



Representation  
Draft Modification Report  
Modification 0425: Re-establishment of Supply Meter Points

Consultation Close out date: **15<sup>th</sup> April 2013**  
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Date of Representation: **15<sup>th</sup> April 2013**

## **Corona Energy response to consultation on UNC Modification 425**

### **Introduction**

1. Corona Energy is strongly opposed to this modification being implemented. It would place unacceptable liabilities on Shippers relating to matters, agents and behaviours beyond their control. It is not conceivable that Shippers or Suppliers would be able to police the behaviour of customers or third parties to the extent required to address this liability. This leaves Shippers and Suppliers with the costly and disruptive option of undertaking works to fully disable a supply. Given this lack of control on the one hand and the incredibly disruptive and costly nature of the required works on the other, Shippers will be totally incapable of mitigating the liabilities proposed by this Mod through any proportionate, reasonable, affordable or desirable means.

### **Shipperless sites**

2. Corona Energy is firmly of the view that there are many and various challenges across industry associated with shipperless and unregistered sites that require attention. Such sites are major contributors to the amount of unallocated gas across gas networks for which Shippers are charged.
3. Central to the task of meeting such challenges is ensuring that the appropriate market participants are given the responsibility of addressing the deficiencies in industry processes, systems and behaviour that lead to shipperless or unregistered sites. Corona Energy acknowledges that a good way of assigning such responsibility can sometimes be amending the UNC so that addressing a given part of the problem becomes part of the contractual responsibilities of specified industry participants.
4. Central to the challenge of shipperless and unregistered sites is the fact that there are people or organisations that are intent on stealing from or defrauding the system in order to obtain gas. There are certain reasonable steps that industry participants should take in order to guard against such theft or fraud. It can be fully correct for the UNC to be modified in order to reflect such reasonable steps that industry participants ought to take.

5. However, if individuals or organisations are intent on offtaking unregistered gas, they may be able to do so despite all reasonable efforts from industry participants having been exhausted. If an industry participant has done everything it reasonably can to prevent the offtaking of such unregistered gas then it must not then be subject to further liability relating to that gas. It would be proper in such circumstances for such gas to be fed into the calculation of unallocated gas that is to be charged to all Shippers.

#### **Modification of the UNC to address shipperless sites**

6. In light of the above considerations it is correct that certain modifications have been proposed to the UNC and that certain of these have been successful.
7. For example, Mod 424 created a liability on Shippers when they failed to take the proper steps to remove or disable a meter at the Effective Supply Point Withdrawal date.
8. Given that a Shipper could be reasonably expected to procure, most probably through its agents, the removal of a meter at the point of Effective Supply Point Withdrawal the provisions of Mod 424 can be justified. There is a clear and visible relationship between the Shipper, the meter, and the presence of the meter facilitating the offtaking of unregistered gas.
9. In light of such visibility the Shipper can meet its responsibilities under Mod 424 by procuring the services of a third party service provider and, if it so chooses, it can pass on any liabilities it faces under the UNC through its contract with that third party. It would, therefore, seem realistic that Shippers can take reasonable steps to fulfil the responsibilities introduced by the Mod and mitigate any liability incurred as a result of the Mod.
10. The limits placed on the liability for Shippers created by Mod 424 are sensible: once the Shipper has removed the meter from a meter point they should no longer incur any liability for gas offtaken at that that site. Removal of the meter represents the extent of the reasonable steps that a Shipper working with its agents should be expected to take. The creation of a contractual liability up to this point is therefore reasonable. Conversely, creating a further contractual liability beyond this point is not reasonable.



11. This modification UNC 425 seeks to create a liability for Shippers even where they have taken the reasonable steps of removing a meter from a site. It does this in the following ways:
  - a. Making the Shipper that was previously registered at a site responsible for funding and conducting investigations at a site when a Transporter discovers that gas is being offtaken at a site.
  - b. Deeming the Shipper to be registered at a site in circumstances where the Shipper's investigation fails to reach a satisfactory conclusion.
  - c. Charging that Shipper back to the Effective Supply Point Withdrawal date for gas offtaken at the Shipperless site.
12. The result of this proposal is that the Shipper will have to take one of two choices at the point of Effective Supply Point Withdrawal. It could firstly take steps to fully disable the supply that will be disruptive and costly to the Shipper and disruptive to the broader Shipper, Transporter and end-user community. Alternatively, it could simply remove the meter and take the risk that a person or organisation begins to offtake gas, subjecting the Shipper to gas charges associated with that site. As explained below both options are highly undesirable.
13. The works that a Supplier would have to take to fully eliminate the liability that would be created by this Modification would be significant. They would lead to the removal of gas services that may be required in some future point in time, leading to a significant increase in the number of "cut-offs" across the market. This would then necessitate costly and time-consuming work to be done to re-establish the supply if it is required in future.
14. The costs arising both from the work itself and the time-delay in re-establishing the supply would ultimately have to be borne by end consumers. As a result, the customer experience with the gas market more broadly will be detrimentally impacted.
15. The alternative for Shippers – if this Mod were to be implemented - is to accept financial exposure to gas costs set out at paragraph 12 c) above. Again, the costs associated with this risk would ultimately be borne by end users.
16. It is important to note that large suppliers with a price inelastic domestic customer base and big balance sheets will be far better placed to deal with costs arising as a result of this Mod. It will therefore disproportionately impact on smaller players and consequently be of significant detriment to competition.

## **Conclusion**

17. While we fully support all reasonable and workable efforts to deal with shipperless sites, for the above reasons we strongly oppose this Modification.

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