



*Bringing choice and  
value to customers*

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Our Ref:  
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28 November 2008

Dear Alison

**Information Provision for SO Incentive Scheme from April 2009: formal information request under paragraph 1 of Standard Special Condition A26 of NGG's gas transporter licence**

On 29 May 2008, the Authority issued a formal information request to NGG to provide a detailed monthly submission of data relating to the utilisation and payments/revenues arising from particular balancing services. We are aware that the level of Unaccounted for Gas (UAG) has been increasing significantly over the last four years and that there is little information regarding the causes of this increase. We are concerned that this is resulting in increased costs to customers. We are also aware that NGG is proposing a new separate incentive on UAG to apply from April 2009.

Pursuant to Standard Special Condition A26 of NGG's gas transporter licence, we require NGG to provide the Authority with a report on the steps that NGG has taken to identify the drivers behind this increase in positive UAG levels by 5pm on 9 January 2009. This report should include:

- ◆ A clear statement from NGG of its best views on the major causes of UAG;
- ◆ Where NGG undertakes actions already with the purpose of limiting UAG a description of these actions together with details of the impact of these actions on the levels of UAG being experienced;
- ◆ Results of any analysis that NGG has commissioned with respect to the underlying causes of the increase in UAG levels in the period from 2001 onwards;
- ◆ Details of any current or future projects currently being considered under the Innovation Funding Incentive, that may benefit the measurement of flow and CV and associated processes;
- ◆ Summary information that may inform understanding of the causes of the increase in UAG. In particular (but not exclusively) in relation to:
  - the standards of metering on the NTS, including the adoption of ISO 5167-2003;
  - maintenance of metering and calorific determination devices (CVDDs) for entry and exit metering;

- the quantification of errors / bias associated with all CVDDs and meters connected to the NTS;
- potential developments for the measurement of flow/ CV (for example bulk temperature measurement, or additional spot temperature measurement to assist in the linepack calculation).

Based on the information provided in the summary, if deemed necessary, Ofgem may request NGG to provide it with more detailed information in timescales to be agreed at the time of the request.

- ◆ An estimation of the expected timescales in which additional actions to limit UAG could be expected to have an effect and an estimate of the potential costs associated with these actions.

The Authority is requesting this information pursuant to paragraph 1 of Standard Special Condition A26 of NGG's gas transporter licence, in order to inform its work in developing the SO incentive scheme. This information will assist the Authority in setting up an appropriate scheme from April 2009 for NTS shrinkage and understanding whether it is appropriate to set a separate scheme with respect to UAG volumes.

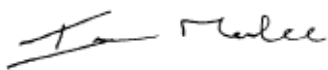
We would expect NGG to publish this report on its website. Should NGG consider that information included in the report is of a confidential nature and should not be published then this should be provided to the Authority as an appendix to the report, including details of why NGG considers that the information is confidential.

The Authority requires that the report be provided to Alessandro Rubino ([alessandro.rubino@ofgem.gov.uk](mailto:alessandro.rubino@ofgem.gov.uk)) and to [soincentive@ofgem.gov.uk](mailto:soincentive@ofgem.gov.uk).

Please note that a failure to comply with this information request may result in the enforcement of the relevant licence condition and the imposition of a financial penalty.<sup>1</sup>

Please contact Alessandro Rubino on 020 7901 7311 if you would like to discuss any aspect of this letter further.

Yours sincerely



**Ian Marlee**  
**Director, Trading Arrangements**

Cc Neil Pullen  
Mark Ripley  
Mark Brackley

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<sup>1</sup> Under section 30A of the Gas Act 1986, where the Authority is satisfied that a licence holder has contravened or is contravening any relevant condition, the Authority may, subject to section 30C, impose on the licence holder a penalty of such amount as is reasonable in all the circumstances of the case.