory towards non-aggregated sites, and thus it is a negative step towards facilitating competition.

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

No new issues have been identified.

#### Relevant Objectives:

*How would implementation of this modification impact the relevant objectives?*

#### Relevant objectives

British Gas believes a key driver which underpins the implementation of Modification 428 is the EU Third Package. The intention of the directive is for products and services to be cost reflective and non-discriminatory. Under the current Transportation charging rules Transportation capacity charges differentiate between aggregated and non-aggregated sites.

For example a 32mm pipe receives a lower capacity charge if it is aggregated. The advantage of a discounted charge is not available to non-aggregated sites. To comply with the EU Third Package we

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would suggest that the capacity charges should be the same for all users and be cost reflective.

Due to Transporter revenues restrictions, the aggregated sites capacity under recovery is picked up through higher charges for non-aggregated sites. This is in effect a cross-subsidy, from the non-aggregated sector, to the aggregated sector and discriminatory towards the non-aggregated sites.

Modification 428 will force de-aggregation of all Meter Points within a Supply Point. As a result, customer capacity charges will be applied equally by Transporters to users. This will remove the cross-subsidy between non-aggregated and aggregated sites and it will enable the Transporters to meet their obligation (relevant objective (c)) to discharge cost reflective charging. Therefore we believe Modification 428 will meet the relevant objective (d), to better promote competition between shippers and/or suppliers.

On the other hand Modification 428A seeks to protect sites already aggregated from the forced de-aggregation. The proposal argues aggregated sites have taken engineering decision based on the current charging methodology and those sites will be adversely impacted by the implementation of Modification 428. We are not aware of evidence demonstrating that engineering decisions have been made as a result of the current charging methodology.

The analysis provided by National Grid demonstrates that 99.6% of aggregated site engineering decisions were taken more than 5 years ago. This would suggest the majority of aggregated sites have benefited from reduced charging and Modification 428A is not required.

Furthermore British Gas believes Modification 428A does not meet the relevant object (d) to better promote competition, because it continues a charge differential for aggregated users only. Because this is non-cost reflective and undue discrimination we believe it will not better promote competition (relevant objective (d)) between shippers or suppliers.

### **Impacts and Costs:**

*What analysis, development and ongoing costs would you face if this modification were implemented?*

British Gas believes to enable the de-aggregation of Meter Points within a Supply Point a minimum of 4 FTEs will be required for 9 months ahead of the Nexus go-live date.

In additional small system changes will be required, but these costs are not available.

### **Implementation:**

*What lead-time would you wish to see prior to this modification being implemented, and why?*

Due to the required de-aggregation of supply points British Gas would require a minimum of one year to implement this change.

Due to the impact of longer term (3 year) contracts and pricing, British Gas would welcome an early implementation decision.

### **Legal Text:**

*Are you satisfied that the legal text will deliver the intent of the modification?*

We believe the Legal Text reflects the modification.

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

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*

#### **Project Nexus**

We believe a further consideration of this proposal is the impact to Nexus.

Modification 428 seeks a more simple solution of individual Meter and Supply Points. As a result we believe it will be easier and cheaper for Xoserve and shippers to develop and implement this proposal.

Modification 428A seeks a more complex solution and as a result we believe this will have a material impact to Nexus without demonstrating a benefit.

#### **Modification 418 - Review of LDZ Customer Charges**

British Gas would like to sign post that Modification 418 and 428 both have impacts to customer capacity charging. We understand the industry will agree to a single implementation date linked to Nexus.

The impacts of not implementing the proposals at the same time are -

1. IS systems costs increase as a result of developing and implementing two changes
2. Customer pricing and charging are impacted twice
3. Training and processes changes are repeated within short timescales

Should both proposals be implementation on the same date we believe this will lead to an efficient discharge of the UNC code.