Modification Report
(Alternative to Mod 0282A), Introduction of a process to manage Vacant sites
Modification Reference Number 0282 / 0282A
Version 3.0

This Modification Report is made pursuant to Rule 9.3.1 of the transitional Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

Background

Within the current economic climate there are a large number of domestic and commercial properties that have become vacant. In England alone it is estimated that there are approximately 700,000 homes unoccupied, of which over 300,000 have been vacant for more than six months[1]. However despite this fact gas Shippers are unable to effectively reduce their settlement and transportation cost exposure to these sites, as:

- An AQ for a site can only be amended by obtaining meter readings
- A Shipper/Supplier cannot obtain access to the site to obtain meter readings
- The Shipper has no redress to change the AQ of the site to reduce costs

This problem was considered in great detail in relation to the electricity market in 2005 under Issue 14[2] of the Balancing and Settlement Code and subsequently resulted in the successful introduction of MOD196[3] ("Treatment of Long Term Vacant Sites in Settlement"). Modification 196 was introduced in February 2007 and since introduction 50,000 sites have gone through the electricity Vacant process.

The basis of MOD196 is that where a Supplier receives two "notification of failure to obtain reading" flows, with the "site visit check code" noted as "not occupied", of more than 3 months and no more than seven months apart, they can apply for the site to have the Estimated Annual Quantity (EAC) set to zero. (Mod196 has subsequently been amended (P245) to change the timescales for submission of the site check code to "not less than 75 calendar days and not more than 215 calendar days" to ensure more equitable treatment for Suppliers who operate a quarterly meter read cycle).

Exclusions apply within the process and there are monitoring and ongoing management requirements for sites assigned Vacant status and rules to outline when a site no longer qualifies.

At the present time in the gas market the AQ for a site can only be brought down, where metering readings suggest that there has been a reduction in the gas consumed at a site. However, with a vacant site a Shipper/Supplier cannot gain access to the site to determine that there has been no consumption. In certain circumstances, a warrant can be obtained through the courts however this is a costly procedure and requires a

[1] Study by Empty Homes for the 2008 period – www.emptyhomes.com and details outlined on the Parliament website www.uk-parliament.co.uk
[2] http://www.elexon.co.uk/documents/modifications/196/P196_attachment_1_(issue14_report_v1.0).pdf
[3] http://www.elexon.co.uk/documents/modifications/196/p196.pdf

considerable amount of time and effort. It is therefore the case that the Shipper is left with no re-address in respect of changing the AQ of the site or reducing transportation costs to the site.

Proposal

0282A

For clarity the only changes to the Modification 0282 proposal are:

1. That Shippers must confirm a site is still vacant once every 215 days.
2. That vacant sites remain in the RbD process, and
3. Shippers must ensure they comply with the business rules set out in Appendix One of this Proposal. It is intended that these rules will form part of the UNC document itself.

It is proposed that a new process be established under the UNC, where a Shipper can reduce their cost exposure to vacant sites, through a process similar to what exists in the electricity market. It is intended at this time that the Vacants process, if implemented, be applied to sites with an Annual Quantity of <73,200kWh. Discussions within the Distribution Workstream to develop a solution to include DM and NDM LSP sites have highlighted a number of areas of concern and as such may require detailed business rules in order to deliver a Vacants solution. In order to expedite the development and delivery of a workable approach for dealing with Vacants within the NDM SSP market sector, this Proposal as been amended to exclude NDM LSP and DM sites at this time.

It is proposed that a site classified as Vacant would be excluded from commodity charging. For the avoidance of doubt, capacity charging would be retained (LDZ Capacity (ZCA), Customer Capacity (CCA), NTS Exit (NNX)). Shippers/Suppliers would continue to apply the isolation and withdrawal process where is deemed appropriate. Shippers will warrant their Suppliers will comply with SPAA Schedule / Shippers will be obligated to ensure Suppliers comply with business rules set out in Appendix One of this Proposal.

In addition a Change Proposal will be raised to SPAA to introduce a Schedule which outlines the procedure to be followed where a Supplier has identified that a premise with an Annual Quantity of <73,200kWh qualifies as vacant and what appropriate action should be taken by Suppliers when managing vacant premises.

It is also proposed that Transporters should provide monthly reports to each Registered User for relevant MPRNs included within the Vacants process.

Business Rules – Introduction of a process to manage Vacant Sites

Modification 0282

1. The Supply Point must be in the requesting Registered Users ownership
2. The Supply Point must be NDM SSP.
3. The Supply Meter Point does not form part of a Sub-Deduct Arrangement.
4. The Registered User will warrant that it has received two notifications from the Meter Read Agent to verify that it is a vacant premise. These attempts must be no less than 75, and no more than 215 calendar days apart.
5. Where a Shipper wishes to utilise the Vacant Site Process and an NDM SSP has been identified as qualifying as Vacant, the Registered User shall notify the Transporter.
6. On receipt of the notification, the Transporter shall amend the Supply Point Register to reflect that the NDM SSP is Vacant providing the previous meter status is live.
7. Following the update to the Supply Point Register, and at D+7 in accordance with UNC, Section H2, NDM SSP Demand will cease to be determined in respect of that NDM Supply Meter Point (Commodity Charging & RbD market Share).
8. The Supply Meter Point will remain within the AQ Review process.
9. Where a NDM SSP increases AQ during the review to a point where it would become LSP, the Transporter will remove it from the Vacants process. This would then be subject to Mod 640 Business as Usual processes. The Transporter will notify the Shipper. For the avoidance of doubt where the NDM SSP increases AQ but remains as a NDM SSP, it will remain in the vacants process
10. Where a Supply Meter Point status is Vacant, the Registered User of the Supply Point will continue to be responsible for the supply point, capacity charges (LDZ Capacity (ZCA), Customer Capacity (CCA), NTS Exit (NNX)), but not commodity charges.
11. Where the Registered User acquires evidence that the Supply Meter Point no longer qualifies as Vacant, the Registered User will notify the Transporter at the earliest opportunity.
12. Where a Supply Meter Point is flagged as Vacant, and the Transporter identifies that it is /no longer Vacant, the Transporter will take such actions to notify the Shipper. Where the Registered User receives such notification, they will investigate and remove from the Vacant process.
13. Where the Registered User notifies the Transporter that the NDM SSP no longer qualifies as Vacant e.g isolated or live, the Transporter will update the

Supply Point Register to reflect the appropriate status.

14. Where a NDM SSP has been flagged as Vacant, and subsequently, meter readings are provided by the Registered User to the Transporter, upon receipt of the first meter reading, no action is required to remove the Supply Meter Point from the Vacants process. Where a 2nd meter reading is provided and there is a consumption advance, the Registered User shall remove the NDM SSP from the Vacants Process. The Transporter will provide each Registered User with a monthly report of meter readings received.
15. Relevant charges will re-commence from D+7 following the Shippers notification of status change.
16. Where an NDM SSP maintains a status of Vacant for a continuous period of 24 months, the Registered User will take reasonable steps to Isolate or set to live the NDM SSP.
17. In the event of a change of Registered User the status of Vacant will be removed.

Modification 0282A

Partaking Shippers must ensure that their contracted Suppliers adhere to the following rules. Shippers bear full responsibility for compliance and in entering a site in to the vacants process the Shipper warrants that it is satisfied that it complies.

1. The Supply Point must be in the requesting Registered Users ownership
2. The Supply Point must be NDM SSP.
3. The Supply Meter Point does not form part of a Sub-Deduct Arrangement.
4. The Registered User will warrant that it has received two notifications from the Meter Read Agent to verify that it is a vacant premise. These attempts must be no less than 75, and no more than 215 calendar days apart.
5. Where a Shipper wishes to utilise the Vacant Site Process and an NDM SSP has been identified as qualifying as Vacant, the Registered User shall notify the Transporter.
6. On receipt of the notification, the Transporter shall amend the Supply Point Register to reflect that the NDM SSP is Vacant providing the previous meter status is live.
7. Following the update to the Supply Point Register, and at D+7 in accordance with UNC, Section H2, NDM SSP Demand will cease to be determined in respect of that NDM Supply Meter Point (Commodity Charging & RbD market Share). For clarity, vacant sites will still count towards a Shipper's RbD market share.
8. The Supply Meter Point will remain within the AQ Review process.
9. Where a NDM SSP increases AQ during the review to a point where it would

become LSP, the Transporter will remove it from the Vacants process. This would then be subject to Mod 640 Business as Usual processes. The Transporter will notify the Shipper. For the avoidance of doubt where the NDM SSP increases AQ but remains as a NDM SSP, it will remain in the vacants process

10. Where a Supply Meter Point status is Vacant, the Registered User of the Supply Point will continue to be gas offtaken.
11. Where the Registered User acquires evidence that the Supply Meter Point no longer qualifies as Vacant, the Registered User will notify the Transporter at the earliest opportunity.
12. Where a Supply Meter Point is flagged as Vacant, and the Transporter identifies that it is /no longer Vacant, the Transporter will take such actions to notify the Shipper. Where the Registered User receives such notification, they will investigate and remove from the Vacant process.
13. Where it has been identified by the Transporter that gas was, or is being offtaken at a NDM SSP during such period as was identified as 'Vacant', the relevant User shall be liable for all charges (including without limitation Transportation Charges) as if it has not been Vacant.
14. Where the Registered User notifies the Transporter that the NDM SSP no longer qualifies as Vacant e.g isolated or live, the Transporter will update the Supply Point Register to reflect the appropriate status.
15. Where a NDM SSP has been flagged as Vacant, and subsequently, meter readings are provided by the Registered User to the Transporter, upon receipt of the first meter reading, no action is required to remove the Supply Meter Point from the Vacants process. Where a 2nd meter reading is provided and there is a consumption advance, the Registered User shall remove the NDM SSP from the Vacants Process. The Transporter will provide each Registered User with a monthly report of meter readings received.
16. Relevant charges will re-commence from D+7 following the Shippers notification of status change.
17. Where an NDM SSP maintains a status of Vacant for a continuous period of 24 months, the Registered User will take reasonable steps to Isolate or set to live the NDM SSP.
18. In the event of a change of Registered User the status of Vacant will be removed.
19. Shippers must warrant that a site within the vacants process remains vacant at least once every 215 calendar days. This will be done by providing the Transporter with details of a meter reading agent notification that the site is vacant. Such a notification will have been provided by the meter reading agent since the last valid warranty to the Transporter.
20. If a Shipper fails to do complete the action outlined in point 19, the status of vacant will be removed.

Reporting Requirements

Transporter to provide monthly reports to each Registered User for a relevant MPRN detailing;

Details of each NDM SSP with a status of Vacant.

MPRN	Shipper Short Code	AQ	Date of entry to vacant process (D+7)

Details of NDM SSP removed from Vacants

MPRN	Shipper Short Code	AQ	Current meter point status	Date of exit from vacant process (D+7)

Details of NDM SSP flagged Vacant >24months

MPRN	Shipper Short Code	AQ	Date of entry to vacant process (D+7)

Transporter to provide monthly anonymised reports to the industry

Shipper (Annonymised by % of SSP portfolio)	Total sites in Vacant process	New in the last month	Sites exiting vacant process in the last month	Number of notifications issued under rule 16	Sites that have been in the vacant process >24 months	Total Sites at end of month Column B + Column C – Column D

Large Transporters Agent will provide report to Shippers re Business Rule 14/15

MPRN	Read Date	Read	Read Date	Read

In addition to the above, the Transporter will provide age analysis reports.

Age Analysis			
Shipper (Annonymised by % of SSP portfolio)	Total sites in Vacant process	No. Of Sites >x months	Average period within vacant process

2 User Pays

a) Classification of the Proposal as User Pays or not and justification for classification

This proposal is a User Pays code service and as such costs should be attributed to those who would benefit from its' implementation.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

100% of development/operational costs to eligible Shippers, 0% of costs to Transporters

c) Proposed charge(s) for application of Users Pays charges to Shippers

Monthly charge per eligible Supply point.

100% of operational costs to those Shippers using the vacant sites process.

100% of development costs to all SSP Shippers based on supply point count at the date of implementation.

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

See attached ROM and ACS Statements.

3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): ***the coordinated, efficient and economic operation of the pipe-line system to which this licence relates;***

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (b): ***so far as is consistent with sub-paragraph (a), the (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;***

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): ***so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;***

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (d): ***so far as is consistent with sub-paragraphs (a) to (c) the 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;***

This Proposal would ensure more accurate allocation of costs are more reflective of customer usage in the SSP market by stopping commodity charges and energy allocation. This is a more cost effective process for managing Vacant sites than resorting to isolation. This is based on the assumption that there are different propensities of vacant sites across SSP Shipper portfolios by LDZ.

British Gas believes that 0282A achieves this relevant objective through adoption of

an effective gas vacants process. Additionally, they believe a more accurate allocation of charges will enable Shippers to compete more effectively with each other.

EDF Energy believes that the proposals would have a negative effect on competition between Shippers.

First Utility and SSE believe that implementation of either modification would facilitate effective competition between suppliers.

RWE npower believes that the modification(s) furthers the relevant objective by removing costs from sites within the industry that are legitimately not incurring them (due to being vacant). They also disagree with the view that the proposals would potentially decrease safety, as they see the proposed 2 year cut-off (isolation) period going some way to mitigating the risk.

National Grid Distribution disagrees that the modifications offer a more cost effective process for managing Vacant sites than resorting to isolation and more accurate allocation of costs, believing isolation can be achieved at minimal cost and that *"The efficient allocation of costs is contingent on the effective administration and monitoring of Vacant sites by the Registered User. We believe that the risks of Unidentified Gas flowing are significantly increased as opposed to Isolation which would by definition adversely impact on Users having SSPs."*

Northern Gas Networks believes that neither proposal would better facilitate this relevant objective, as they believe it provides an opportunity for sites to be able to consume gas without incurring LDZ Commodity or energy charges. Furthermore, NGN see the ongoing cost of meter reading and obtaining the two year safety inspection as eroding any savings the new regime would make.

ScottishPower believes that 0282 better facilitates this relevant objective, but doubts that 0282A would achieve this as they can not see any logic to the rationale for keeping vacant sites within RbD. Furthermore, they do not believe that 0282A provides for any additional or differing benefits over 0282.

Scotia Gas Networks and Wales & West Utilities do not believe that either proposal furthers this relevant objective. On the contrary, WWU believe them to have a detrimental effect as they see being able to 'opt out' of the regime and to only experience the upsides of SSP settlement as a barrier to competition between Shippers/Suppliers.

Misuse of the Vacant Sites process will lead to an inaccurate apportionment of unidentified gas shared across live supply points. However, British Gas considers that the increased controls contained in Modification 0282A over Modification 0282 mitigate this risk.

National Grid Distribution suggest that implementation would significantly reduce the degree of rigour required on behalf of the User as there appears to be little incentive for Users to actively monitor the potential for gas to flow at a Supply Meter Point which has been declared Vacant.

British Gas is concerned that, because any gas offtaken during the period of time the site is classified as vacant is to be socialised through RbD, the apportionment of costs in the SSP sector may be less accurate following the implementation of Modification 0282. National Grid Distribution concurs with this.

The Workgroup considered that Modification 0282A, in maintaining vacant sites within the RbD Process, the RbD costs are socialised across all RbD Supply Points regardless of whether a site is vacant or not and whether this is appropriate for vacant sites. Some parties considered this to be a disadvantage where others did not. National Grid Distribution suggests the merits of leaving Vacant sites within the RbD Shipper share has not been explained.

Standard Special Condition A11.1 (e): ***so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers' licences) are satisfied as respects the availability of gas to their domestic customers;***

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): ***so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.***

This proposal would increase choice of services provided through UNC.

Wales & West Utilities does not believe that 'increasing the choice of services provided through the UNC' promotes efficiency in the implementation or administration of the network code.

Northern Gas Networks believe that neither proposal would better facilitate this relevant objective as the new process only adds complexity and confusion over utilisation of existing isolation and withdrawal processes.

ScottishPower believes that 0282 better facilitates this relevant objective, but doubts that 0282A would achieve this as they disagree that 0282A would provide additional controls over and above those specified by 0282. The obligation on the Shipper to provide an update to the Transporter every 215 days seems to them to be counter intuitive to an efficient process. Additionally, they make reference to the ROM noting that further development would be required to support 0282A, which is not the case for 0282.

4 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) implications for operation of the System:

There are no implications for operation of the System.

b) development and capital cost and operating cost implications:

The ROM analysis indicates development costs are in the region of £520k and £672k.

On-going annual costs for producing and validating the monthly shipper summary report will cost at least £800, but probably not more than £1200, per shipper short code (Business Rule – Reporting).

Invoicing costs to recover charges for incorrectly identified vacant sites are likely to be in the region of £200 to £400.

British Gas considers that as Modification 0282A leaves vacant sites within the RbD process, the costs associated with implementing this proposal will be less than those provided above.

c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

See the User Pays section.

d) Analysis of the consequences (if any) this proposal would have on price regulation:

No such consequence is anticipated.

6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

No consequences have been identified.

7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

See ROM for details of Transporter impacted systems.

There may be impacts on Shipper RGMA system flows, these were not included in the ROM and may result in Shippers who do not elect to take the service incurring costs.

8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Administrative and operational implications (including impact upon manual processes and procedures)

Where Users elect to take the service they will face development and operational process changes.

There may be operational impacts for Users who do not take the service as they may need to run an exceptions process.

Development and capital cost and operating cost implications

Where Users elect to take the service they will face development and operational cost.

Where Users elect not to take the service they may face additional costs to implement a system they do not use.

Where Users elect not to take the service they may face additional costs through RbD allocation.

Consequence for the level of contractual risk of Users

Users who access this product would need to comply with the proposed SPAA schedule to which they may not be signatories.

British Gas considers that there will be no consequences on the level of contractual risk for Users with Modification 0282A.

9 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

Suppliers will need to adhere to the relevant SPAA schedule. Some Workgroup members wished to have visibility of the SPAA Schedules Changes to aid the Consultation Process.

SPAA schedule is not applicable to Modification 0282A.

10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No consequences have been identified.

11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

1. Shippers with SSP sites can reduce their cost exposure on a specific vacant site where they choose not to isolate.
2. Provides Shippers with SSP sites options rather than just isolation
3. Currently Shippers with SSP sites are more likely to isolate, whereas with this proposal they are more likely to use the Vacant site process, therefore reducing inconvenience to new consumers at a site.
4. Some Shippers consider there will be more accurate costs allocated across the industry
5. Some Shippers consider Modification 0282 will implement a robust audit process through the SPAA schedule.

Disadvantages

1. Some Shippers consider there will be a reduction in the accuracy of costs allocated across the industry
2. To the extent that unidentified gas can be created at Vacant sites and that these sites will not be included in RbD, distorts the costs to RbD Shippers.
3. Transporters consider this process increases the number of unoccupied premises with a live gas supply, by leading to a reduction in isolations, which may have consequences on safety.
4. Some Shippers consider the process promotes discrimination between customers based on AQ.
5. Some workgroup members were concerned the SPAA schedule was unavailable at the time the report was concluded and therefore were unable to fully consider the relevant objectives.

British Gas considers that only points 3 and 4 of the disadvantages listed above apply to Modification 0282A.

ScottishPower considers that points 2, 3 and 4 of the disadvantages listed above apply to Modification 0282A.

12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations were received from the following parties:

Organisation	Position		Preference
	0282	0282A	
British Gas	Not in Support	Supports	-
EDF Energy	Not in Support	Not in Support	-
E.ON UK	Qualified Support	Qualified Support	0282A
First Utility	Qualified Support	Supports	0282A
National Grid Distribution	Not in Support	Not in Support	-
Northern Gas Networks	Not in Support	Not in Support	-
RWE npower	Supports	Qualified Support	0282
Scotia Gas Networks	Not in Support	Not in Support	-
ScottishPower	Supports	Not in Support	0282
SSE	Qualified Support	Qualified Support	0282A
Spark Gas Shipping Ltd	Qualified Support	Qualified Support	0282A
Wales & West Utilities	Not in Support	Not in Support	-

Of the twelve representations received, two support and four offered qualified support for Modification 0282 with the remaining six not in support. The same parties offered two representations in support, and four with qualified support for Modification 0282A with the remaining six not in support. Of the twelve representations received, two indicated a preference for Modification 0282 and four indicated a preference for Modification 0282A.

In considering the safety concerns voiced by some parties, BGT believes that 0282A would ensure that vacant sites are closely monitored by Suppliers (at least every 215 days) which mitigates these concerns and would deliver safety improvements over the current regime.

E.ON UK raises concerns around the comparison to the electricity market model that both proposals make, as follows:

"Our concerns are twofold. Firstly the process in electricity is subject to strict external audit procedures. UNC 0282 & 0282a whilst both including rules aimed at providing controls to the process do not incorporate an external audit function nor do they spell out how sites vacant for a period over 24 months are to be dealt with other than to place a 'reasonable' obligation to resolve. Secondly from a safety

perspective there is a significant difference between the two fuels. Electricity fails to safety but gas fails to unsafety. Long term vacant premises with unmonitored live gas supplies could be viewed as a potential safety issue. Arguably the status quo provides a strong commercial incentive to gain access to these premises; this incentive may be diluted by reducing it to that afforded by capacity charges alone. Conversely it should be recognised that capacity charges incurred at SSPs are not insignificant."

EDF Energy, whilst able to support the intent of each proposal, highlight concerns relating to the impact of unidentified gas costs, the potential impact upon safety, the lack of an appropriate audit mechanism and the potential implementation costs for what can be seen as an interim solution. They state that:

"This proposal is based on the arrangements that already exist for electricity allocation and reconciliation under the BSC; however, there are 3 fundamental differences between electricity and gas that do not make it appropriate to implement this proposal:

1. *Electricity fails safe, whereas gas does not fail safe. Implementation of this proposal could have a negative impact on the safe operation of the gas system if live gas supplies continued for a significant period of time into a vacant property. This is particularly the case as both proposals only require Shippers to use reasonable endeavours in the event that a property remains vacant for more than 24 months. This increases the risk that a live gas supply is maintained to a vacant property for more than 24 months as the commercial incentive to withdraw and isolate the sites has been removed.*
2. *All electricity meters are subject to "reconciliation", whereas gas SSP meters are not. In electricity the vacant process provides a cashflow solution to Suppliers as ultimately energy is allocated based on meter readings. In the event that a site is erroneously set to vacant or re-commences energy consumption without notification to the supplier then ultimately this is corrected with the submission of meter readings. This is not the case in gas, and so implementation of this proposal could increase the size and volume of Unaccounted for Gas as consumption is never corrected to actual meter readings. This would result in the mis-allocation of costs between Shippers and introduce an incentive to manipulate the vacant process for commercial reasons.*
3. *Audit arrangements are present in electricity. Under the BSC arrangements are in place for an audit to be conducted into suppliers to ensure that their application of the vacant process is consistent and in line with the business rules. Reports by Elexon to the UNC review group have demonstrated the value of these audits and also highlighted that interpretation of the rules differs between suppliers. UNC modification proposals 0282 and 0282A do not provide an assurance mechanism to the industry through an audit process."*

RWE npower indicates that, whilst 0282A represents an improvement over the current regime, they believe it forces costs onto sites that are not consuming and, as a

consequence, they believe 0282 offers a better solution.

National Grid Distribution felt unable to support implementation of either modification citing concerns surrounding both an increased safety risk to the public and potential accounting for gas risks.

Northern Gas Networks raise several concerns relating to the business rules for each proposal. (0282 – Business Rules 4, 11, 12, 14 & 16 and for 0282A all the aforementioned plus BR7, 10, 13, 19 & 20).

ScottishPower indicates that 0282 is the only proposal that addresses the commodity charges and RbD smearing issues as it seeks to cease commodity charging on vacant sites and at the same time removes the site from RbD. ScottishPower note:

"that Transporters expressed concerns that the process increases the number of unoccupied premises with a live gas supply, by leading to a reduction in isolations, which may have consequences on safety. Both proposals confirm that the Shipper will still be responsible for capacity charges and this will act as a cost driver for Shippers not to leave sites within the vacant process indefinitely. Both proposals also suggest a backstop date of 24 months where the Shipper will need to make a decision whether to isolate or remove from the process. Introduction of either process will not increase the number of sites within the UK becoming vacant. It is possible though that the additional audit procedures, in particular those in 0282, may actually increase safety as these vacant sites should be monitored more closely than is done currently."

SSE support the intent behind both proposals believing that both could deliver improved accuracy of charging and gas allocation. However, they also believe that there is a potential risk that the proposals could/would reduce the incentive on Shippers to isolate supplies, which in turn could lead to safety issues.

Scotia Gas Networks cites both safety concerns and a potential for increased unidentified gas as being their main reasons for being unable to support either proposal. They also make reference to an incorrect cross reference in the legal text.

Whilst offering qualified support to both proposals, but preferring 0282A, Spark Gas Shipping states that removal of the obligation to pay commodity charges on their vacant sites would have a significant (beneficial) impact. They propose an additional method for notifying vacant premises based upon (two) meter readings, showing zero or minimal advancement. They support this by proposing a minimum time period for provision of the unobtained reads or zero/minimal reads of 30 days, thereby lessening exposure to commodity charges and assisting cash flow for smaller suppliers.

Wales & West Utilities do not support implementation of either proposal on the grounds that:

"1) We have serious concerns that implementation would undoubtedly lead to increased numbers of properties that remain unoccupied but have a live gas supply.

2) The proposed vacant site process, by removing Supply Points from the allocation mechanism, totally undermines the Smaller Supply Point (SSP) settlement regime

(allocation and RbD) and will lead to inequitable treatment of other SSPs and Shippers.

3) The proposals seek to tackle purported issues with the SSP settlement regime. We believe these issues are being address as part of Project Nexus and, considering timescales of implementation, these proposals would soon become redundant if implemented …
4) Neither proposal offers sufficient safeguards to prevent gas being offtaken at a "vacant" site without the knowledge of the User or Transporter and could therefore lead to greater volumes of unidentified gas."

WWU note that the biggest impact the proposals would have is on the development time and resources necessary to support implementation. In their view, the work currently underway (Project Nexus) by Xoserve and various industry parties on the development of new settlement processes along with a major redesign of central systems negate the need for either proposal.

13 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Workstream Report)

No such requirement has been identified.

14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

No such requirement has been identified.

15 Programme for works required as a consequence of implementing the Modification Proposal

System changes for both Users and Transporters.

16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

It is proposed that this functionality be introduced at the earliest opportunity following a positive direction from the Authority.

British Gas considers Modification 0282A is able to be implemented immediately following a direction to do so from Ofgem. Given the likely materiality of the scale of any cost reallocation, were this proposal to be approved, they propose that it be implemented without delay.

The Transporters believe significant development work would be required, with the

lead time for implementation likely to be 12 to 14 months.

17 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

The Panel Chair summarised that a vacant site continues to attract charges for some time after becoming vacant, and the modifications seek to introduce processes that would mean that Shippers do not face consumption related charges at sites that are vacant.

Ensuring that consumption related charges are not incurred at vacant sites (with zero consumption) could be expected to lead to more accurate cost allocations. Increasing cost reflectivity would be expected to facilitate the development of effective competition. However, views on whether or not this would occur in practice are mixed. Panel Members were also concerned that the limited coverage (SSP only) may be unduly discriminatory, and that implementation could raise safety concerns since it lessens the likelihood of isolation and withdrawal, potentially incentivising live connections to remain in vacant properties.

The Panel Chair suggested that an anticipated benefit from the User Pays approach was to provide a clear signal as to whether or not those expected to pay for a new service consider that the benefits will exceed the costs: Modification 0282(A) consultation responses tend to suggest that there is no general agreement among Shippers that the benefits will do so. The Ofgem Representative emphasised that indications of likely take-up of the service would be welcome, in order to demonstrate the expected benefits.

With no votes cast in favour, Panel Members did not determine to recommend that Modification 0282 should be implemented.

With one vote cast in favour, Panel Members did not determine to recommend that Modification 0282A should be implemented.

Considering which of the two modifications would better facilitate the Relevant Objectives if one were implemented, no votes were cast preferring 0282, and three preferring 0282A.

The benefits against the Code Relevant Objectives	
Description of 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.	Balanced
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	None

19 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

20 Text

Legal text for both 0282 and 0282A has been published alongside this report on the Joint Office web site.

Pursuant to Mod0282, the following new definitions will need to be incorporated into the Defined Terms Listing document: -
1. "**Vacant**" TPD G8.1.1(a)
2. "**Re-classify**" TPD G8.1.1 (b)
3. "**Vacant Smaller Supply Point**" TPD G8.2.1
4. "**Vacant Date**" TPD G8.2.6
5. "**Vacant Exit Date**" TPD G8.4.8

Pursuant to Mod0282A, the following new definitions will need to be incorporated into the Defined Terms Listing document: -
1."**Vacant**" TPD G8.1.1(a)
2."**Re-classify**" TPD G8.1.1 (b)
3."**Vacant Smaller Supply Point**" TPD G8.2.1
4."**Vacant Date**" TPD G8.2.6
5."**Vacant Exit Date**" TPD G8.4.10

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters