

Modification proposal:	<b>Uniform Network Code (UNC) 0172: Transporter Obligations Pertaining to Void and Vacant Sites (UNC0172)</b>		
Decision:	The Authority <sup>1</sup> has decided to reject this proposal		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	17 April 2008	Implementation Date:	Not applicable

## Background to the modification proposal

For the purposes of the Uniform Network Code (UNC) a gas shipper can remain the Registered User of a meter point on a vacant or void site where the supply to that site has been isolated (i.e. the site is unable to offtake gas from the system). The fact that the meter point has been isolated will be recorded as such in the Sites and Meters database. Under isolated status the meter is not removed from the site but it is non-functioning. Until the User withdraws from that Meter Point Reference Number (MPRN), i.e. ceases to be the Registered User, Transportation charges will continue to be levied.

There have been a number of cases where a property containing an isolated meter point has been demolished. Under the Building Act 1984 the party carrying out the demolition is obliged to inform the relevant Transporter, so that the Transporter can make safe the gas supply to the property prior to demolition.

However, the proposer of this modification contends that Users are not being informed when a property is to be demolished or has been demolished. This means that Transportation and/or metering charges could continue to be levied as a result of their failure to complete the transfer of the requisite information to the User.

## The modification proposal

After discussions with Transporters it was established that although a notice of demolition of a site for which a shipper remains the Registered User may have been received by the Transporter, the demolition itself may not occur until significantly later or not at all. The proposer believes that as the Transporter is in receipt of these notices it would be reasonable to expect the Transporter to inform the Registered User of the disconnection of supply to the property prior to demolition rather than on receipt of the demolition notice. Therefore the modification proposal aims to make it an obligation under the UNC for Transporters to inform Users of the disconnection of gas supply. The proposer also believes that the notification of disconnection should be sent out within 10 working days of disconnection prior to demolition being carried out.

The proposer considers that modification proposal UNC0172 better facilitates the relevant objective<sup>2</sup> of securing effective competition between relevant shippers. The proposer argues that competition would be facilitated by the fact that accurate market data would

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

<sup>2</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=6547](http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547)

be transferred to the relevant user in an appropriate timescale and shippers would be able to validate transportation and other charges more effectively.

### **UNC Panel<sup>3</sup> recommendation**

At the Modification Panel meeting held on 21 February 2008, of the 10 Voting Members present, capable of casting 10 votes, 7 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

### **The Authority's decision**

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 11 March 2008. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR<sup>4</sup>.

The Authority has concluded that implementation of the modification proposal will not better facilitate the achievement of the relevant objectives of the UNC<sup>5</sup>.

### **Reasons for the Authority's decision**

Whilst noting the majority support for the implementation of this proposal from both the UNC panel and the respondents to the Joint Office consultation, it is not apparent that this proposal addresses an actual defect in the UNC or otherwise further facilitates its relevant objectives. The FMR contained very little justification for the proposal against the relevant objectives, stating simply that it would provide better cost allocation as a result of action to withdraw additional MPRNs, which would support competition. In their initial proposal and subsequent response, the proposer also considered that improved cost allocation would further facilitate relevant objective a) by ensuring that sites which no longer exist cease to incur charges.

As noted, we do not consider that the proposal would further facilitate any of the relevant objectives, though we set out our rationale against each of those which we consider to be pertinent below:

Relevant Objective a) *the efficient and economic operation of the pipeline system to which this licence relates*

As noted, the proposer considers that this proposal would improve the allocation of costs, by ensuring that transportation charges cease to be levied on sites which no longer exist due to demolition. Although we have some sympathy with this intention, and agree that shippers should not be exposed to transportation charges in these circumstances, we do have some concerns both with the way these situations occur in the first place and how this proposal seeks to remedy it.

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<sup>3</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

<sup>4</sup> UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.com](http://www.gasgovernance.com)

<sup>5</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=6547](http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547)

Network Code modification 675<sup>6</sup>, which was approved by the Authority on 5 July 2004 as part of the Review of Gas Metering Arrangements Project, changed the nature of isolating a meter point from being a description of physical works to merely a contractual status under the then Network Code. Traditionally, the meter would have been disconnected as part of an 'isolation and withdrawal'. The intent of modification 675 was to allow shippers to avoid elements of the Transportation charges where there is no longer a consumer in place, but without necessitating a full 'effective withdrawal' from the site, which would require further physical works and associated costs. This would also allow the service to be restored to an incoming consumer to that site relatively quickly and cheaply (and not coincidentally, with a Registered shipper already in place). In accepting modification 675 we noted that whilst it appeared pragmatic for meters to remain in place where gas is no longer required for a short time, we were 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.

We acknowledge that the earlier notification of disconnection may relieve shippers of transportation charges for a short period, though we consider that this would be a marginal benefit and is unlikely to have a discernable impact upon competition, particularly as this information is already released via the 'dead list', as set out below. Moreover, we do not consider that this will necessarily mean that all overall costs are better allocated. Transportation charges are only levied upon shippers where they remain the Registered User for that site, a situation which they may have chosen to endure by not withdrawing fully from the site, thereby avoiding site-works charges associated with disconnection. To the extent that there are costs associated with the pre-demolition disconnection, it could be argued that these are appropriately targeted to the Registered User of that site, as would have been the case if the site had not been demolished, but eventually disabled in accordance with UNC Section G 3.8.1 b), though we recognise that this is not an issue which the proposal sought to address.

We also note two responses from gas transporters that a 'dead list' of disconnected meters is available to all shippers and is sent round with updates on a monthly basis. The 'dead' list has been sent round by xoserve since late 2007 using information provided by Transporters. The 'dead list' includes all meters that have been disconnected for whatever reason, not just demolition. This appears to be an attempt to resolve the issues raised by this modification proposal. The two respondents believe that the 'dead list' provides wider information than would be provided with the modification proposal.

Whilst the 'dead list' may not entirely satisfy the intent of the proposal, particularly with respect to the frequency of its publication, we do not consider that requesting Transporters to effectively duplicate this report would better facilitate, but would rather have a marginally detrimental effect on, the efficient and economic running of the pipeline systems, i.e. it is not efficient or economic for Transporters to be updating xoserve every month with information for the 'dead list' (which will then be sent to Users) and then separately sending out notifications to Users about disconnected sites due to be demolished. Whilst the costs of doing so would not be substantial, nor would the benefits, being a maximum of around 2 weeks additional notice.

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<sup>6</sup> Network Code modification 675: ['Isolations – Changes in accordance with the Review of Gas Metering Arrangements \(RGMA\)'](#)

Relevant Objective c) *the efficient discharge of the licensee's obligations under licence*

We note that the Transporter is already under an obligation to pass information regarding a disconnection onto the relevant shipper. Any person connecting or disconnecting a meter must inform the relevant Transporter, in a prescribed form<sup>7</sup>, in accordance with Schedule 2B of the Gas Act 1986. The Transporter is in turn obligated under Standard Special Condition A10 '*Provision and Return of Meters*' of its licence, as follows:

"When the licensee receives, in connection with a proposed connection or disconnection of a meter, such a notice as is mentioned in sub-paragraph (1) of paragraph 12 of Schedule 2B to the Act or receives information in pursuance of sub-paragraph (3) of that paragraph, it shall promptly give the relevant shipper a copy thereof and furnish it with any further information relating to the meter which is requested by the relevant shipper and which the licensee either has or may readily obtain".

In cases where the supplier to the premises is known, the notice should be sent directly to them, rather than to the relevant Transporter. The supplier has equivalent licence obligations to forward this notice onto the shipper, who in turn must pass it onto the Transporter. Although the regulations state that the notice of the disconnection must be provided to the Transporters within 48 hours, the timeline for the onward communication of this information to the shipper is not prescribed under the licence, other than that it must be '*promptly*'.

This modification could, by clarifying the arrangements for onward communication and in the absence of any common definition of '*promptly*', be argued to better facilitate this relevant objective. However, this was not the stated intent of the proposal and there has not been discussion on whether the '*10 working days*' suggested in the proposal is any more or less reasonable an interpretation of promptly than the monthly publication of the 'dead list' of any other medium by which the Transporter may discharge this obligation.

Relevant Objective d) *securing of effective competition between relevant shippers*

As noted above, the arguments for this proposal furthering effective competition were centred around the more accurate allocation of costs, though there were few substantive comments on how they would be more accurate than the current arrangements, or how that would promote competition. As mentioned above, whilst this proposal may result in the charges to a given site being curtailed, it has not been demonstrated that this would result in a more accurate allocation of costs amongst Users. We have therefore been unable to conclude that this proposal would further facilitate relevant objective d).

*Relevant Objective f) promotion of efficiency in the implementation and administration of the network code*

We feel that this objective would be adversely affected by this modification as Transporters would in effect be duplicating an existing process in the 'dead list' and therefore increasing their (and xoserve's) costs.

In conclusion, we do not agree that UNC0172 would better facilitate the achievement of the relevant objectives. However, we understand that the 'dead list' mentioned above

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<sup>7</sup> As set out in the Gas Meters (Information on Connection and Disconnection) Regulations 1996; SI No 450

has only been provided by transporters since this proposal was initially raised; it may therefore have achieved the proposer's intent, at least in part. Assuming the continued provision of the 'dead list' it may be more appropriate for shippers and Transporters to discuss their ongoing requirements and perhaps seek to develop and enhance that list, or simply the timing of its publication, rather than seeking to impose addition and rather rigid obligations under the UNC. We consider that this may provide a more efficient means of disseminating information, and is in keeping with our desire to target regulation (to the extent that the UNC is a regulated contract) only where it is required. However, in the event that Transporters discontinued the 'dead list' or otherwise withheld information relating to demolished and other void and vacant sites, we would need to reconsider whether it is appropriate to codify these requirements and whether Transporters are indeed discharging their obligations under licence.



**Mark Feather**

**Director of Industry Codes and Licensing**

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