

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

7 June 2013

Dear Bob,

Re: UNC Modification Proposal 0410/A - Responsibility for gas off-taken at Unregistered Sites following New Network Connections

Thank you for the opportunity to provide representation of the above noted Modification Proposal. Northern Gas Networks (NGN) does not support Modification Proposal 0410 and supports Modification Proposal 0410A. Please find below NGN's comments in respect of these Modification Proposals.

**NGN does not support Modification Proposal 0410.
NGN supports Modification Proposal 0410A.**

Summary of key reasons:

Modification Proposal 0410

This proposal, if implemented, will make Transporters responsible for visiting all unregistered sites 12 months following the creation of a new Meter Point Reference Number to allocate to a new network connection. This site visit is intended to investigate whether the site is offtaking gas without a valid supply contract but does not fully facilitate rectification of any issues found or allow for more efficient investigations to be utilised to negate the need for a site visit.

NGN oppose the implementation of this proposal.

If implemented this proposal would bear significant costs and complexity to the industry without addressing the root cause of preventing a site from being unregistered and offtaking gas. Likewise it calls on Transporters to inform the shipper when the consumer believes there to be a contracted supplier on an Unregistered Site without looking at the root causes that would cause a site to be unregistered with a supply contract, or enforcing the registration of the site by the shipper thereby potentially exacerbating the unregistered offtake of gas.

NGN believe that the MPRN creation is the wrong trigger for any process attempting to deal with unregistered sites as there are valid reasons why a site may legitimately remain unregistered after the MPRN creation date. An unregistered site only represents a risk to the industry once a meter has been fitted as it is only then that offtaking gas without a supply contract becomes more likely. A service laid in the ground by a competent provider with no meter fitted is incapable of flowing gas and therefore does not pose a risk to the industry, which is why we

believe that any attempt to address unregistered sites should focus on the responsibility for when the meter is fitted rather than the MPRN creation process.

Transporters are already taking proactive measures to reduce the number of instances of unregistered sites, for instance through changes to the Meter Asset Managers Code of Practice (MAMCoP) to ensure that Meter Asset Managers (MAMs) require a supply contract to be in place before a meter is fitted.

A further proposal is being considered over whether to carry out portfolio reconciliations of the meter asset details held by MAMs against records held within the Transporter Agency systems. This will provide information that can strengthen our back-office investigations into unregistered sites so they can be resolved without requiring a costly and time consuming site visit.

We believe that these measures are more appropriate to tackle the root causes of unregistered sites than this Modification Proposal.

Business Rule 3.1 states that a site visit may only be prevented with information provided by a Shipper, disallowing any back-office process from the Transporter to remove the need for a site visit. This would create an inefficient use of resources given that suitable information may be readily available to the Transporter which would be further strengthened should the MAMCoP proposals outlined above and Modification Proposal 0431S - Shipper/Transporter - Meter Point Portfolio Reconciliation be implemented as these would further improve the data stored on Transporter Agency systems.

Furthermore, NGN believes that a significant number of the c.90,000 shipperless and unregistered sites are a result of data quality issues, e.g. duplicated MPRNs, and could be resolved with a thought-through back-office process, strengthened by the MAMCoP proposals outlined above, before costly and time consuming site visits are considered. In some circumstances it is possible to resolve an investigation into an unregistered site wholly through a back-office process and NGN is keen to explore this aspect more before undertaking time consuming and costly site visits.

Although Modification 0410 deals only with unregistered sites following new network connections and not the existing backlog, it is at the point of a new network connection that a MPRN may be created unnecessarily or that later becomes redundant, e.g. a cancelled job. NGN are actively considering our internal end-to-end process to implement improvements in this area.

In considering the consequences of this proposal for Transporters the existing process of allocating batches of MPRNs to legitimate Utility Infrastructure Providers (UIP) will need to be reviewed. Implementation of this proposal could have an adverse impact on UIPs as amendments to the MPRN creation procedures are likely and may include ending the current practice whereby Transporters supply batches of MPRNs for assigning to sites. This would be so we could ensure that each MPRN has an associated shipper and gets registered at the time it is created. Changing from batches to single MPRN creation would involve a significant increase in workload for UIPs and a delay in completion of new connections activities that may

have associated costs combined with a poorer customer experience. Transporters have already undertaken some initial work to consider new processes, which were opposed by UIPs.

The aspect of this Modification that could allocate an unlimited liability on a Transporter for setting a MPRN live at the request of a third party other than a shipper and a shipper then failing to register appropriately would be not consistent with facilitating new connections competition.

Ultimately this proposal will not resolve the issue of unregistered sites following new network connections. In fact it can create a situation where a site is stuck in a loop of continuous annual site visits while forever remaining unregistered. This could be because the property is empty or that it has no meter attached and is not consuming gas. It could also be because a consumer believes they have a supply contract and the supplier, supported by appropriate evidence, but the shipper fails to properly confirm the site, and the issue remains unresolved.

Given that this proposal does not deal with the root cause of MPRN creation and creates inefficient use of network resources, we feel that the risks associated with this proposal far outweigh the perceived benefits.

Modification Proposal 0410A

Modification Proposal 0410A proposes to encourage Users to ensure their Suppliers have a valid supply contract in place before a meter may be installed at a new Supply Meter Point. As we stated above we believe that the meter fit date is the point at which an unregistered site becomes a risk to the industry of offtaking gas without a valid supply contract and therefore we support this proposal in seeking to address the root cause of unregistered gas.

Measures contained within 0410A will ensure that following evidence of a meter being fitted at a premise that the new Supply Meter Point is either registered or disconnected if appropriate.

Unlike 0410, 0410A allows for the use of industry data sources and Transporter intelligence in investigating unregistered sites while still ensuring that a site visit may be undertaken should the circumstances require it. We believe this is a more balanced and appropriate approach for sites that show evidence of a risk of offtaking gas prior to registration.

By focusing on sites where gas is capable of flowing this proposal puts the emphasis on those sites that represent a risk to the industry. In doing so it ensures that any charges are correctly apportioned to the appropriate party and allows Transporters to remain cost neutral to the cost of a site visit where a responsible party is identified. It also avoids the loopholes of 0410 mentioned above that can leave a site being visited annually while never becoming registered.

Because of these points we believe that Modification Proposal 0410A better addresses the issue of new unregistered sites subsequently offtaking gas without a valid supply contract and that it should be implemented in place of 0410.

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

No. Implementation of both proposals could lead to a number of conflicting situations.

If both proposals were implemented then it would be possible for transportation and energy charges to be made under 0410a and an unregistered gas charge equal in value to the cost of gas consumed could be made under 0410 This could lead to one party being charged twice, or for different parties to both be charged for the same period for the same meter point.

It is also possible for a different shipper to be involved in the creation of an MPRN, the fitting of a meter and the subsequent supply contract. If both proposals are implemented it is possible both parties could be charged as a responsible party, while the shipper who fitted the meter is auto-registered after failing to do so themselves or provide suitable evidence that they should not be held responsible.

Finally, implementation of both proposals could lead to Transporters being obliged to visit a site under 0410 when a site may be potentially resolved under 0410A creating inefficiency and additional cost for the industry to bear. Example of two parties incurring equivalent costs:

Timeline:

- 01/01/2013 – MPRN created by shipper X
- 01/06/2013 – Meter fitted
- 01/09/2013 – Supply contract with consumer started without a registration by Shipper Y
- 01/01/2014 – Site visit undertaken by GT as required by 0410 process
- 01/02/2014 – Registration on Shipper Y through 0410A process

0410 – Shipper X pay for cost equal to gas consumed between 09/13 and 01/14 when the confirmation becomes effective as they are the responsible party for generating the MPRN.
0410A – Shipper Y pays for gas consumed and transportation charges between 09/13 and 02/14 due to deemed contract as a result of the 0410A registration process.

It should be noted that the estimation of gas consumed in both cases above relies on evidence of the actual start date and actual consumed. Without this evidence shipper X could be liable for a cost equivalent to gas consumed from 01/13 (Meter point creation date per 0410) and shipper Y from 06/13 (meter fit date per existing UNC rules)

If both are implemented then there will be a dual charge.

It is our belief that the two proposals are therefore incompatible with each other. If, however, both are implemented then this will require further work to be done to ensure the proposals are compatible.

Additional or new issues:

NA

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Condition	Description	0410	0410A
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A11.1(a)	Efficient and economic operation of the pipe-line system		
A11.1(b)	Efficient and economic operation of the combined pipe-line systems		
A11.1(c)	Efficient discharge of the licensee's obligations		
A11.1(d)	<p>Securing effective competition:</p> <ul style="list-style-type: none"> i) Between shippers ii) Between suppliers iii) Between DN and operators and shippers 	As we do not believe that this proposal will resolve the root cause of unregistered sites we do not believe that the measures included within it will secure effective competition.	By mitigating the creation of unregistered sites that are able to offtake gas without a valid supply contract and rectifying registration where it has not been completed appropriately this proposal will prevent the costs of unregistered gas being socialised across the industry, thereby facilitating competition through an accurate allocation of costs.
A11.1(e)	Provision of economic incentives for security of supply to domestic customers		
A11.1(f)	Promote efficiency in the implementation and administration of the UNC		We agree with the proposer that registration of Supply Points is fundamental to the efficient operation of the UNC.

Impact and costs:

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

Modification Proposal 0410 wishes to obligate Transporters to visit every unregistered site within 12 months of the MPRN being created. If implemented this will create a new unfunded activity for Transporters and place additional strain on our workforce without addressing the root cause of the issue or facilitating a registration where a shipper fails to undertake one. Furthermore, the allocation of a charge equivalent to the offtaken gas where registration has not occurred in the appropriate manner being allocated to the creating party would force Transporters to take measures to limit the supply of MPRNs to ensure registration occurred with each one. This could create a significant impact on UIPs, including our own, due to the additional time it would take to process MPRNs on an individual basis.

Although relating to a different issue, in rejecting Modification Proposals 0335/A, the Authority stated that for a cash-flow incentive for GDNs to drive appropriate action, their liability **must** be proportionate and capped and that failure to make any incentive proportionate and capped could have the inappropriate effect.

We believe that the proposals set out 0410 and the responsibilities they would place on Transporters are neither proportionate nor capped.

Modification 0410A, while seeking to utilise existing processes where possible would require new processes for Transporters and their Agency. Transporters do not expect the Agency costs to be material and do not anticipate these being passed to Users through User Pays. Internal processes within NGN would need to be amended to facilitate the proposal.

Implementation:

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

Due to the system changes that would be necessary if either 0410 or 0410A were implemented we would like to see a sufficient implementation lead-time to ensure that the changes are properly implemented with minimum disruption to the affected parties

Legal Text:

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

Yes.

Any further information:

NA

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,



Joanna Ferguson
Network Code Manager