

Bob Fletcher
Joint Office of Gas Transporters
31 Homer Road
Solihull
B91 3LT

Chris Warner
Network Code,
Distribution
chris.warner@uk.ngrid.com
Direct tel +44 (0)1926 65 3541

www.nationalgrid.com

15th April 2013

Your Reference:UNC Modification Proposal 0425

UNC Modification Proposal 0425: Re-establishment of Supply Meter Points – Shipperless sites

Dear Bob,

Thank you for your invitation seeking representations with respect to the above Modification Proposal for which National Grid Gas Distribution (NGD) would like to give qualified support. Our qualification is set out in the section 'new or additional issues' below.

Do you support or oppose implementation?

Qualified Support

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

In its decision letter in respect of UNC Modification Proposal 0424 'Re-establishment of Supply Meter Points – prospective measures to address shipperless sites'¹ Ofgem stated "we acknowledge that UNC424 has the potential to limit the application of energy and transportation charges to a shipper following an Effective Supply Point Withdrawal. Under the current arrangements, a shipper may be liable for any energy and transportation charges where a different meter is found to be fitted and capable of flowing gas. The effect of the modification proposal is to align cost liability and cost recovery only for shipperless sites where the same meter is found to be fitted and capable of flowing gas. In the case of a different meter being found, the relevant gas transporter would be required to investigate and seek to recover any charges from the consumer. We would encourage the industry to address different meter arrangements as quickly as possible, so that where appropriate, shippers are responsible for managing these supply points".

As the proposer of Modification 0424, NGD welcomes this further step in the form of UNC Modification Proposal 0425 as an effective measure to provide a complete 'root cause' contractual solution for Shipperless sites.

¹ UNC Modification 0424 - Ofgem decision letter

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

We note that the Modification Proposal features a requirement for the Relevant Registered User to register the previously Withdrawn Supply Point under TPD Sections G3.7.9, G3.7.12 and G3.7.15 and for 'forced' registration by the Transporter under proposed TPD Section G3.7.14. This would apply in the absence of a Confirmation being made by the Relevant Registered User as identified by the Modification Proposal.

While not specifically a UNC matter we note that the proposal identifies (as reflected in the legal text) that "the Supply Point Registration Date shall be deemed to be the later of the date of the Effective Supply Point Withdrawal or the Meter Fix Date if known".

This is illustrated in Scenarios 1 and 3 in Section 9 of the Draft Modification Report under 'Shipper Liabilities'.

In circumstances where the Meter Fix Date is identified, then the User registration would not be rendered 'continuous'. i.e. there would be a 'gap' in registration between the date of Effective Withdrawal by the previous Registered User and the new Supply Point Registration Date.

Continuous registration is an essential pre-requisite for invoking the 'deemed supplier' provisions of Schedule 2B paragraph 8 of the Gas Act 1986 which establish that a deemed supply contract exists where "the owner or occupier of any premises takes a supply of gas which has been conveyed to those premises by a gas transporter in pursuance of arrangements made with the transporter by a gas shipper.....".

Accordingly, in absence of a deemed arrangement, the User registered by the Transporter in circumstances set out in G3.7.14 would have no recourse to 'back off' its financial liability for relevant charges onto the supplier and ultimately the consumer.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

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;

NGD concurs with the opinion set out in the draft Modification Report that this modification identifies 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 other Users via RbD. Such a mechanism should therefore be considered to facilitate competition in the gas market.

Impacts and Costs:

Systems development work would be required to facilitate implementation of this Modification Proposal.

Implementation:

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

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

Legal Text:

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

Notwithstanding this the date being 1 April 2013 and identified in TPD Section G3.7.8 has expired and consequently a new 'effective' date identified. Consequently an amendment to the legal text will be necessary prior to this Modification Proposal being submitted to the Authority.

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

No further matters have been identified.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 653541 (chris.warner@uk.ngrid.com) should you require any further information.

Yours sincerely,

Chris Warner
Network Code Manager, Distribution