

Representation

Draft Modification Report

0428/0428A - Single Meter Supply Points

Consultation close out date: 10 June 2013
Respond to: enquiries@gasgovernance.co.uk
Organisation: Scotland & Southern Gas Networks
Representative: David Mitchell
Date of Representation: 07 June 2013

Do you support or oppose implementation?

0428 - Support

0428A - Not in Support

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

Prefer 0428

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

SGN supports UNC Modification 0428 as its implementation would facilitate improved cost reflective transportation charging. The removal of multi meter Supply Points and the ability to create new ones would have the effect of directing costs more accurately to the Users who incur them. The current Supply Point aggregation rules came into being before competition in the industry and are therefore not reflective of current practices. SGN believe that all costs should be transparent and that the introduction of this UNC Modification would facilitate this objective. Aggregated multi meter Supply Points currently benefit from a single customer charge while still utilising the same level of emergency cover provided by Distribution Networks in the event of a gas emergency. The other cost elements included within the customer charge such as the Network Rates, Domestic Connections Load Allowance and depreciation on services should also be recovered on a meter point by meter point basis and not skewed by the aggregation of meter points into a multi meter point arrangement. Therefore it can be argued that other customers are subsidising the service that multi meter point Supply Points are receiving.

Introducing the proposed changes outlined in UNC Modification 0428 to coincide with the go live of project Nexus would also remove the need to build a complex system to manage multi-meter Supply Points in relation to the calculation of transportation charges to aggregated sites, such costs are eventually passed onto end users. Implementation of UNC Modification 0428 would lead to increased charges for a small number of customers who currently aggregate

0428/0428A
Representation

07 June 2013

Version 1.0

Page 1 of 3

© 2013 all rights reserved

their meter points into a multi-meter Supply Point, however this increase in charges is only correcting a current non-cost reflective charging arrangement and therefore should be supported.

SGN does not support UNC Modification 0428A as it proposes to permit existing arrangements in place for multi-meter Supply Points to continue, but would prevent any new multi-meter Supply Points from being created. UNC Modification 0428A therefore would not bring any cost savings to project Nexus as the current aggregation arrangements would continue and would need to be built into the new Nexus systems. Also, the cross subsidy of costs by non multi-meter Supply Points would continue for this group of customers. One point of note in UNC Modification 0428A is that it states *“During mains replacement activity any opportunity to rationalise existing installations was taken but the solution did not require the customer to bear the cost. Where changes to the customers own internal pipe work were required these were fully paid for by the distributor. Indeed we believe this is still the policy of the GDNs”* This statement suggests that Distribution Networks are trying remove aggregated by engineering them out of our networks. As far as SGN is concerned the statement in the modification is misleading and is not a practise that we are party too.

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

No

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Mod 0428

We agree with the proposer that MOD 0428 further facilitates relevant objective (c) this would be fulfilled by the efficiencies that would be realised by allowing costs to be allocated on a like for like basis without the need for a complicated charging methodology. Relevant objective (d) would also be realised by the ability to be able to better target transportation costs we feel that relevant objective (d) in particular would facilitate and promote competition.

Mod 0428A

SGN does not agree with the proposer that relevant objective (c) will be met as the issue with non reflective charges that are applied to aggregated sites will continue to exist. We also disagree that relevant objective (d) will be met as this modification will allow customers who have got aggregated supply points to continue to benefit from the reduced charges while new users will be subject to these charges.

Impacts and Costs:

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

Insert Text Here

0428/0428A
Representation

07 June 2013

Version 1.0

Page 2 of 3

© 2013 all rights reserved

Implementation:

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

We agree with the recommendations put forward in both the modifications regarding the implementation lead times.

Legal Text:

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

Yes

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.

No