

Supplemental Report

0353 - Population and Maintenance of the Market Sector Code within the Supply Point Register

This Supplemental Report is made pursuant to Rule 9.5.4 of the Modification Rules.

1 Reasons for Inviting Further Consultation

At the June 2011 Modification Panel meeting, Ofgem raised some issues regarding Modification 0353. Panel Members agreed that it would be appropriate for the industry to have an opportunity to comment on these issues prior to Ofgem deciding whether or not the modification should be implemented.

The issues raised by Ofgem are:

"The Gas Supply Licence definition in SLC6 is not exactly mirrored under UNC353. In particular, the UNC353 definition is based on "use" at the premises whereas the gas supply licence definition is influenced by the contractual arrangements. In particular, where a customer changes use from non-domestic to domestic the licence allows for this customer to continue to be treated as a non-domestic customer until the end of their contract. Under the same circumstances, the UNC would require the status to be updated to domestic.

We would welcome views on the consequences of the differences in definition between the UNC and the Gas Supply Licence and whether any of these are material. In particular, it would be useful to understand any potential impact for suppliers/shippers holding two status flags for a customer and what the consequences would be for GDNs if they were not updated based on the use of gas at the premises.

Our second concern relates to the drafting of the legal text. A new definition for domestic premises is proposed to be added to Section C:

***"Domestic Premises"** means Supply Point Premises where the gas is offtaken at the relevant Supply Point wholly or mainly for domestic purposes"*

We note that this definition makes reference to Supply Point Premises which is defined in Section G:

*"For the purposes of the Code this Section G the premises to which gas offtaken from the Total System at a Supply Point is or is to be supplied are the **"Supply Point Premises"**.)"*

We consider that the use of the term "at the relevant Supply Point" in the definition of Domestic Premises is confusing. A paraphrase of the two definitions when read together is that Domestic Premises are premises where gas is offtaken at a Supply Point where gas is offtaken at the relevant Supply Point wholly or mainly for domestic purposes.

In addition to potentially being confusing, one interpretation of this could be that, rather than looking at the use of gas at the premises as a whole, the shipper would have to identify the use of gas at the location of the relevant Supply Point (which could be a single meter point in a mixed use premises).

We would welcome consideration of whether there is a requirement to retain the phrase "at the relevant Supply Point" and if so what the intent of this retention would be."

2 Summary of representations received

Representations were received from the following parties:

Respondent		
Company/Organisation Name	Support Implementation or not?	support/opposition change
British Gas	Supports	No
EDF Energy	Not in Support	Yes
National Grid Distribution	Supports	No
Scottish Power	Qualified Support	No

Of the four representations received two continued to support implementation, one continued to offer qualified support one party altered their position from support to not in support.

British Gas believe that whilst the conflict in definitions may have an impact on Shippers, that impact will be negligible and thus that the benefits associated with the original proposal remain entirely valid and it continues to meet the UNC Relevant Objectives.

British Gas believe the potential impact associated with this issue is that when a customer changes their consumption type from domestic to non-domestic or vice versa, the Shipper associated with the site may lose the ability to offer some future UNC related service to the customer at that site, before they might have been forced to do under Licence. They believe however that fact that the number of customers changing classification in this way is very small and that the fact that any impact will be limited to the period of time remaining on any contract, the overall impact of this issue is very small and within Shipper's ability to manage.

EDF Energy support the intent of the proposal to ensure that the blank MSCs are populated. However, they have concerns with the risks presented by this specific proposal with regards to dual governance. At the time of responding they felt that the risk from dual governance might be an issue in the future as obligations to populate and maintain the MSC would sit within both the Supplier Licence and the UNC going forward. However, as Ofgem has identified, the risks from dual governance are present today with different requirements contained in the Supplier Licence and UNC. This would appear to make the modification un-implementable at this time and consideration should be given to varying or replacing the modification so that there was only an obligation to populate blank MSCs.

EDF also note that the cost of holding two databases, one for Supply Licence requirements and one for UNC requirements, would appear hugely inefficient and costly. A simpler solution would be to raise and implement a modification proposal that did not introduce this dual governance issue.

National Grid Distribution note that there may be a difference in definition between that identified within the UNC and that contained within the Gas Supply Licence. However, their view is that the consequences are immaterial and unlikely to compromise the principal benefits of holding an accurate MSC on the Supply Point Register. National Grid also suggested it would be prudent to remove the phrase "at the relevant Supply Point" to avoid any risk of confusion occurring as set out in Ofgem's explanation.

Scottish Power note Ofgem's concerns that there may be consequences in having a difference in the licence and UNC definition. They comment that this can already happen under current governance; that is, the change is only mandating the population of the MSC - it is not introducing a new field or data item. Scottish Power would have concerns if parties were forced to make system changes to hold a licence, as well as UNC, MSC flag as this may cause confusion, as well as introducing costs which they are unable to quantify at this time and believe was not is the intent of the change.

For and on behalf of the Relevant Gas Transporters:

Tim Davis
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