

## Representation

### Draft Modification Report

#### **0410 and 0410A: Responsibility for gas off-taken at Unregistered Sites following New Network Connections**

**Consultation close out date:** 07 June 2013  
**Respond to:** enquiries@gasgovernance.co.uk  
**Organisation:** National Grid NTS  
**Representative:** Dave Corby  
**Date of Representation:** 07 June 2013

#### **Do you support or oppose implementation?**

**0410** - Not in Support

**0410A** - Support

#### **If either 0410 or 0410A were to be implemented, which would be your preference?**

Prefer **0410A**

#### **If either 0410 or 0410A or both were to be implemented, which would be your preference?**

Prefer **0410A**

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

We do not support Mod **0410** on two grounds:

1. Firstly we note that National Grid NTS (NG NTS) is the named party for managing the "the Unregistered Site neutrality pot" (business rule 6.3, page 11 of the draft modification report). There is no further detail provided in the Modification as to how this activity will be undertaken and the rationale as to why NG NTS has been chosen for this role. We raised this with the proposer at the 0410 Workgroup and no further justification has been provided.

The Unregistered Sites are connected within other Transporters' Networks and we see no reason to draw similarities to the UNC 'balancing neutrality' mechanism, which keeps NG NTS financially neutral to system balancing gas trading costs. Any costs incurred (from buying additional gas) or revenue generated (by selling excess gas) is split or smeared back to

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shippers. Although we recognise that there are challenges associated with determining who would be best placed to manage the Unregistered Site neutrality pot, we do not believe that NG NTS is the appropriate party to undertake this type of activity on behalf of shippers and the Distribution Network Operators.

2. Secondly, we do not agree with the proposal to allocate the costs for unallocated gas for these Unregistered Sites to transporters as we agree with the statement that "...Transporters do not own title to the energy as it remains within the system for use by the industry" (modification report, page 15). We support the view made by some Workgroup participants that this process potentially breaches licence Standard Special Condition D4 requirements to not procure energy.

We support Mod **0410A** as we believe it provides an incentive on industry participants to avoid the existence of unregistered supply points flowing gas without a supply contract. We consider that Modification **0410A**, while not directly addressing the root cause of the problem, identifies measures which serve to incentivise against the likelihood of unregistered sites occurring and proposed remedies where such instances are identified. This Modification also places responsibilities on industry participants concurrent with their respective licence conditions. The benefit of this approach is that it should promote cost targeting on the individual Users responsible for managing the MPRN registration and mitigate the risks of such costs being shared by all Users.

**Modification Panel Members have indicated that it would be particularly helpful if the following question could be addressed in responses:**

*Q1: Do you believe that both Modifications could be implemented, such that both the 0410 and 0410A requirements are introduced to the UNC?*

No. We do not believe that Mod **0410** can be implemented in to the UNC as it stands. Apart from the potential breach of the Transporter licence described above, we also believe that the concept of an "Unregistered Site neutrality pot" has not been properly considered. The modification seems to imply that the same philosophy as the existing energy balancing neutrality mechanism in Section E will be followed and this cannot be the case. As mentioned earlier there is no detail provided in the Modification as to how this activity will be undertaken and without this information the Modification cannot be implemented.

We believe that Modification **0410A** could be implemented as it works within existing Code features and simply seeks to reinforce compliance with UNC TPD section G.

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

Yes. As stated above, Modification **0410** (and the associated legal text) does not adequately define the concept and rules associated with the "Unregistered Site neutrality pot".

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### Relevant Objectives:

*How would implementation of either of these modifications impact the relevant objectives?*

We believe that Modification **0410** has a negative impact on Relevant Objective (c) "Efficient discharge of the licensee's obligations", as it potentially breaches licence Standard Special Condition D4 requirements to not procure energy.

We do not believe that Modification **0410** has a direct positive impact on Relevant Objective (d) "Securing of effective competition" as it seeks to attribute costs without incentivising resolution of the underlying causes.

We believe that Modification **0410A** has a positive impact on Relevant Objective (d) as it targets costs in such a way as to incentive Users to prevent the existence of supply points flowing gas without a supply contract and being registered.

### Impacts and Costs:

*What analysis, development and ongoing costs would you face if either of these modifications were implemented?*

Mod **0410** has not defined the concept of the Unregistered Site neutrality pot therefore the costs and impacts of implementing the proposal have not been fully identified.

### Implementation:

*What lead-time would you wish to see prior to either of these modifications being implemented, and why?*

Mod **0410**: As we do not consider this Modification implementable we cannot give a view on lead-time.

Mod **0410A**: Impact on Transporter systems has been indicated. Therefore we anticipate an appropriate lead-time to allow for the agency to make the relevant changes.

### Legal Text:

*Are you satisfied that the legal text and the proposed ACS (see [www.gasgovernance.co.uk/proposedACS](http://www.gasgovernance.co.uk/proposedACS)) will deliver the intent of these modifications?*

Mod **0410**: We do not believe that the legal text provided adequately provides for the concept of a "Unregistered Site neutrality pot" as described above and therefore we are not satisfied that the legal text can be used as proposed.

Mod **0410A**: Yes.

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

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

No