

**UNC Workgroup 0778R Minutes
Gas Vacant Sites Process review
Thursday 23 September 2021
via Microsoft Teams**

Attendees

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|-------------------------------|-------|---------------|
| Loraine O'Shaughnessy (Chair) | (LOS) | Joint Office |
| Helen Cuin (Secretary) | (HCu) | Joint Office |
| Andy Clasper | (AC) | Cadent |
| Antonia Scott | (AS) | Shell Energy |
| Clare Manning | (CM) | E.ON |
| David Addison | (DA) | Xoserve |
| David Mitchell | (DM) | SGN |
| Deborah Watson | (DW) | Gazprom |
| Eleanor Tuck | (ET) | Ecotricity |
| Guv Dosanjh | (GD) | Cadent |
| Heather Ward | (HWa) | Energy Assets |
| James Barlow | (JB) | Xoserve |
| Jonathan Matthews | (JM) | Crown Gas |
| Lee Greenwood | (LG) | British Gas |
| Louise Hellyer | (LH) | Total |
| Oorlagh Chapman | (OC) | Centrica |
| Richard Pomroy | (RP) | WWU |
| Sophie Cropper | (SC) | Gazprom |
| Stacy Helps | (SH) | SSE |
| Tracy Saunders | (TS) | NGN |

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0778/230921>

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 August 2022.

1.0 Outline of Modification

Loraine O'Shaughnessy (LOS) welcomed delegates to the first Workgroup meeting, introducing Oorlagh Chapman (OC) and Lee Greenwood (LG) and invited them to provide an overview of the Request.

LG explained that the purpose of the request is to review the vehicle for the treatment of Long-Term Vacant Sites. LG highlighted that at present there is not a process for managing Vacant Sites within the gas industry, unless a supplier/shipper is taking on a new site which has been previously vacant.

LOS provided an overview of the Panel Questions the Workgroup had been asked to consider and highlighted a previous Modification for Vacant Sites, Modification 0282/0282A - Introduction of a process to manage Vacant Sites, which was rejected by Ofgem for a number of reasons (<https://www.gasgovernance.co.uk/0282>). LOS provided a brief summary of the concerns raised by Ofgem when rejecting the Modification.

LOS explained that the UNC Modification Panel had anticipated the Request Workgroup requiring 12 months to review the process and consider the need for a Modification. LOS

clarified that the 0778R Workgroup could report earlier noting Panel's request for quarterly progress updates.

LG wished to open up discussions with the industry on how to manage Vacant Sites. He was open to views on how the process could work. LOS suggested the Workgroup would need to consider what the process would be and the mechanisms.

The Workgroup briefly diverted discussions to review the draft Terms of Reference (ToR). Please refer to Section 2.3.

Following consideration of the Workgroup's ToR David Addison (DA) was asked to provide a view from the CDSP on processes currently available in the UNC which may be utilised for a Vacant Site process.

DA provided an overview of the Isolation and Withdrawal steps, and the ability to avoid Capacity and Transportation charges upon a Withdrawal. In order to reduce Transportation charges, Shippers would need to isolate, to avoid Capacity and Transportation charges Shippers would need to isolate and withdraw.

DA was not aware of the associated costs Shippers would incur for physical isolations and recognised a Shipper may prefer avoiding a physical isolation if a site is likely to be re-occupied after a short period due to the costs of re-installing a meter. He understood the process being considered would be Shippers wanting the ability to flag a site as Vacant without physically curtailing gas at the site through a physical isolation.

DA went on to explain that the trigger which allows a sites AQ to be recalculated is the provision of a meter read. DA explained that an AQ automatically rolls forward without the provision of a meter read.

Louise Hellyer (LH) explained that Shippers can be advised of a Vacant Site by the customer if a site is to be 'moth balled', i.e., it's a registered site but not using gas. The Workgroup considered what the definition of a Vacant Site would be, how a site is considered vacant, and the criteria.

The Workgroup considered various instances a site could become vacant and the potential for re-occupancy, recognising some sites may have been closed due to Covid19. DA suggested as there was a process for managing sites during the pandemic that the Workgroup should avoid incorporating sites that were flagged as isolated as these are covered by a separate process.

The Workgroup considered the various instances a site could become vacant, the potential for re-occupancy and when a site could be deemed vacant. LH suggested this is done on a case-by-case basis which could be either the customer communicating the intent to vacate a site or when over an agreed period a meter reader has not been able to access the site and reports the site appearing to be unoccupied on a continual basis.

Jonathan Matthews (JM) suggested that establishing if a site is vacant will be based on intelligence gathering from communications and the assessment of the information.

LOS asked about the occurrence of Vacant Sites, and if these had increased over time or become more prevalent with Covid19 site closures. Antonia Scott (AS) confirmed more sites have become vacant from businesses failing due to Covid, some of these sites may remain closed whereas some may re-open.

DA noted that there will be two different elements to consider. These will be forced closures due to Covid, where customers are returning to premises and the site should be able to be accessed to obtain meter readings and sites closed and customers not returning therefore remaining vacant.

The Workgroup briefly considered if the process would need to consider the reason for a site being vacant. DA was mindful that although a site may appear vacant where there is a landlord renting premises this premise may be re-occupied by an alternative party, he also

highlighted the need to consider a change of ownership, when a closed site is taken over by a new owner.

Clare Manning (CM) wished to note that some offices may not become reoccupied with the move to remote working.

DA suggested that the Workgroup need to consider what the process and system would look like, taking into account the interim solutions implemented as part of the Covid Modifications, whereby sites were flagged as isolated without a physical isolation.

DA suggested that once there is assurance that a site is vacant and not likely to be occupied, the process could allow a site to be flagged as vacant and Shippers would notify of any changes once occupied.

DA also wished to note that at the moment current processes would not allow the AQ to be amended to account that a site is not consuming gas, as the trigger to allow the AQ to be reduced is a meter reading indicating a change in consumption. As Vacant Sites cannot be accessed to obtain a meter reading, there would not be a trigger to amend the AQ. DA clarified in order to reduce the AQ the system effectively needs two readings, and a period apart, these can be nil incrementing readings. If reads cannot be obtained the AQ will simply roll over. The Workgroup noted this would need to be a consideration for a Vacant Site process.

Stacy Helps (SH) wished to note that with an AQ continuing to rollover, that the allocation for this site will be wrong if the site is not consuming gas. DA explained the Commodity and Capacity charging mechanisms, confirming that once reads are obtained the Commodity will be reconciled, however the Capacity charges would remain. The Workgroup also briefly considered the potential for balancing charges.

DA explained there is no current process available to adjust charges. The remedy to enable a revision to the AQ is not permissible nor is there an explicit process within the UNC which could be utilised that would allow an AQ correction.

LOS referred to Modification 0282 and reiterated some of the reasons Ofgem had rejected the Modification.

LG referred to the Electricity P196 process, which has a set of rules which allows a site to be flagged as 'no access' when there has been a failed attempt to take two consecutive reads. When this occurs the P196 process can be utilised. If a site is considered to be vacant, it can remain within the P196 process when a 'Vacant Site check code' is consistently recorded each time the site is visited. LG explained if the check code changes to a different status (other than the Vacant Site check code) the site comes back out of the process.

JM explained the role of the Performance Assurance Board (PAB) and the assurance monitoring of the electricity market process.

The Workgroup considered if the electricity process could be replicated in the gas industry, and if this would address some of the elements Ofgem had concerns with under Modification 0282.

The Workgroup considered the possible desktop exercises and safety implications. LOS suggested the Workgroup should consider in more detail the electricity process.

DA enquired what the consequences would be for failed audits and if British Gas can provide confirmation of the subsequent actions where a site fails any validation/auditing checks.

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| New Action 0901: British Gas (LG) to provide an overview of the (P196) electricity process. |
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| New Action 0902: British Gas (LG) to provide an overview of the consequences of a failed audit (i.e. what happens to a site that is discovered as occupied). |
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LOS asked if CDSP could also provide some scenarios that would allow a site to be classified as Vacant, to help better understand the processes available.

New Action 0903: CDSP (DA) to provide an overview of the current provisions within UNC and how the AQ process would treat a site getting reads and not getting reads.

LG noted one reason Ofgem identified in their decision on Modification 0282, was around the 2-year meter inspections. He compared this to the electricity market where site visits are still undertaken to try and obtain read. He emphasised that there needs to be a demonstration that a site remains Vacant to continue to validate the Vacant Site flag. The process requires attempts to still try and get a read but allows the AQ to be adjusted.

For reference: *Ofgem decision 04 February 2016 to remove requirement to inspect meters at least once every 2 years...." Suppliers should satisfy themselves that their approach complies with health and safety legislation, which may include adopting a risk based approach"* <https://www.ofgem.gov.uk/publications/decision-reforming-suppliers-meter-inspection-obligations>.

SH highlighted Ofgem's concerns under 0282 around the safety risks with gas when sites are set as unoccupied and forgotten about with the removal of the 2-year safety inspections, it was also questioned how a site would be accessed to isolate. DA suggested that after a period, potentially 2-years the site could be isolated by the Transporters (not at the meter) which would need the site to be re-instated once re-occupied.

Antonia Scott (AS) explained Shell have been looking at Vacant Sites with outstanding debt, and the use of access warrants to enable the meter to be removed, to allow sites to be isolated to remove risks and cost avoidance. LOS asked about the criteria for removing meters for such sites with a warrant and more details on the process. AS explained the process for removing meters with a warrant for Vacant Sites and customers accruing large amounts of debt where a site is not vacant.

DA wished to note that a property may appear to be vacant could be owned by a landlord. If a party is paying a standing charge, it is likely there is a contact to enable a visit to the site.

The Workgroup considered the safety elements of a site. SH suggested as with the electricity model there still needs to be attempts to read the meter on site to provide assurance the site remains vacant to overcome the concerns raised under 0282.

The Workgroup agreed to consider the potential role of the Performance Assurance Committee (PAC). LOS suggested she could seek a view from PAC on potential PAC reports and monitoring.

New Action 0904: Joint Office (LOS) to seek a view from the Performance Assurance Committee (PAC) on the role for assurance monitoring for Vacant Sites.

Referring back to the discussions around Suppliers satisfying themselves that their approach not to inspect meters at least once every 2 years complies with health and safety legislation, DA suggested a description should be provided to the Workgroup of how this is managed.

New Action 0905: British Gas (LG) to provide a description on how Shippers/Suppliers satisfy themselves that their approach not to inspect meters at least once every 2 years complies with health and safety legislation.

LOS asked if Shippers have an understanding on whether Vacant Sites have increased from data, they have available.

Heather Ward (HWa) explained that sites can be vacant for only a few months. However, there would be some benefits to having a meter removed, there are also some consumer benefits for the industry for having a process that considers the treatment of Vacant Sites.

DA suggested there may be a counter view that these sites will be contributing to allowed revenue, along with potential release of capacity, and that the Workgroup would need to consider the treatment of capacity and commodity.

New Action 0906: British Gas (LG) to consider the impacts of a Vacant Site Process including the aims and treatment of capacity and commodity charges.

LOS also suggested the Workgroup are provided with a view on the energy balancing impacts and any implications.

New Action 0907: CDSP (DA) to provide a view on the impact of having Vacant Sites on energy balancing.

Richard Pomroy (RP) suggested the Workgroup would also need to consider the Gas Safety Regulations (GSR) cut-off process.

The Workgroup considered the next meeting dates and the opportunity to consider this on the same or different day to the Distribution Workgroup. Tracy Saunders (TS) noted a pre-modification on AQ corrections had been discussed at the Distribution Workgroup and the potential need to consider related topics/modifications on the same day. It was suggested the 0778R Workgroup could be held on the same day as Distribution Workgroup time permitting with a view that this would need to be carefully monitored to ensure there is sufficient time for discussions.

It was agreed to hold the next 0778R Workgroup meeting at 2pm following Distribution in October with a view of finding an alternative day if necessary.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

See item 2.3 and the published Terms of Reference.

2.2. Initial Representations

None received.

2.3. Terms of Reference

LOS introduced the draft Workgroup Terms of Reference (ToR) providing an overview of the Request's scope, the topics for discussion, and the Panel questions.

LOS confirmed that the ToR embedded within the Request would be replaced and published separately at <http://www.gasgovernance.co.uk/0778>.

LOS also advised that Panel had envisaged Workgroup meetings being held separately and not incorporated into the Distribution Workgroup.

DA suggested tightening the scope to be specific that the Request only applies to Vacant Sites and in the context of a Vacant Site process. It was suggested that the Request should be updated to provide this clarity.

LG advised that Centrica/British Gas had no finalised ideas of how this process could work and was open to views from the industry.

3.0 Next Steps

LOS confirmed the next meeting would focus on reviewing information provided in response to the actions taken.

4.0 Any Other Business

None.

5.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

The Workgroup considered holding the next Workgroup meeting following the Distribution Workgroup on 28 October 2021, with a view of considering alternative meeting dates if appropriate.

Post Meeting Note: 10am Wednesday 03 November 2021 can be offered as an alternative meeting date to the 28 October 2021.

Workgroup meetings will take place as follows:

| Time / Date | Paper Publication Deadline | Venue | Programme |
|--|--|------------------------|--|
| 14:00 Thursday 28 October 2021 (following DWG) | 5pm Wednesday 20 October 2021 | Microsoft Teams | <ul style="list-style-type: none"> Amended Request Review of the P196 Electricity Process Review of current provisions Performance Assurance Impacts of Charging Mechanisms |
| <i>Alternative Date</i> 10:00 Wednesday 03 November 2021 | | <i>Microsoft Teams</i> | <ul style="list-style-type: none"> <i>See above Topics</i> |
| November 2021 TBC | | Microsoft Teams | TBC |
| December 2021 TBC | | Microsoft Teams | TBC |

Action Table (as at 23 September 2021)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|-------------|--------------|------------|--|------------------|----------------|
| 0901 | 23/09/21 | 1.0 | British Gas (LG) to provide an overview of the (P196) electricity process. | British Gas (LG) | Pending |
| 0902 | 23/09/21 | 1.0 | British Gas (LG) to provide an overview of the consequences of a failed audit. (i.e. what happens to a site that is discovered as occupied). | British Gas (LG) | Pending |
| 0903 | 23/09/21 | 1.0 | CDSP (DA) to provide an overview of the current provisions within UNC and how the AQ process would treat a site getting reads and not getting reads. | CDSP (DA) | Pending |

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| 0904 | 23/09/21 | 1.0 | Joint Office (LOS) to seek a view from the Performance Assurance Committee (PAC) on the role for assurance monitoring for Vacant Sites. | Joint Office (LOS) | Pending |
| 0905 | 23/09/21 | 1.0 | British Gas (LG) to provide a description on how Shippers/Suppliers satisfy themselves that their approach not to inspect meters at least once every 2 years complies with health and safety legislation. | British Gas (LG) | Pending |
| 0906 | 23/09/21 | 1.0 | British Gas (LG) to consider the impacts of a Vacant Site Process including the aims and treatment of capacity and commodity charges. | British Gas (LG) | Pending |
| 0907 | 23/09/21 | 1.0 | CDSP (DA) to provide a view on the impact of having Vacant Sites on energy balancing. | CDSP (DA) | Pending |