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Modification Panel Secretary
Joint Office of Gas Transporters
31 Homer Road
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06 June 2011

Dear Bob,

Modification Proposals 0282 & 0282A : Introduction of a Process to Manage Vacant Sites.

Thank you for the opportunity to comment on the above UNC Modification Proposals which propose to introduce a process into the Uniform Network Code to manage vacant sites. Scotland Gas Networks and Southern Gas Networks do not support the implementation of either Modification Proposal and we have provided further comments within the template headings below.

Do you support or oppose implementation?

0282 - Support/Qualified Support/Neutral/**Not in Support**/Comments

0282A - Support/Qualified Support/Neutral/**Not in Support**/Comments

If either 0282 or 0282A were to be implemented, which would be your preference?

Scotland Gas Networks & Southern Gas Networks (SGN) would not offer a preference for either Modification Proposal in this instance as SGN oppose the implementation of both Proposals.

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

SGN's opposition to the implementation of either one of the Modification Proposals is on the basis of (a) safety concerns around the increased number of vacant properties with a live gas supply which stem from specific business rules of both Proposals and (b) the propensity for an increased volume of unidentified gas to result from Supply Points classified as vacant which in reality are fully occupied and capable of consuming gas.

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

SGN have not identified any additional issues.

Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and



relevant shippers;

Both Modification Proposals specify the better facilitation of SSC A11 (d) as the implementation of either Proposal would be expected to ensure the more accurate allocation of costs in terms of LDZ Commodity charges and energy allocation costs. Where Shippers do not have an end user contract in place for a Supply Point and that Supply Point is still incurring charges associated with the level of the Annual Quantity, the Shipper is incurring costs which may lead to an additional risk which is ultimately borne by all end users. However there are arrangements already in place which facilitate the suspension of these charges which are at the discretion of the Shipper to utilise.

Also, where the Annual Quantity of a Supply Point can not be reduced to reflect the actual consumption due to the reasons the proposers stipulate (issues associated with access to vacant sites) the AQ will though however, once meter readings are provided, reflect the previous 12 months lower or null consumption during the period of vacancy. This will allow the registered Shipper to benefit from 12 months worth of lower capacity charges and energy allocation for the subsequent 12 month period.

Also, under Proposal 282 any consumption occurring during the period vacancy would not translate through to reflective commodity charges for the relevant Shipper but would be borne by the community as a whole. This point does not any respect provide for the facilitation of increased competition between Shippers and/or Suppliers.

Impacts and Costs:

The Rough Order of Magnitude provide by xoserve details the provisional cost estimate associated with the implementation of either Proposal. We note that development costs and ongoing operational costs associated with both Proposals are to be funded through the User Pays mechanism and are attributable to Shipper Users at a 100% level.

Implementation:

SGN note the detail included within the Rough Order of Magnitude provide by xoserve in relation to both Modification 282 and 282A and would therefore conclude that due to the significant period of time required to modify the relevant Transporter systems, implementation of either Modification Proposal would be unlikely to occur within a period of 12 months from Authority direction. Further specific detail around the implementation of system changes would require further discussion and agreement from the UK-Link Committee and be in line with documented UK-Link release dates.

Legal and ACS (Agency Charging Statement) Text:

As providers of legal text for both Modification Proposals we are satisfied that the text accurately reflects both the intent and business rules detailed within each Proposal. We have however, recently been made aware of one minor drafting error associated with UNC TPD Section 8.2.2 (b) which refers to a Section "1.2.3". This reference should in fact read "8.2.3". The drafting associated with this required amendment will be submitted to the Joint Office of Gas Transporters as soon as possible and does not, in our opinion, raise any material issue requiring re-consultation or discussion by the relevant UNC Workgroup.

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

Safety concerns: Throughout the development of both Modification Proposals SGN have, in conjunction with other Transporters, highlighted the issue of the potential for an increased number of vacant properties to exist with a live gas supply. The existing arrangements, which require a User to physically isolate a Supply Meter Point in order that energy allocation is suspended, incentivise the



prevention of theft of gas and other activities which may lead to an unsafe situation in a property. The final Isolation and Withdrawal process, which terminates all charges in respect to LDZ Capacity and Customer Charges also ensures that the requirements as detailed in The Gas Safety (installation and use) Regulations 1994 with respect to Supplier obligations to disconnect a gas service pipe 12 months (subsequent to a meter removal) are enacted on behalf of the Supplier by the Transporter. The introduction of a virtual process which would remove the requirement to isolate and withdraw from a Supply Point in favour of submitting a vacant site flag to the Transporter may result in a marked reduction in the number of isolations and service pipe cut offs.

Transporter organisations also have legislative requirements under the Pipeline Safety Regulations to ensure that gas mains no longer required for the Transportation of gas are isolated. Although Transporters carryout service pipe cut offs on behalf of Supplier organisations under GS (I&U) Regulations 1994, the activity also permits Transporters to comply with these additional requirements in parallel.

Existing Arrangements: The proposers of both Modifications specify that the current arrangements, whilst providing for the suspension of charges following physical isolation works at the meter point, are an excessive financial burden upon the Shipper and that such isolation works lead to an excessive reconnection timescales and costs when the gas supply is again required. The current arrangements provide for the suspension of charges associated with energy allocation after the supply point has been isolated. We understand these costs are minimal and would involve the clamping of the meter and end user control valve as opposed to any permanent isolation of the service. Further arrangements following an effective withdrawal from the Supply Point allow all charges to be terminated in relation to the Supply Point. It should be noted that where the Shipper does not physically remove the meter following a Supply Point withdrawal the Transporter will carry out such works after a 12 month period has elapsed in relation to UNC TPD Section G3.8.1 (b). This process allows for a period of time where the property may be re-occupied and gas supply re-instated with minimal works required to allow the flow of gas to re-commence. The works associated with the Gas Safety (Installation and Use) Regulations 1994 will only be instigated by the Transporter once the actual meter has been removed.

We hope you find these comments useful in relation to the compilation of the final modification report in respect of both proposals.

Yours Sincerely.

Joel Martin.

24 hour gas escape number 0800 111 999*
*Calls will be recorded and may be monitored

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