

0424:

Re-establishment of Supply Meter Points – prospective measures to address shipperless sites



This modification seeks to amend the existing provisions of the Uniform Network Code regarding Re-establishment of Supply Meter Points to ensure Supply Point Registration and recovery of relevant charges is achieved where gas is consumed at a Supply Point which has been subject to Effective Supply Point Withdrawal but the original Supply Meter remains connected (or has been reconnected) and is capable of flowing gas. Similar provisions regarding recovery of charges at Isolated only Supply Points are identified. The modification features other associated measures to mitigate the detrimental effect of 'shipperless sites' on Transporters and the User community.



Panel recommended implementation



Medium Impact: Transporters and Users.

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About this document:

This document is a Final Modification Report, presented to the Panel on 20 December 2012. The Authority will consider the Panel's Recommendation and decide whether or not this change should be made.



3 **Any questions?**

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1 Summary

Is this a Self-Governance Modification

The Modification Panel determined that this is not a self-governance modification.

Why Change?

Whilst clear in respect of User Transportation and energy charge liability, the current provisions of the UNC do not clarify the User registration status at a Supply Point which has been subject to Effective Supply Point Withdrawal but which remains capable of flowing gas.

Accordingly, whilst in such cases the User (Shipper) is liable for Transportation and energy charges, the Supplier is unable to recover its costs from consumer given that the lack of a registration in the Transporters Supply Point Register (SPR) means that there is no Deemed Supply Contract in place.

This potentially results in costs, which are smeared to the remainder of the industry.

Solution

It is proposed that the UNC be modified to clarify that the User's registration remains in place from the date of Effective Supply Point Withdrawal where the Transporter (or another party) identifies that the same Supply Meter is installed at the premises and is capable of flowing gas. The terms proposed specify how the Supply Point Registration is re-generated in the SPR.

The presence of a registration in the SPR will ensure that a Deemed Supply Contract is in place and thus enable the User to recover its costs through its supplier arrangements. This will result in the appropriate targeting of Transportation, energy and supply costs.

Measures are also identified to ensure appropriate recovery of relevant charges at Isolated only Supply Points.

Impacts & Costs

Implementation of the proposed terms would enable Users to recover the costs (to which they are exposed pursuant to the prevailing terms of the UNC) through their supply arrangements. This would also reduce the population of 'shipperless sites', which has been highlighted as an industry concern in light of the risk of socialised costs being otherwise applied to the User community.

The proposed method of achieving re-registration is an existing process operated by both Users and Transporters (including the capability for the Transporter to register on the User's behalf). Notwithstanding this, it is expected that systems, process and administration costs are likely to be incurred by Transporters.

Implementation

Consideration will need to be given to identifying an optimum timetable for implementation. Consequently an implementation date is not identified at this point.

The proposed changes would have a prospective effect only and would not apply to any 'backlog' of shipperless sites, which currently exists.



Supply Point Isolation and Withdrawal

UNC TPD Section G3 sets out comprehensive terms which set out the conditions under which Users are able to remove themselves from being Registered to a Supply Point or to limit their transportation charge liability.

The Case for Change

Where practically achievable, consumers should use gas pursuant to supply arrangements. The Gas Act Schedule 2B defines the circumstances where such supply arrangements are deemed to exist; however the current UNC terms prevent such arrangements being deemed to exist in the case of shipperless sites.

Given that Users already have the charging liability under the prevailing terms of the UNC, National Grid Distribution believe it would be of benefit to the industry as a whole to enable deemed supply arrangements to exist by clarifying the SPR registration status in respect of the relevant shipperless sites. According to statistics provided by the Transporters' agent, Xoserve, shipperless sites are an increasing population, which increases the risk of socialised costs.

2 Why Change?

Industry Concerns

Statistics presented at the Transporter agent (Xoserve) administered 'Shipperless and Unregistered Sites Working Group' illustrate an increasing number of Supply Points which have been subject to an Effective Supply Point Withdrawal but remain capable of flowing gas. This is typically identified as a consequence of the Transporter conducting a service disconnection under the Gas Safety (Installation and Use) Regulations 1998 on behalf of the Supplier. Under these circumstances the Transporter is unable to expedite the disconnection, which constitutes an inefficient use of its resources.

If appropriate action is not taken to address the situation there is a clear risk that the costs of any gas consumed at shipperless sites will continue to be inappropriately targeted and will alternatively be smeared to the remainder of the industry.

Origin and Summary of the Current Provisions

Network Code Modification 0675, implemented in July 2004, created the current framework to enable a Registered User to cease its registration at a Supply Point and was part of a suite of proposals designed to better facilitate the outcome of the Review of Gas Metering Arrangements (RGMA) programme. In broad terms, cessation of Supply Point ownership requires the User to submit a Supply Point Withdrawal (an expression to the Transporter that it intends to end its registration) and undertake physical works, which would have the effect of enabling an Isolation.

Under current arrangements the work required to 'cease the flow of gas' need not incorporate the removal or disconnection of the Supply Meter; for example this work may be restricted in scope to the clamping of the Emergency Control Valve.

The UNC provisions covering Re-establishment (TPD G3.7) incorporate terms that where a Supply Meter Point is Isolated (but not Withdrawn):

- if a Transporter becomes aware that gas is capable of being offtaken, it shall notify the Registered User; and
- if a User becomes aware that gas is capable of being offtaken, it shall inform the Transporter who shall Re-establish the Supply Meter Point.

The 'Re-establishment' terms also dictate that where an Effective Supply Point Withdrawal occurs (i.e. a Supply Meter Point Isolation is accompanied by a Supply Point Withdrawal submitted by the Registered User), the Supply Meter remains connected and gas is subsequently offtaken, the Registered User at the time of Isolation shall be liable for all charges as if an Isolation or Effective Supply Point Withdrawal had not occurred (TPD G3.7.5). There has been some industry discussion as to the correct interpretation of these provisions and specifically whether the term 'the Supply Meter' refers to any meter, which may be found to be connected, or whether it must be the same meter as existed at the point of Isolation. While some Workgroup participants consider this refers to the same meter, they acknowledge that ambiguity exists and National Grid has provided legal text to clarify the situation.

Despite User liability for charging, the current terms do not specifically require the User to re-register the Supply Point or permit the Transporter to re-register the Supply Point on the User's behalf.

User Recovery of Costs (TPD G3.7.5)



Shipperless and unregistered sites

Shipperless Site

A Supply Meter Point within the Supply Point Register that has no current registered User, but previously had one Unregistered Site

A Supply Meter Point within the Supply Point Register that has never been registered by a User

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In the case of a Withdrawn Supply Point, where the User does not elect to re-register the Supply Point, this would appear to create a risk to that User given that it is not able to recover from the consumer its costs in respect of the Transportation and energy charges it incurs under the UNC G3.7.5 terms. This is because in absence of a registration in the SPR there is no Deemed Supply Contract as per the provision of the Gas Act (Schedule 2B) para 8(2). In absence of such an arrangement there is no basis upon which a Supplier is able to recover supply charges.

Socialised Risks and Costs

On behalf of Transporters, Xoserve currently employs considerable resources to identify those Supply Points that have been subject to an Effective Supply Point Withdrawal and are nonetheless flowing gas (or are able to do so). In many cases this is identified by the Transporter where it undertakes a service disconnection under the Gas Safety (Installation and Use) Regulations 1998 (GSIU) on behalf of Supplier.

In circumstances where gas continues to be offtaken at a Supply Point, which is Isolated and Withdrawn, the Transportation commodity and energy cost exposure is borne by Users having Smaller Supply Points (SSPs) through the Reconciliation by Difference (RbD) mechanism. It is anticipated that an element of the energy cost would also be apportioned to Users having Larger Supply Points (LSPs) by the appointed industry expert (AUGE) under the Modification 0229 regime.

In its decision letter (dated 5 July 2004) in respect of Network Code Modification 0675 'Isolations - Changes required in accordance with the Review of Gas Metering Arrangements (RGMA)' Ofgem stated:

"Whilst it appears entirely pragmatic for meters to remain in place, where gas is no longer required for a short time, Ofgem is keen to ensure that meters do not remain connected and left in premises inappropriately, or for a long period of time, simply to avoid the costs of disconnection and removal. This could have implications for the transportation of gas and safety more generally.

Ofgem welcomes the assurance that Transco will conduct a site visit to ensure that safety aspects are maintained though it is likely that this work will focus upon the service pipe and not recovery of the meter. However Ofgem considers it likely that efficient competitive meter providers will have terms and conditions within their contracts to ensure that the supplier is charged for the meter, regardless of whether gas is actually flowing. This places an economic incentive on suppliers to have the meter removed when they are no longer in use as this would relieve them of the meter provision charges.

This is compounded by Transco's "cut off" charges as these could exceed the charge for disconnection and removal of the meter depending on the size of the meter. Ofgem will review this area as the competitive market develops, and to the extent required, may consider alternative remedies."

Some Workgroup participants consider that the UNC provisions should be rendered more robust in respect of the Isolation and Withdrawal regime and in particular the incorporation of measures which discourage offtake of gas in the absence of a User Registration (a so called 'shipperless site').

Collective responsibility

Shipperless sites where gas is being offtaken or is capable of being offtaken can arise under two circumstances:

- The User procuring a Supply Point Isolation and Withdrawal has not correctly undertaken the necessary physical works or has provided erroneous data
- The consumer has reconnected the meter or removed the device preventing the flowing of gas.

Some Workgroup participants agree that Transporters have an overarching responsibility for 'unregistered' Supply Points. These 'greenfield' sites frequently have no supply contract in place and in these circumstances, and that a GT has Licence obligations to investigate any offtake of gas and undertake reasonable endeavours to recover the cost of gas from the consumer where no Supplier is present. However in the case of shipperless sites, the view is that in certain cases a Deemed Supply Contract applies.

The purpose of this modification is threefold:

- To facilitate arrangements for ensuring that, with respect to a Supply Point where an Effective Supply Point Withdrawal has taken place, a User Registration is in place at a relevant Supply Point in circumstances where the Supply Meter is found to be connected to the Transporter's system and capable of flowing gas i.e. that the Supply Meter is not 'disabled' by an appropriate device (typically those identified within the Meter Asset Managers Code of Practice (MaMCoP)).
- To ensure that, in all circumstances where the same Supply Meter is found to be connected to the Transporter's system and capable of flowing gas, the Registered User or Previous Registered User is responsible for relevant Transportation and Energy Balancing charges during the period of Isolation or Effective Supply Point Withdrawal
- To ensure that Transporters are able to recover the costs from Users of so called 'abortive' visits. These occur where the Transporter is unable to cut off the service pipe in accordance with the Gas Safety (Installation and Use) Regulations 1998 (GSIU) for reason that the Supply Meter remains connected to the Transporters network and is capable of flowing gas.

3 Solution

Proposed UNC Changes

It is proposed that the current TPD G3.7.5 terms are extended such that the UNC reflects that where the Transporter identifies that gas is being consumed at a Supply Point which has no Registered User as a consequence of an Effective Supply Point Withdrawal, and the relevant Supply Meter which was installed at the point of Isolation has been re-enabled such that gas can flow (either through reconnection of the Meter or removal of any relevant disabling device), the 'Relevant Registered User' is required (upon receipt of an appropriate notice from the Transporter) to re-register the Supply Point in accordance with Section G2 of the Transportation Principal Document.

It will be noted that the provisions of TPD of G3.7.4 and G3.7.5 currently apply only if the User at the point of Isolation (G3.7.4) or Effective Supply Point Withdrawal chose to leave the Supply Meter connected to the Transporters network. A scenario may occur whereby the User chose to disconnect the Supply Meter from the Transporters network but elected not to remove the Supply Meter from the property. In circumstances where the same Supply Meter is subsequently found to have been reconnected and gas offtaken or capable of being offtaken, it is proposed that the Registered User (in the case of G3.7.4) or the previous Registered User (in the case of G3.7.5) should be liable for relevant charges including those associated with Transportation and Energy as set out in G3.7.4 and G3.7.5.

In the case of a Withdrawn Supply Point, in the event that the Relevant Registered User does not submit an appropriate Supply Point Confirmation within one calendar month of the appropriate notice from the Transporter, the Transporter would register the Supply Point on behalf of the Relevant Registered User using the data attributes pertinent to the relevant Supply Point as at the point of Effective Supply Point Withdrawal. This would include utilising the Meter Reading taken at the time of identification of the Supply Meter being connected to the Transporter's network and capable of offtaking gas for the purposes of calculating an Opening Meter Reading. The relevant Meter Information would be reapplied to the Supply Point Register for the day following the date notified to the Transporter indicating original removal of the relevant Supply Meter and the closing Meter Reading provided at the point of Isolation would constitute the Meter Reading utilised for the purposes of calculating the relevant Transportation and Energy Balancing charges. For the avoidance of doubt, the relevant User would be treated as the Registered User from the date of the original Effective Supply Point Withdrawal.

Finally, where the relevant Transporter undertakes a visit to the consumers property for the purposes of undertaking a service disconnection under the Gas Safety (Installation and Use) Regulations 1998 (GSIU), on behalf of Supplier and the Supply Meter remains connected to the Transporters network and is capable of flowing gas, given its inability to disconnect the service, the Transporter will levy a charge to the User registered to or previously registered to the Supply Point. Such charge will reflect the costs so incurred from the so called 'abortive' visit.

Supply Contract

In the event of implementation, the position in respect of the Supply Contract would be clear in that the circumstances would meet the requirements of the Gas Act (Schedule 2B) paragraph 8. Accordingly, in absence of an express arrangement, a Supply Contract will be deemed to be in place between the Supplier and the consumer.

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) 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.	Impacted
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	Impacted
g) compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	None

Standard Special Condition A11.1 (d) Securing of effective competition;

This modification identifies measures, which serve to mitigate the likelihood of shipperless sites occurring. The impact of this is to promote cost targeting on individual Users and mitigate the risks of such costs being otherwise shared to the Users having Smaller Supply Points (and potentially Larger Supply Points via the AUGÉ mechanism). Such a mechanism must therefore be considered to facilitate competition in the gas market.

Some parties were concerned that charging for sites where the consumer has reconnected their own meter, or where the Transporter has instigated physical works to remove a meter eg due to demolition, puts an inappropriate onus on to a shipper organisation when they have undertaken their obligations under UNC. However, others felt that shippers can recover their costs through deemed contracts.

Both Corona Energy and Gazprom were concerned that if implemented, this modification places significant risk on the Shipper, over which it has no effective control, it will result in unwarranted costs being placed on Shippers reducing the accuracy of cost targeting and so be detrimental to this relevant objective.

ScottishPower support the view that the Shipper is in the best position to investigate the site to ascertain the circumstances of where gas has or will be taken from the system. They consider that costs associated with the site should be assigned to the last responsible Shipper, with a view to them addressing their cost exposure with the consumer. The consequence of this approach will mean that the costs for all these sites will no longer be smeared to the collective SSP market sector through RbD allocation and ensure accurate allocation of costs to those responsible for them.

SSE was concerned that sites may be allocated unfairly to shippers, who are unable to control the actions of consumers (customers or new tenants) and un-associated suppliers in respect of disconnected consumer owned or other meters left on site. This could distort competition between shippers and suppliers.

Standard Special Condition A11.1 (f) Promotion of efficiency in the implementation and administration of the network code;

The measures identified within this modification are likely to bring about an eventual reduction in the number of shipperless sites by reducing the number of new instances. User Registration of Supply Points capable of flowing gas is fundamental to the efficient operation of the UNC.

Both Corona Energy and Gazprom consider implementation would be detrimental to this objective because it places obligations into the UNC, which should be in the MAMCoP.

ScottishPower considers Shippers will have increased awareness and understanding of their responsibilities under the UNC and the potential liabilities where a Supply Point Isolation or Effective Supply Point Withdrawal has been undertaken and the Supplier has chosen to leave the Supply Meter connected. It will allow the Transporter to auto-register the Supply Point where it is identified that the same meter remains installed and is capable of flowing gas. This will therefore reduce instances of Shipperless sites going forward, furthering this Relevant Objective.

5 Impacts and Costs



Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification

0565 Transco Proposal for Revision of Network Code Standards of Service at the

following location:

<http://www.gasgovernance.co.uk/sites/default/files/0565.zip>

Consideration of Wider Industry Impacts

None identified.

Costs

Indicative industry costs – User Pays	
Classification of the modification as User Pays or not and justification for classification	
This modification is not classified as User Pays.	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
The costs associated with implementation of the proposal are estimated in the range of: Development costs - £120 - £300k Ongoing costs £20 - £90K these costs will not be passed on to shippers in the form of a User Pays charge	
Proposed charge(s) for application of Users Pays charges to Shippers	
Not applicable	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
Not applicable	

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> Changes to Transporters systems will be required
Operational Processes	<ul style="list-style-type: none"> Minor changes will be required to the existing process
User Pays implications	<ul style="list-style-type: none"> No impact has been identified

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> Changes are likely to be necessary, as Users may need to react to unsolicited notifications from the Transporter.
Development, capital and operating costs	<ul style="list-style-type: none"> No impact has been identified

Impact on Users	
Contractual risks	<ul style="list-style-type: none"> • Users may need to recover costs from consumers where the supply contract has previously been terminated. • User risks increase should Transporters delay visiting sites once the 12 months period following meter removal has expired.
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> • No impact has been identified

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> • No impact has been identified
Development, capital and operating costs	<ul style="list-style-type: none"> • Low level implementation costs would be incurred by Transporters as a consequence of implementing this modification
Recovery of costs	<ul style="list-style-type: none"> • No exceptional method of cost recovery is envisaged
Price regulation	<ul style="list-style-type: none"> • No impact has been identified
Contractual risks	<ul style="list-style-type: none"> • No significant risks have been identified
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> • No significant impact has been identified
Standards of service	<ul style="list-style-type: none"> • No impact has been identified

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> • No impact has been identified
UNC Committees	<ul style="list-style-type: none"> • No impact has been identified
General administration	<ul style="list-style-type: none"> • No impact has been identified

Impact on Code	
Code section	Potential impact
TPD Section G3	<ul style="list-style-type: none"> • See legal text

Impact on UNC Related Documents and Other Referenced Documents

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none"> No impact has been identified
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	<ul style="list-style-type: none"> No impact has been identified
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none"> No impact has been identified
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none"> No impact has been identified
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> No impact has been identified
Network Code Validation Rules (TPD V12)	<ul style="list-style-type: none"> No impact has been identified
ECQ Methodology (TPD V12)	<ul style="list-style-type: none"> No impact has been identified
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> No impact has been identified
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> No impact has been identified
Uniform Network Code Standards of Service (Various)	<ul style="list-style-type: none"> No impact has been identified

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	<ul style="list-style-type: none"> No impact has been identified
Gas Transporter Licence	<ul style="list-style-type: none"> No impact has been identified

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none"> No impact has been identified
Operation of the Total System	<ul style="list-style-type: none"> No impact has been identified
Industry fragmentation	<ul style="list-style-type: none"> No impact has been identified
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none"> Consumers may not be able to identify the relevant supplier until they start using gas and are identified as such by the Transporter.

6 Implementation

Systems changes are likely to be necessary to facilitate implementation of this modification. As part of its development, consideration will need to be given to identifying an optimum timetable for implementation. Consequently an implementation date is not identified at this point.

The Workgroup understood that this modification will be effective on a prospective basis only. Its terms apply with respect to any Supply Meter Point, which has been Isolated or any Supply Point where the Isolation has become effective through Withdrawal no earlier than the implementation date. For the avoidance of doubt no charges identified within this modification would be retrospectively applied to any User in respect of any period prior to the implementation date nor would any re-registration of the Relevant User in respect of a previously Withdrawn Supply Point be required in respect of any period prior to the implementation date.

Both Corona Energy and Gazprom consider that if this modification were to be implemented, then a significant lead time would be required to allow suppliers to align their processes and incorporate suitable risk premiums into their prices.

National Grid Distribution advises that systems development work would be required to facilitate implementation of this modification and anticipate a 6 - 9 months lead time would be required to deliver components of the solution. Notwithstanding this it is possible to implement the proposed arrangements ahead of the systematised elements and so they recommend an early implementation.

RWE npower considers 6-12 months lead-time is required to embed any required process changes.

SSE considers that this modification could be implemented with 15 months notice so that supply contracts can be amended at contract renewal (I & C) to reduce the risk to the business and pass the risk to consumers.

7 The Case for Change

Nothing in addition to that identified above.

8 Legal Text

Text

National Grid has prepared the following Text.

TPD Section G - Supply Points

Amend paragraph 3.7.4 as follows:

3.7.4 Where a Supply Meter Point has been Isolated after 1 April 2013, and is Re-established, and an Effective Supply Point Withdrawal has not occurred and the Supply Meter continues to remain physically connected to a System during the period from the date of Isolation to the date of Re-establishment and the Transporter identifies that the previously connected Supply Meter (with the same serial number and number of dials as provided as part of the Meter Information) is physically connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System, then where gas was or is being offtaken from the Total System during such period, (as evidenced by Meter Readings), the Registered User shall be liable for:

- (a) all reasonable costs incurred by the relevant Transporter in accordance with the Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System; and
- (b) all charges (including without limitation Transportation Charges and Energy Balancing Charges) associated with such Supply Meter Point as if it had not been so Isolated and:
 - (i) in respect of Energy Balancing Charges for which the Registered User is liable pursuant to paragraph 3.7.4 (b) in respect of Larger Supply Points, a reconciliation will be carried out in accordance with Section E6 and applied to the aggregate reconciliation process in accordance with Section E7.2; and
 - (ii) in respect of Energy Balancing Charges and any relevant Transportation Charges for which the Registered User is liable pursuant to paragraph 3.7.4 (b) in respect of Smaller Supply Points, the Aggregate LDZ AQ shall be adjusted in accordance with Section E7.7.

Amend paragraph 3.7.5 as follows:

3.7.5 ~~Without prejudice to the generality of paragraph 3.7.4~~ Where a Supply Meter Point has been Isolated after 1 April 2013 and an Effective Supply Point Withdrawal has occurred and the ~~Supply Meter~~ Transporter identifies that the previously connected Supply Meter (with the same serial number and number of dials as provided as part of the Meter

¹ This Section sets out the circumstances where in the case of an Isolated only Supply Meter Point (SMP) the Transporter will seek to apply commodity and energy charges retrospectively where it finds that the meter (which will not include any meter which is owned by a Consumer where metering equipment cannot be readily removed from a Consumer's site) is connected to the network and not disabled in any way. Because the SMP is not Withdrawn the Shipper remains registered and given that it has continued to pay Capacity charges, there is no need to seek to recover these. The existing UNC Provisions only allow Transporters to recover commodity and energy charges where the meter has never been physically disconnected (although it will be noted that there is some ambiguity in the interpretation of these terms). This section extends this principle to include situations where the meter was disconnected. It is anticipated that instances where the meter is found to be connected and gas is capable of being offtaken (without any further action being taken) from the Total System are likely to be discovered by the Transporter as a consequence of a GSI&U visit (which the Transporter discharges on behalf of the Supplier). Therefore the purpose of paragraph (a) above is to enable the Transporter to recover its costs where it is unable to undertake GSI&U disconnection.

Information) is still capable of flowing gas (without any further action being taken) from the Total System continues to remain physically connected to a System then:²

- (a) the Effective Supply Point Withdrawal shall be deemed to be void as if such Effective Supply Point Withdrawal had never been effective, as set out at 3.7.7 below;³
- (ab) where gas was or is being offtaken at such Supply Meter Point during such period the Relevant Transporter shall notify the party that was the Registered User at the time of Isolation (the “Relevant Registered User”) and such Relevant Registered User;⁴
- (i) shall be liable for all charges (including without limitation Transportation Charges and Energy Balancing Charges) associated with such Supply Meter Point, as if an Isolation and Effective Supply Point Withdrawal had not occurred;
- (ii) shall register such Supply Meter Point in accordance with paragraph 2 as soon as reasonably practicable and in any event within 1 calendar month after the notification in (b) above and the Supply Point Registration Date for such registration shall be deemed to be the date of the Effective Supply Point Withdrawal;⁵
- (iii) shall be liable for all reasonable costs incurred by the relevant Transporter in accordance with Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a service disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected and capable of flowing gas;⁶
- (c) where the Registered User is liable for any charges in accordance with (b)(i) above:
- (i) in respect of Energy Balancing Charges for Larger Supply Points, a reconciliation will be carried out in accordance with Section E6 and applied to the aggregate reconciliation process in accordance with Section E7.2; and
- (ii) in respect of Energy Balancing Charges and any relevant Transportation Charges for Smaller Supply Points, the Aggregate LDZ AQ shall be adjusted in accordance with Section E7.7.
- (bd) where gas has not been offtaken (but is capable of being offtaken without further action being taken) at such Supply Meter Point during such period then the Relevant Registered User:
- (i) shall be liable for Capacity Charges and Customer Charges associated with such Supply Meter Point, as if an Isolation and Effective Supply Point Withdrawal had not occurred;⁷
- (ii) shall register such Supply Meter Point in accordance with paragraph 2 as

² This section sets out how SMPs which have been Isolated and Withdrawn should be treated from a perspective of Transporters ability to recover all charges (including Capacity) from the previous registered Shipper. This is given that Isolation and Withdrawal leads to de-registration of the Shipper and leaves the relevant Supply Point shipperless. The scope of this ability is where the same meter is subsequently found to be connected and capable of flowing gas (i.e. has not been disabled in any way).

³ The purpose of this paragraph is to establish that where the Transporter identifies the above scenario that it will seek that the previous Shipper re-registers the Supply Point (see below) and then for the purposes of UNC the previous registration never ceased i.e. in Code terms the Registration is continuous and an Isolation and Withdrawal never happened. Note: any Shipper registration processed through the UK-Link system can only be prospective – it is not possible to ‘retrospectively’ confirm a Supply Point to a date in the past. Notwithstanding this from a contractual perspective the Supply Point will be deemed to be registered from the effective Withdrawal date. The Transporters agent Xoserve will introduce processes to administer this.

⁴ This paragraph covers scenarios where gas has flowed.

⁵ Paragraph 2 of Section G sets out the Supply Point registration process (Confirmation, etc)

⁶ It is anticipated that instances where the meter is found to be connected and capable of flowing gas are likely to be discovered by the Transporter as a consequence of a GSI&U visit (which the Transporter discharges on behalf of the Supplier). Therefore the purpose of this paragraph is to enable the Transporter to recover its costs where it is unable to undertake the GSI&U disconnection.

⁷ This paragraph covers scenarios where gas has not flowed (but where the meter is connected and not disabled), in this case only Capacity and Customer charges are due.

soon as reasonably practicable and in any event within 1 calendar month after the notification in (b) above and the Supply Point Registration Date for such registration shall be deemed to be the date of the Effective Supply Point Withdrawal;

- (iii) shall be liable for all reasonable costs incurred by the relevant Transporter in accordance with Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a service disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected and capable of flowing gas;

Delete paragraph 3.7.6

Renumber paragraph 3.7.7 to 3.7.6

Insert new paragraph 3.7.7 as follows:

3.7.7 Where the Relevant Registered User does not submit an appropriate Supply Point Confirmation in accordance with paragraphs 3.7.5 (b) (ii) and 3.7.5 (d) (ii) above within 1 calendar month of being notified by the Transporter:

- (a) the Relevant Registered User shall be deemed to have granted the Transporter authority to register such Supply Meter Point using the information on the Supply Point Register in relation to such Supply Point as at the date of the Effective Supply Point Withdrawal; and
- (i) the Supply Point Registration Date shall be deemed to be the date of the Effective Supply Point Withdrawal;
- (ii) for the purposes of calculating the Opening Meter Reading the Transporter shall use the Meter Reading taken at the time the Transporter identifies that the previously connected Supply Meter (with the same serial number and number of dials as provided as part of the Meter Information) is physically connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System together with the Meter Reading provided by the Relevant Registered User immediately upon the Isolation for the purposes of calculating the relevant Transportation and Energy Balancing Charges;

such that the Effective Supply Point Withdrawal shall be deemed to be void and any obligations associated with such Supply Point shall be applied as if the Effective Supply Withdrawal had never become effective.

9 Consultation Responses

Representations were received from the following parties:

Company/Organisation Name	Support Implementation or not?
British Gas	Supports
Corona Energy	Not in support
Gazprom	Not in support
National Grid Distribution	Supports
National Grid NTS	Comments
RWE npower	Supports
Scotia Gas Networks	Supports
ScottishPower	Supports
SSE	Not in support
Wales & West Utilities	Supports

Of the 10 representations received 6 supported implementation, 1 provided comments and 3 were not in support.

Summary Comments

British Gas considers that Modification 0424 remedies code for the situation where following an effective Supply Point Withdrawal the same meter capable of flowing gas is found in situ. This modification clarifies the action for the withdrawing Shipper to register the site and it enables the Transporter to register them on their behalf.

Whilst Shippers have responsibilities to resolve Shipperless site, this modification will significantly reduce the value of new Shipperless cases. This is beneficial as it will, over time, reduce socialised costs to Shippers and it will mean industry charges are applied to the correct party.

Corona Energy considers that this modification makes the incorrect assumption that suppliers are able to regulate the activities of Meter Asset Managers (MAMs) through bilateral contracts. This is not the case, which is why Ofgem led the development of the Meter Asset Manager Code of Practice (MAMCoP) to regulate the activities of all MAMs, in particular in areas of safety such as this. As suppliers do not have a dominant contractual position to control MAM activity, they will be exposed to significant costs, which they will be unable to influence.

National Grid Distribution has sought to address Ofgem's comments made in their Modification 0369/0369A decision letter (dated 22nd March 2012) when drafting Modification 0424. In this respect they highlight that the modifications are broadly similar - in particular, only those shipperless sites identified post the modification's implementation date would fall under its scope.

National Grid Distribution also clarify the intent of the drafting of the current UNC TPD Sections G3.7.4/3.75, which Modification 0424 seeks to amend. National Grid Distribution note that, in it's 0369 decision letter, Ofgem appears to have interpreted these sections as applying to the same or a different Supply Meter.

While stating they are neutral with regard to whether or not the modification should be implemented, National Grid NTS state that they oppose Modification 0424 on the grounds that the proposed cost apportionment states that the costs to will be borne by all Transporters. Throughout the assessment of this modification no benefits to, or impacts on, National Grid Transmission have been identified. They fail to see any justification for the proposed costs apportionment and do not agree that any costs should be attributed to National Grid NTS.

National Grid NTS agree that it is appropriate that the relevant transporter should seek to recover the cost of visiting "shipperless" sites and the gas consumed from the most appropriate shipper. However they also consider that the modification legitimises the shipper/supplier actions (or non-action) which generates "shipperless" sites and as such inadvertently perpetuates (and to an extent legitimises) a recognised inefficiency of the current regime, which they consider is contrary to the Relevant Objectives of securing effective competition between Shippers and between Suppliers and the efficient operation of the relevant transporter's system.

RWE npower considers that there may be scenarios beyond the influence of the Shipper - specifically where customer owned meters are installed. These meters may need to remain on site following isolation (as they are not an industry asset). There is a risk that this meter could be reconnected at site without knowledge or consent of the previously registered Shipper.

Scotia Gas Networks understand the reasons behind this modification applying to prospective isolated/withdrawn sites only, although they would also be supportive of the principles of registration to the previous User being applied to the current backlog of shipperless sites where the same meter has been found.

ScottishPower considers Shipperless sites have been a major concern to the industry and despite proactive engagement to revise current procedures and working practices, which would support the resolution of these sites, the number of Shipperless sites has continued to increase. It cannot be assumed that gas is being offtaken at these sites. However, evidence confirms that, on occasion, gas is being consumed, either through the reconnection of a meter or by an illegal connection and, in some cases, consumers may even be paying a Supplier.

ScottishPower agree that where it is identified that the meter installed at the time when the Supply Point Withdrawal took place remains connected and is capable of flowing gas, the previous registered Shipper should be responsible for the Supply Point from the original date of withdrawal and for any gas offtaken at the site. They concur that the Shipper and the related Supplier are in the best position to investigate the circumstances relating to the offtake or potential offtake of gas at this site.

SSE considers a consequence of this modification is that suppliers are likely to remove all meters from site to reduce risk. All the costs of this action, along with the cost of a replacement meter (if required by the customer in the future) will be passed through to the customer. Customers wish to retain their supply (on a short term basis for a number of reasons) without incurring any charges. This will then have a consequential impact on the metering installation and provision market.

SSE continue that where a supplier leaves a meter on site (perhaps because the meter is very costly to remove or the removal process would destroy the meter), the customer may choose and should be able to choose another supplier when they wish to restore the supply. Under this modification, if a live meter is identified by the transporter prior to the new supplier registering and updating systems, a complex situation will occur where the customer wishes to do business with one supplier while another is registered to the site. While the legal circumstances will be clear, the customer will not be and the reputation of the energy sector could be eroded further. Customers and suppliers should be able to fit meters legally (by completing connection and disconnection notifications) without incurring retrospective charges for periods when it was not possible to offtake gas.

SSE is concerned that following implementation of this modification, if a consumer reconnects a meter that is on site they will invoke a deemed relationship with a supplier. However if the consumer tries to identify the supplier associated with the site before taking this action, the transporter will indicate that no such relationship exists in line with the supply point register.

SSE note that once a meter is disconnected and the supply point withdrawn, suppliers have no rights to attend site to see if a meter that may have been left on site has been reconnected. So suppliers are unable to mitigate the risk of a meter being reconnected. The supplier must wait until the transporter visits the site to learn of the situation. This could disincentivise transporters in making these visits promptly and within a year as required, as a meter reconnected by a consumer deliberately without a supplier will no longer be theft in conveyance and there will be no financial consequence to the transporter. Additionally it is not clear whether other (supply) obligations are retrospectively applied, when the deemed relationship is re-established

retrospectively, for example meter inspections. The retrospection is based on the premise that the meter has been in situ continuously.

SSE considers that this modification is not an elegant solution and should be refined to ensure it specifically targets the problem area identified and only that area. No customers should have specific charges applied to remove or destroy assets because other consumers act illegally. Live gas pipes without meters should all be monitored by transporters who have the legal powers to do so.

10 Panel Discussions

The Panel Chair summarised that this modification seeks to change the UNC obligations where it is established that gas is being offtaken at an unregistered (shipperless) site, and that the meter involved is that which was in place when the site was last registered. The modification proposes that the previously registered Shipper be made responsible for the site and for the gas offtaken while the site has been Shipperless.

Members recognised that accurate allocation of costs between parties provides a fundamental underpinning that facilitates the development of effective competition, with parties facing the costs for which they are responsible. In this context, the modification proposes changing the allocation of costs since the previously registered Shipper would become responsible for costs as if the site had never become Shipperless. Some members felt that this would be expected to increase the accuracy of costs allocations. This reflects the fact that Shippers would have an incentive to ensure arrangements are in place to avoid the situation arising where gas is being offtaken at a shipperless site using the previously live meter. It was also noted that registration would create a deemed supply contract such that costs could be recovered from the party using the gas, such that costs could be appropriately passed to the consumer in question. However, other Members were concerned that the proposed arrangements would increase the risk faced by Shippers, and that this risk is largely beyond their control. An increase in risk premiums could therefore be expected, with additional costs being seen in the market. As Shippers do not control metering arrangements, they are not the party best able to manage this risk and so the cost of the risk premium would be expected to be higher than if the risk were to be targeted on the parties best positioned to manage that risk. Introducing such costs into the market was seen as being contrary to facilitating the securing of effective competition.

Members noted that a potential impact of implementing the modification is that more meters will be removed from sites. This could make reconnection and subsequent offtake of gas at a site more difficult and discourage these sites being connected. Discouraging the offtake of gas could be seen as being detrimental to the development of effective competition both because it would be more difficult for end users to access the market and because the scale of the gas market as a whole could be marginally reduced.

Some Members felt that it is inappropriate and inefficient to use the UNC as a vehicle to seek to change behaviours in the metering market, and that any such change should be targeted directly at the parties involved – such as through the Meter Asset Manager Code of Practice. As such, implementation of the modification could be regarded as inconsistent with the efficient implementation and administration of the UNC, because it is targeting an area that lies outside the UNC itself through placing incentives on UNC parties to influence the metering market. Other Members saw the existence of shipperless sites as undermining the efficient implementation of the UNC and felt that any measures to reduce this population would therefore be consistent with facilitating the relevant objective of promotion of efficiency in the implementation and administration of the Code.

Members then voted and with seven votes in favour of recommending implementation, determined to recommend implementation of Modification 0424.

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11 Recommendation

Panel Recommendation

Having considered the 0424 Modification Report, the Panel recommends:

- that proposed Modification 0424 should be made.