

Modification proposal:	Independent Gas Transporter Uniform Network Code (iGT UNC): Single Meter Supply Points (iGT055)		
Decision:	The Authority ¹ directs that this proposal be made ²		
Target audience:	Gemserv, Parties to the iGT UNC and other interested parties		
Date of publication:	5 February 2014	Implementation Date:	27 June 2014

Background

On 25 July 2013 the Authority directed the implementation of UNC428³, which prohibited the practice of aggregating two or more meter points into a multi-meter Supply Point (mmSP), creating a rule that would only permit one meter per supply point.

mmSPs were originally created to meet the historic requirements of both the consumer and the former monopoly British Gas plc. For example, the aggregation of meter points may have made it more economically viable to connect the site to the main gas supply. Some mmSPs were also created during the early stage of competition, in order to qualify site as being large enough (in terms of volume band) to switch to an alternative gas Supplier.

The Authority directed the implementation of UNC428 as mmSPs were not being charged on a cost-reflective basis, potentially receiving a cross subsidy from other network users. Whilst we acknowledged that the mmSPs had initially been created in good faith, the Authority did not consider that the historic circumstances could justify an enduring difference in charging between mmSPs and other comparable sites.

The modification proposal

ES Pipelines raised iGT055 in order to bring the iGT UNC into line with the UNC, prohibiting the practice of aggregating meter points into mmSPs and permitting only one meter per supply point. As with UNC428, it is intended that iGT055 would come into full effect in line with the Project Nexus implementation date, which is intended to be 1 October 2015.

Any existing mmSPs would need to be disaggregated by 1 October 2015; a process expected to be managed by the Shipper/Supplier to the relevant supply point. If the Shipper has not disaggregated the affected Supply Points three months prior to 1 October 2015, or does not have a confirmation in place to take effect prior to 1 October 2015, the transporter would have the rights to act on the shipper's behalf in order to effect the disaggregation.

As a transitional measure, it is further proposed that no further mmSPs will be permitted to be created from the iGT055 implementation date.

¹ The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ UNC428: '[Single Meter Supply Points](#)'

iGT UNC Panel⁴ recommendation

The iGT UNC Panel met on 18 December 2013 and unanimously voted in favour of implementing the iGT055 Modification Proposal.

The Panel supported the view of respondents to the initial consultation that it would further facilitate objective (c) , (d) and (f). The Panel also supported the view that the Modification should be implemented in line with the UNC428 Modification which would take effect from 1 April 2014.

The implementation date for iGT055 is anticipated to be implemented on 27 June 2014 to avoid issuing a pre-release version of the code as 1 April 2014 falls between release dates for the iGT UNC.

The Authority's decision

The Authority has considered its statutory duties and functions in reaching its decision. The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 20 December 2013. The Authority has considered and taken into account the responses to Genserv's consultation on the modification proposal which are attached to the FMR⁵. The Authority has concluded that:

1. implementation of iGT055 will better facilitate the achievement of the relevant objectives of the iGT UNC⁶; and
2. directing that iGT055 be made is consistent with the Authority's principal objective and statutory duties⁷.

Reasons for the Authority's decision

We note there was no support among respondents for maintaining the current arrangements for the connection of new Supply Points in the iGT network. All 5 respondents were in favour of prohibiting mmSPs as well as precluding any further additions.

We agree with the iGT UNC panel and also support the view of respondents to the initial consultation that the Modification would further facilitate relevant objectives (c) and (d). We also support the view that the Modification would further facilitate relevant objective (f).

Relevant Objective (c) - the efficient discharge of the licensee's obligations under this licence

All respondents considered that iGT055 will further facilitate Relevant Objective (c). We support this view, as iGT055 will remove the potential, or in some cases existing, cross-subsidy between aggregated and non-aggregated sites. The increased transparency of

⁴ The iGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the iGT UNC Modification Rules

⁵ iGT UNC modification proposals, modification reports and representations can be viewed on the iGT UNC website at <http://www.igt-unc.co.uk/>

⁶ As set out in Standard Condition 9 Gas Transporters Licence, see: <http://epr.ofgem.gov.uk/index.php?pk=folder414978>

⁷ The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

network costs across the iGT networks will also further facilitate competition between gas shippers and suppliers.

Given that the circumstances which initially led to the creation of mmSPs no longer apply, we consider that iGT055 would allow the iGTs to take account of developments in the transportation business in the levying of charges. We also consider that iGT055 would allow for charges which better reflect the GTs costs incurred. This will enable iGTs to better meet their licence obligation to offer cost reflective and consistent charging, as set out in Standard Licence Condition 4A: 'Obligations as regards charging methodology'.

Relevant Objective (d) - the securing of effective competition between relevant shippers and suppliers.

All respondents agreed that iGT055 will further facilitate Relevant Objective (d). We agree with the respondents who suggested that iGT055 would allow iGT transportation costs to be levied to shippers on a like for like basis, removing the current differentiation in charging treatment between aggregated and non-aggregated sites. Accurate cost allocation would benefit effective competition between Gas Shippers to the extent that it would allow the more efficient operators to compete more effectively on price. We therefore consider that iGT055 will further secure effective competition between relevant shippers and suppliers.

Relevant Objective (f) - the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code

Several respondents suggested that the implementation of iGT055 would bring this aspect of the iGT UNC arrangements into line with the UNC, which would both promote consistency and allow for efficiency gains. We agree with this view and consider that while the efficiency gain from aligning procedures may in this case be relatively modest, the implementation of iGT055 would further facilitate Relevant Objective (f).

The iGTs have informed us that there are a total of 7 mmSPs on their networks with no more than 25 individual Meter Points. We therefore do not anticipate that the implementation of iGT055 will cause significant issues to Shippers or Suppliers.

Decision notice

In accordance with Standard Condition 9 of the Gas Transporters Licence, the Authority hereby directs that modification proposal iGT055: '*Single Meter Supply Points*' be made.

Rob Church

Associate Partner, Smarter Markets and Smart Metering

Signed on behalf of the Authority and authorised for that purpose.