

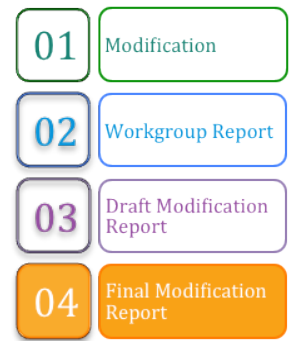
Stage 04: Final Modification Report

0410 0410A:

Responsibility for gas off-taken at Unregistered Sites following New Network Connections

These modifications propose to place an obligation on Gas Transporters and Shippers to take responsibility for any gas consumed at Unregistered Sites to reduce the likelihood of gas flowing at a New Supply Meter Point in the absence of a registered User.

At what stage is this document in the process?



Panel recommended implementation of Modification 0410A



Panel did not recommend implementation of Modification 0410



High Impact: Transporters, Customers



Medium Impact: Shippers, Suppliers



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About this document:

This Final Modification Report will be presented to the Panel on 20 June 2013.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.



Any questions?

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1 Summary

Are these Self-Governance Modifications?

The Modification Panel determined these modifications were not suitable to be considered under the Self-Governance Process.

Why Change?

Currently Transporters have responsibility for MPRN creation, allocation and record keeping in relation to new service connections and, in accordance with industry processes, are informed of the installation of a meter from which point the Supply Point is capable of flowing gas. Further, where it appears that gas may be taken in the course of conveyance, Transporters have a licence requirement (SLC 7) to investigate and recover the value of gas so taken. The Transporters' ability to charge for gas taken in the course of conveyance is set out in the Gas Act, Schedule 2B para 9.

Suppliers and Shippers do not have the same rights and obligations, nor do they have control of network connection processes and are thus powerless to prevent the unauthorised (Unregistered) abstraction of gas prior to a Shipper confirming ownership of the supply point through SPA processes. Suppliers/Shippers have no ability to recover gas taken at Unregistered Sites nor limit loss to the industry by disconnection without a Shipper first having confirmed ownership.

Unregistered Sites following new network connections are a significant source of Unidentified Gas (207GWh at last estimate¹). Where the Transporter has control over the new connection process and the ability to limit loss and recover costs, the Transporter should be responsible and accountable for the consequences of any gas off-taken prior to shipper confirmation at a new connection to the network.

Where the Shipper requests the creation of an MPRN from the Transporter, that Shipper then has the ability to limit loss and recover costs through a contractual relationship with the infrastructure provider, and therefore that Shipper should be responsible and accountable for the consequences of any gas off-taken prior to Shipper confirmation at a new connection to the network.

Note: for the purposes of this document the following definitions apply:

Shipperless site: A site that no longer has a Shipper/Supplier registered but could be still subject to the deemed contract rules in some circumstances

Unregistered site has never had a Supplier/Shipper responsible so there cannot be a deemed contract.

For Modification 0410A

Presently the UNC establishes that “no person shall be entitled to offtake gas from the Total System at a New Supply Meter Point at any time before the First Supply Point Registration Date”. However there is evidence that an increasing number of Supply

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¹ Allocation of Unidentified Gas Statement, version 4.0 December 23 2011

Meters are being installed, rendering the Supply Meter Point capable of flowing gas in the absence of a supply contract and associated User registration. Gas offtaken by consumers in these circumstances has a significant adverse financial consequence on the User community with the energy costs being borne by Users having Smaller Supply Points (SSPs) though the Reconciliation by Difference (RbD) mechanism and by Shippers having Larger Supply Points (LSPs) where a reallocation of energy is made by the Allocation of Unidentified gas Expert (AUGE).

Solution

Modification 0410

This modification proposes that Transporters should be responsible for, investigate and resolve Unregistered Sites following a new network connection where the Transporter has created the Meter Point Reference Number (MPRN) for any party other than a Shipper. If such an Unregistered Site has not either been assigned to a Shipper or disconnected following investigation by the Transporter, then the Transporter will be liable for the costs of the gas that the site has abstracted from the network. This modification also proposes to require that where Transporters become aware of a contracted supplier to an Unregistered Site, that they will make reasonable efforts to inform that contracted Supplier so that they may arrange for a shipper to register the site.

As the related siteworks contracts are outside of the remit of the UNC, this solution will leave it to the discretion of the Transporters, individually or collectively, to decide on the best control measures to put in place to prevent the flow of gas prior to shipper confirmation. We envisage that these could be similar to controls that exist in the electricity industry (where new connections must have a registered supplier prior to work commencing) or bespoke Gas industry processes could be developed.

Where a Shipper requests the creation of an MPRN from the Transporter, that shipper then has the ability to limit loss and recover costs through the contract it has with the siteworks provider, and therefore that Shipper should be responsible and accountable for the consequences of any gas off-taken prior to shipper confirmation at a new connection to the network.

Modification 0410A

It is proposed to introduce provisions to the UNC which require Users to ensure their Suppliers have valid supply contracts in place before commissioning the installation of a Supply Meter at a New Supply Meter Point. This will be accompanied by measures to secure that a New Supply Meter Point is either registered to a User or disconnected. Obligations on Transporters to investigate unregistered sites also feature.

Impacts and Costs

These modifications would minimise the amount of gas attributed to Unregistered Sites following siteworks.

The party empowered to manage the controls around new connections and the party with rights to remedy where no Shipper confirms ownership is the Transporter where the Transporter has issued the MPRN and the Shipper where the Shipper has

requested the creation of the MPRN from the Transporter. The costs would therefore be borne by the correct party.

Where this is the Transporter this would be in line with their responsibilities for providing a safe network, managing new connections processes, preventing and rectifying theft in conveyance and responsibility for gas taken in the course of conveyance. The costs to the industry and therefore end consumers will be less because gas consumed at Unregistered Sites would be minimised and it would reduce the amount of gas that is socialised across all customers. Also, Transporters would protect their transportation revenue for sites newly connected to the Network

Modification 0410A

Where the Shipper requests the creation of an MPRN from the Transporter, that shipper then has the ability to limit loss and recover costs through a contractual relationship with the end consumer.

Implementation of the proposed terms would reduce the overall population of 'unregistered 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

For Modification 0410

01 December 2013 if a decision is received after 01 April 2013 and prior to or on 01 June 2013

- 01 April 2014 if a decision is received after 02 June 2013 and prior to or on 01 October 2013
- If a decision is received after 01 October 2013 implementation should on the following 01 April that is at least 6 months after the decision date.

Note: The modification will not be effective for the first 12 months following implementation.

For Modification 0410A

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 Case for Change

These modifications should give the party who is in control of the industry processes and the remedies (ie investigating, escalating and ultimately disconnecting where end consumers do not find a Shipper within an agreed timescale) the responsibility for the

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consequences of any gas abstracted from a supply point prior to a Shipper confirming ownership.

Modification 0410A

This alternative modification has been raised to offer a balanced contractual remedy to the enduring issue of 'unregistered sites'.

2 Why Change?

Modification 0410

At present, where the Transporter creates the MPRN, neither Suppliers nor Shippers have any direct control of the processes that relate to the new connection and nor do they have the authority to invoice for gas or disconnect a customer that they have not confirmed ownership of. Often Suppliers/Shippers are not involved at all and are unaware that a connection or meter installation has taken place. Shippers are therefore powerless to prevent the unauthorised and unpaid for abstraction of gas prior to a Supplier obtaining a supply contract with the end consumer and the Shipper confirming ownership of the supply point through SPA processes. The cost for any gas that is abstracted by these Unregistered Sites is inequitably borne by Shippers through the RbD and Unidentified Gas processes.

By contrast, Transporters have responsibility for MPRN creation and issue MPRNs to any party wishing to make future connections to their network (note this modification proposal excludes assigning Transporter responsibility for unregistered gas assigned to those MPRNs that are requested by Shippers/Suppliers). A connections company will then install the pipe-work and connection and label the connection with the MPRN that they have assigned to that connection. The network is then informed and the MPRN is recorded on their system. Following the installation of a meter, from which point the Supply point is capable of flowing gas, the network is informed and this is also recorded. The Transporter is also aware at the point that a Shipper confirms the site. As the party with oversight and control of this process therefore, any solution should look to require the Transporters to ensure that the number of Unregistered Sites is minimised and where no Shipper confirmation follows the connection the site is investigated by Transporters and steps taken to limit loss to the industry.

Where a Shipper requests an MPRN from a Transporter and the MPRN is effectively created by the Shipper, then this Shipper has the ability to ensure that they contractually able to control the future registration of that supply point. In this case it is appropriate for the requesting Shipper should be responsible for any future unregistered gas associated with this MPRN until its first registration point.

For Modification 0410A

There is evidence that Supply Meters are installed at New Supply Meter Points in the absence of a supply contract between the consumer and Supplier.

The UNC TPD Section G establishes that:

“7.3.3 Subject to paragraph 7.3.7, no person shall be entitled to offtake gas from the Total System at a New Supply Meter Point at any time before the First Supply Point Registration Date.

7.3.4 For the purposes of the Code, the "First Supply Point Registration Date" is the Supply Point Registration Date of the first Supply Point Registration to be made for a Supply Point comprising the New Supply Meter Point.”

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Therefore the UNC clearly contemplates that gas cannot be permitted to be offtaken at a Supply Point which is not registered to a User. However 'unregistered sites' are known to exist. Some sites can be legitimately unregistered, i.e. that a Supply Meter is installed but is not capable of flowing gas, i.e. that a physical device is fitted preventing flow of gas. However, in other cases a Supply Meter may have been installed and offtake of gas enabled but through process failure the consumer is offtaking gas in the absence of a Supplier and registered User. Alternatively a consumer may be contracting with a Supplier in good faith but the relevant User has not registered the Supply Point through process failure.

Only where a Supply Meter is installed can gas flow. Offtake of gas could not otherwise occur (other than in the case of an illegal connection to the service pipe). Modification 0410 seeks to place a responsibility on the party requesting the creation of an 'M' number to bear liability for a Supply Point where gas has flowed in the absence of User Registration. The Modification disregards the significance of the presence of the Supply Meter or a supply contract and focuses instead on the existence of a 'live' service pipe to a property. Thus a Transporter or User who requested the 'M' number could bear financial responsibility for energy flowing at an unregistered New Supply Meter Point even if a supply contract is in place and a Supply Meter has been installed at the request of a Supplier but where that Supplier's User has failed to register the Supply Point.



Unregistered sites

An unregistered site is a New Supply Meter Point which has never been registered to a User on the Supply Point Register.



Supply Meter Point Reference Numbers

A Supply Meter Point Reference ('M') Number is defined in UNC TPD Section G1.9.2(a). TPD Section G7.3.1. sets out the circumstances in which the 'M' number is recorded on the Supply Point Register.

3 Solution

Modification 0410

This modification seeks to assign responsibility to the accountable party for gas consumed at a site following its connection to the network if it is not subsequently confirmed with a Shipper and all gas used by that site subsequently allocated. Where the Transporter creates the MPRN and issues it to any party other than a Shipper, then the Transporter shall be the responsible party. Where a Shipper requests an MPRN from a Transporter, then the Shipper shall become the responsible party. It is not intended that this proposal is retrospective in nature but should apply to connections to the Gas Transportation Network after the implementation date – it does not attempt to clear the backlog of Unregistered Sites that currently exist, which we believe should be resolved through a separate process.

There are currently provisions in the UNC which allow a site's consumption to be backdated to a Shipper if they provide the reading as at Meter Fix. We propose for this to continue and to apply to all cases where the Shipper has created the MPRN.

Changes to the AUGE process

This process will quantify the amount of Unidentified Gas being used by unregistered sites that connect to the network after the modification is implemented. It therefore will have an impact on the AUGE process.

Once this modification has been approved, we will be looking to modify the AUGE guideline document to specifically require the AUGE to take into account the information collated by Xoserve when dealing with Unregistered sites.

Business Rules

1. Scope of Process

- 1.1. The process described below will be initiated to determine whether a consumer premises that is assigned an MPRN is capable of offtaking gas (i.e. has a meter fitted) without a Shipper being assigned to that site. If found to have off-taken gas then the organisation that requested creation of the MPRN will be charged for Unregistered Gas used, as estimated by Xoserve.
- 1.2. It does not apply when:
 - 1.2.1. A premises has been connected to the network without being assigned an MPRN (this is covered by processes dealing with theft in conveyance).
 - 1.2.2. A premises that has connected to the network and has been assigned an MPRN and gas has been off-taken but has not had a meter fitted to an appropriate standard when investigated (this is covered by processes dealing with theft in conveyance).
 - 1.2.3. A site has connected to the network and has been assigned an MPRN, but has not off-taken any gas as determined under section 3 of this document (site is currently adhering to the UNC provisions, specifically TPD G7.3.3).
 - 1.2.4. A site has been connected to the network, assigned an MPRN, has initially off-taken gas without a Shipper registered, but all of the site's consumption is

backdated in accordance with G7.3.7 or a registering Shipper has been allocated all of the unregistered consumption for that site.

- 1.3. This process will only apply to sites where an MPRN has been issued after the Modification has been implemented following an Authority decision.

2. Process Trigger

- 2.1. The process is triggered when a site that has been assigned an MPRN and:
 - 2.1.1. Is registered to a Shipper from the Supply Point Confirmation date and Xoserve cannot allocate all of the energy consumed to a particular Shipper and/or
 - 2.1.2. Is visited in accordance with section 3.1 and, as a result of this visit, it is believed that the site falls under the classification detailed in section 1.1. The invoicing process as defined in section 6 will only be triggered once the criteria in 2.1.1 is met.
- 2.2. It is not expected that Xoserve should scrutinise each Shipper confirmation to ascertain that whether that site has flowed gas whilst Unregistered.

3. Site visits

- 3.1. The relevant Transporter will be required to visit every site in 12 months of the MPRN being created, where the site has not been registered with a Shipper or has not had the service discontinued, unless informed by a Shipper of the status of the site prior to the visit. This will ensure that all Unregistered sites consuming gas are identified and safety and integrity of the network is maintained
- 3.2. As part of any site visit, the relevant Transporter will be expected to:
 - 3.2.1. Determine whether the site falls under the scope of this process, as described in section 1.1 and so should be classified as an Unregistered Site.
 - 3.2.2. Where it believes that the site has been offtaking gas, obtain all relevant information to enable it to estimate the consumption of the site.
- 3.3. The Transporter must provide the information referred in section 3.2 to Xoserve within 10 business days of the visit so that they may determine the amount of Unregistered Gas when the site is confirmed.
- 3.4. Where the organisation who created the MPRN is a Shipper, then the Transporter may seek to recover any reasonable costs incurred in visiting the site.
- 3.5. This process does not preclude the relevant Transporter from recovering its costs incurred under any part of this process from any third party.

4. Estimation of Gas Use

- 4.1. Xoserve will attempt to determine the gas used by the Unregistered Site ("Unregistered Gas") from the information available to it, as well through discussions with the Shipper or relevant Transporter (as applicable). In the absence of any supporting information, Xoserve may utilise recognised standards to determine gas consumption, such as the CSEP NEXA table for domestic properties, where possible. For the avoidance of doubt, Xoserve is expected to utilise its experience and judgement to make the best estimate of gas utilised – it is not expected to be 100% accurate in all cases.
- 4.2. Once Xoserve has been made aware that a site may have flowed gas whilst Unregistered, if Xoserve believes it has insufficient information to adequately

determine the level of Unidentified Gas, then it may request a site visit, which may be charged for under section 3 by the Transporters, which will be undertaken as soon as possible.

- 4.3 Xoserve will calculate the Unregistered Gas within 40 business days where confirmation has occurred.
- 4.4. The Shipper or the Transporter may provide at any time an estimate of Unidentified Gas at the site, prior to the deadline for calculating the site's consumption. Xoserve will have sole discretion on whether to accept the estimate provided.
- 4.5. Unidentified Gas will be determined using the following mechanisms:
 - 4.5.1. Where possible, from Meter Readings obtained through any site visit or from the customer (with appropriate CVs or other conversion measurements applied).
 - 4.5.2. Where sufficient Meter Readings are not available the estimate will be determined from any information available through investigation all relevant industry parties, including meter asset manager. The investigation should also consider other relevant factors such as the size of the property, meter installation date, nature of gas use etc.
- 4.6. In all cases, the organisation providing the Unidentified Gas estimation will use all reasonable endeavours to estimate the total consumption at the site applicable to this process.
- 4.7. If it is determined that the site has not consumed any gas during the period it was an Unregistered Site, then Xoserve will not be expected to undertake any further activity with regard to that site.

5. Calculation of Gas Cost

- 5.1. The Gas Cost calculation process for the purposes of attributing the Unregistered Gas will only seek to determine the costs for Energy and will not be extended to Transportation charges.
- 5.2. The total cost of the Unregistered Gas ("Unregistered Gas Cost") will be determined by multiplying the Unregistered Gas for that each day for the site by the applicable daily SAP rate as determined by the period of unallocated gas.

6. Unregistered Gas Charges

- 6.1. Xoserve will generate an adhoc invoice to recover the cost identified in section 5 at M+2 following calculation referenced in 4.3 above.
- 6.2. The Unregistered Gas Cost will be recovered from the organisation that prompted the creation of the MPRN (the Shipper or the relevant Transporter) at the next available opportunity by Xoserve, subject to section 6.1.
- 6.3 All payments will be paid into a neutrality pot ("The Unregistered Site neutrality pot"), which will be managed by National Grid NTS.

7. Process for when a Shipper has provided the meter fix date

- 7.1. G7.3.7 currently allows for a Shipper to be assigned a site's consumption back to the Meter Fix Date, where the same Shipper supplies the Meter Fix Date as well as the Supply Point Confirmation.
- 7.2. For LSP MP where:
 - 7.2.1 The Shipper did not provide the Meter Fix Date, it may use the process detailed in G7.3.7 to have a site's consumption backdated to the Meter Fix

Date, providing that suitable meter readings (which may be an estimate) are provided to reflect the site's consumption over that period.

- 7.2.2. The Shipper did not provide the Meter Fix Date, then the confirming Shipper may choose the day after the MPRN creation date to be a "virtual meter fix date" to which gas consumption will be backdated to, again providing suitable meter readings (which may be an estimate) to reflect the site's consumption over that period.
- 7.3 For SSP Meter Points where:
 - 7.3.1 The Shipper may provide the Meter Fix Date in order to have a site's consumption allocated to the Meter Fix Date (i.e. use the process detailed in G7.3.7), using the MP AQ defined at MP Creation to allocate the site's consumption over that period.
 - 7.3.2. Where the Shipper is not responsible at the Meter Fix Date, then the confirming Shipper may define the day after the MPRN creation date to be a "virtual meter fix date" to which gas consumption will be allocated to, using the MP AQ defined at MP Creation to allocate the site's consumption over that period.
- 7.4 A Shipper must use all reasonable endeavours to notify Xoserve of the Meter Fix Date along with the associated Meter Fix Reading if it is available to them.

8. Unregistered Gas Charges Redistribution

- 8.1. All monies contained within the Unregistered Site neutrality pot will be distributed on a monthly basis, at the same time as AUGER charges are levied on Shippers.
- 8.2. The Unregistered Gas Charges will be distributed amongst Shippers in accordance with their User SPC Aggregate AQ Proportion for the Smaller SPC class (as determined in accordance with TPD E10.5).

Modification 0410A

Modification of the UNC is required as follows:

1. Users will be obliged to ensure that Suppliers contracted to them do not commission or procure the installation of a Supply Meter at a New Supply Meter Point in the absence of a supply contract (to be in force on and from the date of installation of the Supply Meter) with the relevant consumer.
 - o The User will warrant such to the Transporter.
2. The Transporter will take measures to identify New Supply Meter Points where a Meter Point Reference Number (MPRN) has been created (whether by the Transporter/UIP or a User) but which have been unregistered for a period of >12 months after the date of implementation of this Modification Proposal.
 - o For such New Supply Meter Points the Transporter will check industry data sources for evidence of activity which may indicate that gas is capable of flowing. These will include checking connections records, attempted confirmation/registration, RGMA data flows and Connection & Disconnection regulations notifications.
3. Where the Transporter identifies or becomes aware that a Supply Meter has been installed at a New Supply Meter Point at the request of a Supplier (this may be through site visits by emergency or maintenance engineers, attempted confirmations, RGMA data and Connection & Disconnection regulations

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notifications) and the corresponding Supply Point has not been registered by the relevant User within a period of 3 months;

- The Transporter will undertake proactive measures which may include checking industry data sources or contact with the consumer to establish the source of the request to install the Supply Meter.
 - The Transporter will notify the relevant User of the absence of a Supply Point registration.
 - In the event the relevant User warrants that their Supplier did not request installation of the Supply Meter, the Transporter will proceed in accordance with (11)
 - In the event that the relevant User cannot be identified, the Transporter will contact the Supplier to ascertain the identity of the preferred User.
 - Where it has been necessary to undertake a site visit for the purposes of validating the presence of a Supply Meter or for any reason which may be associated with the Supplier's request made under (3) any reasonable costs incurred may be levied to the relevant User.
4. The relevant User will be required within 1 calendar month to confirm or otherwise to the Transporter that a supply contract is in place between their Supplier and the relevant consumer.
 5. Where the User confirms to the Transporter that a supply contract exists or a response is not received by the Transporters in accordance with (4) the relevant User will be required to register the relevant Supply Point within 1 calendar month of being notified by the Transporter that a Supply Meter has been installed at the request of the User's Supplier.
 6. In the event that such registration does not occur in accordance with (5) the Transporter will within 1 calendar month register the relevant Supply Point on the Users' behalf.
 7. Relevant Transportation and Energy charges will be retrospectively charged to the relevant User to the point of Supply Meter installation (the Meter Fix Date).
 - The Meter Fix Date may be identified by interrogating RGMA data and Connection & Disconnection regulations notifications.
 - For the avoidance of doubt, Transportation and Energy charges will only be retrospectively charged to the relevant User if their supplier instigated the Supply Meter installation (the Meter Fix Date).
 8. In the event that a breach of the UNC has occurred contrary to (1) and the relevant User has notified the Transporter in accordance with (4) above that a supply contract does not exist between its Supplier and the consumer, the relevant User will either:
 - ensure that within 1 calendar month its Supplier procures a supply contract with the consumer and register the relevant Supply Meter Point. Note: the relevant User must advise the Transporter of this intended action as part of the above notification.
 - take steps to seek removal of the Supply Meter within 1 calendar month.
 9. In the event that a Supplier procures a supply contract, but registration in accordance with (8) does not occur, the Transporter will register the relevant New Supply Meter Point on the Users' behalf within 1 calendar month.
 10. In the event the relevant User is unable to ensure its Supplier procures a supply contract or secure such Supply Meter removal the User will notify the Transporter providing a full explanation of the circumstances under which a Supply Meter was provided and installed in the absence of a supply contract.

- The Transporter will record all relevant details and provide a report twice yearly to the Authority.
 - The Transporter will also provide a non-anonymised twice yearly report detailing breaches of the UNC contrary to (1) covering instances where a relevant User has not registered the Supply Meter Point in which a Supply Meter was fitted by its Supplier; the report will be issued to the Authority and all Users.
11. Where the Transporter identifies or becomes aware that a Supply Meter has been installed at a New Supply Meter Point but has no reasonable evidence that this was done at the request of a Supplier and the corresponding Supply Point has not been registered by a User within a period of 3 calendar months the Transporter will within 3 calendar months:
- Investigate whether the consumer has sought or procured a supply contract.
 - Where such a contract does not exist, advise the consumer to obtain a supply contract as soon as possible.
 - Where a consumer fails to obtain a supply contract the Transporter will in normal circumstances seek to disconnect the supply of gas to the consumer. This will be subject to consideration being given to any applicable legislation, regulation or code of practice that requires the Transporter to do otherwise. Transporters will undertake actions pertaining to treatment of unregistered and shipperless sites in a manner consistent with the relevant prevailing Codes of Practice.
 - Where the consumer confirms they have obtained a supply contract, the Transporter will contact the relevant User for confirmation that a supply contract is in place.
 - If the User confirms a supply contract is in place they will be required to register the relevant New Supply Point within 1 calendar month of notification by the Transporter.
 - In the event that such registration does not occur, the Transporter will within 1 calendar month register the relevant New Supply Meter Point on the Users' behalf.
 - In the event that the relevant User warrants that a supply contract is not in place, the Transporter will advise the consumer, requesting they obtain a supply contract as soon as possible.
 - In the event that the relevant User cannot be identified, the Transporter will contact the Supplier to ascertain the identity of the preferred User.
12. Where a consumer fails to obtain a supply contract the Transporter will in normal circumstances seek to disconnect the supply of gas to the consumer. This will be subject to consideration being given to any applicable legislation, regulation or code of practice that requires the Transporter to do otherwise. Transporters will undertake actions pertaining to treatment of unregistered and shipperless sites in a manner consistent with the relevant prevailing Codes of Practice.
13. Where the Transporter has received a notification in accordance with (10) it will perform the activities in (11 and 12) and will levy its reasonable costs incurred to the relevant User.
14. Where gas is found to be capable of flowing the Transporter will within 1 calendar month take steps (which may include contact with the relevant consumer) to identify whether the consumer has procured a supply contract with a Supplier.

15. Where the consumer confirms they have obtained a supply contract, the Transporter will contact the relevant User for confirmation that a supply contract is in place.
 - o If the User confirms a supply contract is in place they will be required to register the relevant New Supply Point within 1 calendar month of notification by the Transporter.
16. In the event that such registration does not occur in accordance with (15) the Transporter will within 1 calendar month register the relevant New Supply Meter Point on the Users' behalf.
17. Relevant Transportation and Energy charges will be retrospectively charged to the relevant User to the point of Supply Meter installation (the Meter Fix Date).
18. Where the point of Supply Meter installation (the Meter Fix Date) is unknown, relevant Transportation and Energy charges will be retrospectively charged to the relevant User from the date the Transporter first became aware that a Supply Meter had been installed in accordance with (3)
19. In the event that the Transporter has made a site visit for the purposes of (14) and a Supplier is found to be present, any reasonable costs incurred may be levied to the relevant User.
20. Where the Transporter identifies that a service pipe has been or is planned to be installed but a Supply Meter is not present and capable of flowing gas the Transporter will continue to monitor the position.

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.	Potentially Impacted
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.	Positive (0410 and 0410A)
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
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

Relevant Objective (c)

Some workgroup participants consider **Modification 0410** potentially impacts their licence Standard Special Condition D4 requirements to remain neutral to or not to procure energy. However, some participants disagreed, as Transporters do not own title to the energy as it remains within the system for use by the industry.

Relevant Objective (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.

Some workgroup participants consider **Modification 0410** identifies measures that serve to mitigate the likelihood of Unregistered Sites. However, a number of participants disagreed, as it does not address the root cause of unregistered sites though it may be an indirect deterrent.

Some workgroup participants consider the impact of **Modification 0410** is to promote cost targeting on those organisations that are in a position to resolve unregistered sites by controlling the creation of and monitoring of MPRNs. It mitigates the risks of such costs being otherwise shared by the industry via the RbD and Unidentified Gas processes and therefore furthers competition. However, some participants were concerned that where a Transporter or Shipper has requested the

creation of an MPRN it was then exposed to the risk of a subsequent Shipper failing to register the site, e.g. where the consumer requests a gas supply contract from a different party to that creating the MPRN.

Some workgroup participants consider this modification will impede competition, as it will discourage some participants from requesting the creation of new MPRNs to the detriment of new connections and consumers. However, some consider this risk can be mitigated by the introduction of appropriate commercial arrangements between the party arranging the creation of the MPRN and the connections company/consumer requesting its creation.

Some workgroup participants consider **Modification 0410A** identifies measures, which serve to mitigate the likelihood of unregistered sites occurring and proposed remedies where such instances are identified. 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 AUGE mechanism). Such a mechanism must therefore be considered to facilitate competition in the gas market.

Other workgroup participants were concerned that energy costs recovered by the Transporter would not be sufficient to fund the cost of the process and therefore they would need to recover the additional costs from Shippers and this would not further this relevant objective.

Some workgroup participants were concerned that **Modification 0410A** places an obligation on Shippers for the actions of Suppliers with whom they may not have a commercial relationship for a specific MPRN, which has been created at the request of the Supplier, as the framework agreement will not apply until the point of registration. Shippers will not be able to back off their obligations, as a contract will not be in place.

British Gas does not believe Modification 0410 achieves any of the relevant objectives as the modification does not target cost on industry parties that are best placed to recover the cost from consumers; the issuing of MPRNs could be impeded in an attempt to protect against unrecoverable liabilities; developers and consumers will be forced to sign long term contracts ahead of site works/meter installations which limits the ability to switch suppliers.

E.ON disagree that either modification facilitates any relevant objective. Implementation could create competition issues and EON is concerned about enforceable deemed contract provisions.

National Grid Distribution considers that effective competition is not furthered by Modification 0410 since implementation would inappropriately target costs onto Transporters and seriously impact the process for third party connections to the network. This would have a detrimental effect on competition.

National Grid Distribution considers that measures which serve to reduce Unidentified Gas can be expected to be consistent with correct targeting of costs on Users which in turn facilitate competition in the gas market. Their view is that the measures identified within Modification 0410A are likely to bring about a reduction in the volume of Unidentified Gas and the overall number of Unregistered sites.

National Grid NTS considers that Modification 0410 has a negative impact on the efficient discharge of the licensee's obligations as it potentially breaches Standard Special Condition D4 requirements to not procure energy.

National Grid NTS does not agree that Modification 0410 has a direct positive impact on effective competition as it seeks to attribute costs without incentivising resolution of the underlying causes.

National Grid NTS considers Modification 0410A has a positive impact on effective competition as it targets costs in such a way as to incentivise Users to prevent the existence of supply points flowing gas without a supply contract and being registered.

Scotia Gas Networks disagrees that Modification 0410 better facilitates effective competition. The charges imposed on the party creating the MPRN cannot in all cases be recovered and as creating an MPRN and making a connection does not facilitate gas to be taken, these costs are allocated to the incorrect party. For these reasons it can be seen to worsen competition. In addition, the proposer also states that this objective is satisfied as the modification reduces the likelihood of an unregistered site being created. As Modification 0410 is not a root cause solution, this statement is not true and so invalidates the proposers' argument.

SSE does not believe that Modification 0410 would have a positive impact on competition between Shippers or Suppliers as it has more of an impact on the connections market (which is not necessarily core to Shippers or Suppliers), but does agree 0410A would have a positive effect.

Wales & West Utilities did not believe Modification 0410 achieved relevant objective (d) as no supporting facts backed by a reason were available that would allow a conclusion that the number of unregistered sites, or the amount of unidentified gas, would be positively impacted.

5 Impacts and Costs

Consideration of Wider Industry Impacts

No impacts on other industry developments are anticipated as a result of implementing these modifications.

Costs

Some participants note that the AUG statement for 2012/13 indicated 704GWh of energy should be allocated to unregistered sites with an estimate cost of £18.66m. Therefore, a 2% recovery rate for unregistered sites will pay for the solution in

Modification 0410.

Indicative industry costs – User Pays	
Classification of the modifications as User Pays or not and justification for classification	
<p>Modification 0410 is proposed to be User Pays. Any costs should be targeted on the responsible party. For example if the Transporter requested the MPRN, then the costs associated with change should be borne by Transporters and the same for Shippers.</p> <p>Modification 0410A is not proposed to be User Pays.</p>	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
<p>Modification 0410 - Xoserve has previously indicated that for the period October 2011 to September 2012, 80% of new MPRNs were created by Transporters, with the remainder by Shippers. Therefore costs should be split 80:20 Transporter: Shipper.</p> <p>Development cost range:</p> <p>Modification 0410 – solution range £200k to £625k. Ongoing cost per year £225k to £338k</p> <p>Modification 0410A – no additional costs identified to the industry.</p>	
Proposed charge(s) for application of Users Pays charges to Shippers	
<p>Modification 0410 - The charging basis for Shippers will be an allocation of the development costs to each Shipper based upon each Shipper's number of supply points in proportion to the total number of all Shippers' supply points as measured on the date of the implementation of the modification, excluding Unique Sites.</p>	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
TBC	

Impacts

Impact on Transporters' Systems and Process		0410 and 0410A
Transporters' System/Process	Potential impact	Modification Report
UK Link	<ul style="list-style-type: none"> Changes to Transporters' systems will be required 	12 July 2013
Operational Processes	<ul style="list-style-type: none"> Changes will be required 	Version 3.0
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User Pays implications	<ul style="list-style-type: none"> New User Pays service
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Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	The industry will need to find a mechanism whereby the Shippers and Transporters are assigned costs associated with gas consumed at Unregistered Sites.

Impact on Transporters	
Area of Transporters' business	Potential impact
Development, capital and operating costs	<p>0410 - It is expected that Transporters will undertake more site inspections to avoid incurrence of costs.</p> <p>0410A - Medium level implementation costs would be incurred by Transporters as a consequence of implementing this modification.</p>
Contractual risks	0410 - Transporters may need to adjust their siteworks contract to avoid incurring costs through this process.

Impact on Code	
Code section	Potential impact
Section G 3.8	<p>0410 - Disablement of supply – can be expanded to cover the investigation and disconnection process.</p> <p>0410 - Expand to give Transporters responsibility for gas off-taken following a siteworks new connection where no Shipper is in place.</p>
Section G 7.2.2 and 7.3.3	

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.com/networkcodearchive/551-575/>

6 Implementation

Implementation for Modification 0410:

01 December 2013 if a decision is received after 01 April 2013 and prior to or on 01 June 2013

- 01 April 2014 if a decision is received after 02 June 2013 and prior to or on 01 October 2013
- If a decision is received after 01 October 2013 implementation should on the following 01 April that is at least 6 months after the decision date.

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- Note: The modification will not be effective for the first 12 months following implementation.

Implementation for Modification 0410A:

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 proposed changes would have a prospective effect only and would not apply to any 'backlog' of unregistered sites, which currently exists. 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 Supply Point be required in respect of any period prior to the implementation date.

7 Legal Text

Text for Modification 0410

The following Text has been prepared by Northern Gas Networks.

National Grid Distribution has identified a number of anomalies with the legal text for Modification 0410.

TPD Section G7.3.8(g) refers towhether a meter has been fixed at the relevant offtake point; Should be consistent with Section M2; i.e. Supply Meter being installed at the Supply Meter Point.

TPD Section G7.3.8(c) Within 40 business days. Should be Business Days (defined term). Also paragraph 7 below, whereas all other UOQ shall be dealt with as described in paragraphs 8-9 below. Should be g, h and i

.....creation of the MPRN to the date of the site visit, the "Unregistered Offtake Period". MPRN is not defined (also on (e and g).

TPD Section G7.3.8 (g) Where the Unregistered Offtake Amount is in relation to a site. Should be Supply Meter Point.

TPD Section G7.3.8(h) In respect of all other Unregistered Offtake Amounts arising within an LDZ such sums shall at the point at which the Supply Confirmation Point is confirmed, fall into the prevailing reconciliation Billing Period and be added to the UOQ Pot for that LDZ. We are unclear as to the meaning of the underlined text? Also UOQ Pot is not defined. Finally, should be Reconciliation Billing Period.

TPD Section G7.3.8(j) for a Billing period. Should be Period.

TPD Section G7.3.8(k) incurred by the relevant transporter. Should be Transporter

National Grid NTS does not feel that the legal text provided for Modification 0410 adequately provides for the concept of a "Unregistered Site neutrality pot" as described above and therefore we are not satisfied that the legal text can be used as proposed.

Transportation Principal Document – Section G

Insert new section G.7.3.8

“7.3.8

- (a) Where following a period of 12 months from the creation of a Supply Meter Point Reference Number, other than at the request of a User, in respect of a Supply Meter Point pursuant to paragraph 7.3.1 a Supply Point Confirmation has not been made, or treated as made in accordance with the Code and the Supply Meter Point does not have a Registered User, **or** when in respect of such a Supply Meter Point a Supply Point Confirmation is then made then the provisions of this section shall apply.
- (b) The Transporter shall, as soon as reasonably practicable, arrange for a site visit to be carried out for the purpose of ascertaining whether the Supply Meter Point falls within the scope of this paragraph; whether the Supply Meter Point is connected to the LDZ network; whether a meter has been fixed at the relevant offtake point; whether gas is capable of being offtaken at the Supply Meter Point and if so whether there is any evidence of gas having been offtaken.
- (c) Within 40 business days following such a visit where evidence of gas having been offtaken is obtained the Transporter shall, from all information reasonably available to it, seek to estimate the quantity of gas (the “Unregistered Offtake Quantity”) that may have been offtaken from the Supply Meter Point from the point of creation of the MPRN to the date of the site visit, the “Unregistered Offtake Period”.
- (d) Having established the Unregistered Offtake Quantity the Transporter shall then calculate the value of the Unregistered Offtake Quantity which shall be referred to as the Unregistered Gas Amount as follows:
$$UOA = UOQ * UOPSAP$$
Where UOPSAP is the arithmetic average of the values of the System Average Price for the each of the days of the Unregistered Offtake Period.
- (e) A Unregistered Offtake Amount that relates to a Supply Meter Point where the MPRN was created by a User shall be dealt with as described in paragraph 7 below, whereas all other UOQ shall be dealt with as described in paragraphs 8-9 below.
- (f) For the purposes of this paragraph 7.3.8, for each LDZ, for each User, for each Reconciliation Billing Period, the User Unregistered Offtake Amount Proportion shall be the User Aggregate Smaller Supply Point AQ divided by the Aggregate LDZ Smaller Supply Point AQ.
- (g) Where the Unregistered Offtake Amount is in relation to a site where the MPRN was created by a User, the Unregistered Offtake Amount shall be payable by way of an adjustment by the User to National Grid NTS and shall at the point at which the Supply Point Confirmation is made be invoiced and payable in accordance with Section S. The sum received from the User shall be included within the UOQ Pot for that LDZ.
- (h) In respect of all other Unregistered Offtake Amounts arising within an LDZ such sums shall at the point at which the Supply Confirmation Point

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is confirmed, fall into the prevailing reconciliation Billing Period and be added to the UOQ Pot for that LDZ.

- (i) The aggregate Unregistered Offtake Amount for an LDZ in a reconciliation period shall be multiplied by a Users Unregistered Offtake Amount Proportion to determine the Users Unregistered Offtake Value.
- (j) The Users Unregistered Offtake Value for a Billing period shall be payable by way of an adjustment invoice to the User by National Grid NTS and shall be invoiced and payable in accordance with Section S. NTS shall be entitled to invoice the relevant Transporter for the Users Unregistered Offtake Value in respect of the relevant LDZ.
- (k) Where a Transporter carries out a site visit under paragraph 7.3.8 the User shall be liable for all reasonable cost incurred by the relevant transporter in accordance with Siteworks Terms and Procedures (as defined in Section G7.2.2).

Text for Modification 0410A

The following Text has been prepared by National Grid Distribution.

[TPD Section G Supply Points](#)

Insert paragraph 2.12 as follows:

2.12 Unregistered New Supply Meter Points

- 2.12.1 Each User warrants to the Transporter that it will not (and where the User will not be the supplier its supplier will not) install or procure the installation of a Supply Meter at a New Supply Meter Point created after 1 September 2013 without first having a Supply Contract in place with the consumer. [BR1]
- 2.12.2 Each Transporter will from time to time identify any new Supply Meter Point Reference Numbers created after 1 September 2013 and for which there has been no First Supply Point Registration Date in accordance with paragraph G7.3.4 for a period greater than 12 calendar months since the Supply Meter Point Reference Number was created and where the Transporter has evidence of a Supply Meter being in place for a period greater than 3 months after the creation of the New Supply Meter Point, which is capable of flowing gas, the Transporter will take steps to establish who requested installation of the Supply Meter which may include making enquiries of the consumer. [BR2]
- 2.12.3 Pursuant to paragraph 2.12.2 where the Transporter obtains information that a supplier requested the installation of the Supply Meter and the User subsequently confirms this the Transporter will notify the relevant User that no Supply Point Registration is in place at the New Supply Meter Point and:
 - (a) where the User confirms that a Supply Contract is in place between the supplier and consumer or does not respond within 1 calendar month of being notified by the Transporter the relevant User will register such New Supply Meter Point in accordance with paragraph 2 or take steps to remove the Supply Meter within 1 calendar month, failing which the provisions of paragraph 2.12.4 shall apply; or
 - (b) where the User confirms within 1 calendar month that no Supply Contract exists between the supplier and consumer the User shall ensure the supplier procures a Supply Contract with the consumer and will register such New Supply Meter Point in accordance with paragraph 2 or procure removal of the Supply Meter within 1 calendar month. [BR3/4/5]

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- 2.12.4 Where the User does not comply with the obligation to register such New Supply Meter Point in accordance with paragraph 2.12.3 (a) or (b) or 2.12.9 (a) the User shall be deemed to have granted the Transporter authority to register such New Supply Meter Point on its behalf and:
- (a) the First Supply Point Registration Date shall be deemed to be the Meter Fix Date or if this is not known the date the Transporter first became aware that a Supply Meter had been installed; and
 - (b) 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 Supply Meter is physically connected to a System such that gas is capable of being offtaken (without further action being taken) from the Total System. [BR6/8/9/11]
- 2.12.5 The Registered User pursuant to 2.12.3, 2.12.4 or 2.12.9 (a) 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 for reasons including validating the presence of a Supply Meter or 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 reasonable costs incurred by the relevant Transporter in discharging its obligations under paragraph 2.12; and
 - (c) all charges (including without limitation Transportation Charges and Energy Balancing Charges) associated with such New Supply Meter Point from the Meter Fix Date or if this is not known the date the Transporter first became aware that the Supply Meter had been installed.
 - (d) Where the Registered User is liable for any charges in accordance with (c) 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.
- [BR7]
- 2.12.6 In the event that the User does not comply with the obligation to register such New Supply Meter Point in accordance with paragraph 2.12.3(b) because it is unable to ensure its supplier procures a Supply Contract or the removal of the Supply Meter, the User shall submit a report to the Transporter detailing the circumstances in which a Supply Meter was installed without a Supply Contract being in place and any subsequent action the User has taken to try to rectify this. [BR10/13]
- 2.12.7 Each Transporter will keep a record of any reports it receives under paragraph 2.12.6 and submit a report twice yearly:
- (a) to the Authority giving details of the reports received from each User (on an attributable basis); and
 - (b) to the Authority and all Users of the number of incidences where a User has not complied with paragraph 2.12.1 (on an attributable basis). [BR10]
- 2.12.8 Further to paragraph 12.2.2, in the event that either:

- (a) the User confirms that the supplier did not request installation of the Supply Meter and the relevant New Supply Meter Point has not been registered by a User within 3 calendar months of the Transporter becoming aware that a Supply Meter has been installed at a New Supply Meter Point; or
- (b) the User confirms that the supplier did request installation of the Supply Meter and the User has taken steps in accordance with paragraph 2.12.3 (b) to try and ensure the supplier procures a Supply Contract with the consumer but no Supply Contract is in place and the User has been unable to procure removal of the Supply Meter,

then the provisions of paragraph 2.12.9 shall apply.

2.12.9 The Transporter will within 3 calendar months advise the consumer to obtain a Supply Contract and:

- (a) if the consumer confirms that a Supply Contract is already in place and the relevant User verifies this then the relevant User shall register such New Supply Meter Point in accordance with paragraph 2 within 1 calendar month of being notified to do so by the Transporter failing which the provisions of paragraph 2.12.4 shall apply; or
- (b) if the consumer does not enter into a Supply Contract or the Transporter is unable to ascertain whether a Supply Contract is in place then the Transporter shall seek to disconnect the supply of gas to the consumer subject to any applicable legislation, regulation or Code of Practice.

[BR11/13/14/15]

8 Consultation Responses

Representations were received from the following parties:

Company/Organisation Name	Support Implementation or not?		Stated Preference
	0410	0410A	
British Gas	Not in Support	Support	0410A
Consumer Representative	Not in Support	Support	-
Corona Energy	Support	Support	-
DONG Energy	Support	Comments	-
E.ON UK	Not in Support	Not in Support	0410A
Gazprom	Support	Support	-
National Grid Distribution	Not in Support	Support	0410A
National Grid NTS	Not in Support	Support	0410A
Northern Gas Networks	Not in Support	Support	-
RWE npower	Support	Support	0410
Scotia Gas Networks	Not in Support	Support	0410A
Squire Energy Limited	Neutral	Neutral	0410A
SSE	Not in Support	Support	0410A
Total Gas & Power	Support	Support	-
Wales & West Utilities	Not in Support	Support	0410A
Wingas UK	Support	Support	-

Modification 0410

Of the sixteen representations received, six supported implementation, one remained neutral and nine were not in support.

Modification 0410A

Of the sixteen representations received, thirteen supported implementation, one provided comments, one remained neutral and one was not in support.

Preference

Of the sixteen representations received one stated a preference for Modification **0410**.

Of the sixteen representations received eight stated a preference for Modification **0410A**.

A number of respondents did not state a preference, believing instead that these modifications should not be considered to be alternates to each other and that both modifications could be implemented.

Summary Comments

Corona Energy, Dong Energy, Gazprom, RWE Npower, Total Gas & Power and Wingas believe these modifications are not alternates and that both could be implemented. However, British Gas believes there is a risk of double jeopardy if both modifications were to be implemented and this could adversely distort competition by the potential to charge twice for the same costs.

SSE believes that it is possible for both modifications to be implemented at the same time, but does not believe that they should be, highlighting the possibility of double

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charging. If both were to be implemented they suggest further analysis is performed to understand the impacts.

National Grid Distribution also considered simultaneous implementation would give rise to multiple issues around dual governance and charging, specifically 'double' and site visit charging.

E.ON were unable to support either modification. Despite being supportive of the desire to reduce unregistered gas they believe there are flaws in the approach to both modifications.

National Grid NTS does not consider Modification 0410 can be implemented in to the UNC as it stands. Apart from the potential breach of the Transporter licence, they also feel that the concept of an "Unregistered Site neutrality pot" has not been properly considered. The modification seems to imply that the same philosophy as the existing energy balancing neutrality mechanism in Section E will be followed and this cannot be the case. There is no detail provided in the modification as to how this activity will be undertaken and without this information it cannot be implemented.

National Grid NTS considers that Modification 0410A could be implemented as it works within existing Code features and simply seeks to reinforce compliance with UNC TPD section G.

Northern Gas Networks disagrees that these modifications could be implemented together as implementation of both proposals could lead to a number of conflicting situations. If both modifications were implemented then it would be possible for transportation and energy charges to be made under Modification 0410A and an unregistered gas charge equal in value to the cost of gas consumed could be made under Modification 0410. This could lead to one party being charged twice, or for different parties to both be charged for the same period for the same meter point.

Northern Gas Networks considers it would be possible for a different shipper to be involved in the creation of an MPRN, the fitting of a meter and the subsequent supply contract. If both modifications are implemented it is possible both parties could be charged as a responsible party, while the shipper who fitted the meter is auto-registered after failing to do so themselves or provide suitable evidence that they should not be held responsible.

Northern Gas Networks also considers implementation of both modifications could lead to Transporters being obliged to visit a site under Modification 0410 when a site may be potentially resolved under Modification 0410A, creating inefficiency and additional cost for the industry to bear.

SGN did not feel that the two modifications are compatible. Firstly the two modifications pass on different types of charges (although they are likely to be of similar value) and so many parties will incur double charges if both modifications were implemented. As Modification 0410 allocated charges based on transportation and SAP but which are in fact "unregistered" charges, these would be charged as soon as a shipper registers a site. At the same time under Modification 0410A, charges would be allocated through the normal settlement process for transportation and gas back to the meter fit date hence creating double charging. It would be impossible to recover these double charges as the consumer who has taken the gas (if the party is able to identify the relevant consumer) could only be billed for one set of charges whilst the other would simply be a penalty on the party creating the MPRN.

0410

British Gas opposes Modification 0410 because the liability is placed on the Shipper that creates the MPRN rather than the Shipper that requests the meter install and it is the meter installation that creates the ability for the offtake of unregistered gas; there is no incentive on a Shipper to remedy the situation if they did not request the MPRN; as an unintended consequence MPRNs may stop being created to protect against uncapped liabilities; the modification does not offer a mechanism to reduce unregistered site volumes and the modification has the potential to break the relationship between a liable Shipper and gas consumer.

Scotia Gas Networks is concerned that Transporters would face considerable costs should Modification 0410 be implemented. They would be responsible for visiting every unregistered site 12 months after MPRN creation, even where they know the site is not

offtaking gas, only being able to claim back the costs where the MPRN has been created by a shipper. Additional site visits may also be required following the initial one. This places a very substantial and unnecessary cost on Transporters.

Scotia Gas Networks is concerned that Modification 0410 states that costs should be allocated to the responsible party with 80% of charges for the transporters due to transporter creating around 80% of MPRNs. They disagree that this is a fair split as out of these 80% they currently create around 20% at the request of shippers and so this would need to be taken into account should the modification be implemented.

Squire Energy is concerned about perceived anticompetitive behaviour with potential actions to mitigate against liabilities from energy charges whereby parties may seek to restrict new connections without a valid supply contract. As a result they are unwilling to endorse the modification given the potential detriment to smaller market players.

SSE believes it is not unreasonable for live offtake points identified through their MPRN to be available and ready for use following a new connection. Consequently they believe it is unreasonable to target those parties that create MPRNs. What they believe is unreasonable is offtake points remaining live indefinitely with no responsibility for ensuring that the use of gas at that point is registered, safe and legal. They ideally would like all live offtakes without meters managed and monitored the same way as disconnection and meter removals. They believe MPRNs should only be created when live offtakes are created which would assist with monitoring site activity.

Wales & West Utilities believes Modification 0410 has the potential for Transporters to have uncapped liabilities which is inconsistent with the general manner in which UNC liabilities are governed.

0410A

Scotia Gas Networks prefers Modification 0410A as it proposes a different solution triggered by a meter being fitted i.e. gas being enabled to flow. Although they note that this is not a root cause solution, this modification proposes a thought-out process which places responsibility on the party who allowed gas to flow by fitting the meter and where this is not possible reverts back to the transporter as per their licence obligation.

They also consider that this modification poses a good solution, which does not place undue costs on any industry party and does achieve the goal of ensuring that MPRNs are registered (or disconnected as per transporter discretion) at the end of the process. This solution is also well synchronised with the root cause measures being implemented and will act as an excellent backstop should the measures in some cases not be effective.

Additional Issues Identified in Responses

British Gas is concerned about the unintended consequences associated with Modification 0410 as it does not remedy unregistered sites or the root cause of unregistered sites; there is no incentive on a Shipper to resolve the unregistered site if they do not create the MPRN; the creation of MPRNs could be blocked in an attempt to protect against unrecoverable liabilities; there is a risk that orphaned site costs would be assigned to the Shipper which created the MPRN, the modification does not re-allocate the energy by RbD and the risk is energy allocation is not smeared correctly; customer own meter installation is not catered for; nor does the modification cover disconnections of an unregistered site or how unregistered sites are managed where a supply contract is found to be in place.

E.ON believes 0410A makes it difficult for customers to exercise their right to have a meter fitted independently until they have agreed to a supply contract when the Gas Act clearly envisaged that a meter may be fitted in the absence of the knowledge of the supplier. They note that there is no requirement on a meter installer to have evidence of a supply contract before it is permitted to install a meter and equally Transporters are able to release MPRNs without evidence required on the existence of a supply contract. They highlight that an integrated gas supply company with a metering business may offer to install meters but it cannot require a customer to enter into a supply contract as a condition of installation as this would limit the customer's choice of suppliers and could be rightly challenged by other suppliers as anticompetitive. E.ON believed a controlled release of MPRNs could reduce the risk of unregistered supplies, would ensure there are no gaps in registration, and align to iGT processes.

Northern Gas Networks is concerned that Modification 0410 obliges Transporters to visit every unregistered site within 12 months of the MPRN being created. If implemented this

will create a new unfunded activity for Transporters and place additional strain on their workforce, without addressing the root cause of the issue or facilitating a registration where a shipper fails to undertake one. Furthermore, the allocation of a charge equivalent to the offtaken gas where registration has not occurred in the appropriate manner being allocated to the creating party, would force Transporters to take measures to limit the supply of MPRNs to ensure registration occurred with each one. This could create a significant impact on UIPs, due to the additional time it would take to process MPRNs on an individual basis.

Squire Energy highlighted that the needs of large complex or multi-phased sites have not been fully considered and challenged the definition of a fitted or connected meter. They believed that the modification appeared to be ill thought out for complex developments. They believed a meter should only be defined as fitted or connected if it has been commissioned and that appropriate security could be put in place to prevent the offtake of gas and negate the need for developers to enter into a Gas Supply Contract. They also challenged how Gas Suppliers will set an economic price of gas years in advance for major developments.

SSE believes under Modification 0410 that contracts and agreements would not enable the recovery of all costs allocated to Shippers, particularly where there is a change in tenancy.

Wales & West Utilities expressed concern that Modification 0410 may dictate a change in which UIPs and Transporters interface with respect to MPRN management, which could ultimately lead to a detrimental service to customers. Although this was not the intent it could be an unwanted consequence.

9 Panel Discussions

The Panel Chair summarised that both Modification 0410 and the alternative, Modification 0410A, seek to address the issue of meter points where gas is being offtaken but no Shipper is registered. Modification 0410 makes the Transporters responsible for gas that is offtaken at unregistered sites. This creates a risk for the Transporters and the modification envisages that risk mitigation strategies will be put in place that would seek to ensure that no loss is incurred, such that the volume of any such offtaken gas would be reduced. The alternative seeks to pass responsibility for any offtaken gas to the party responsible for a meter being fitted, with risk mitigation strategies again expected to lead to a reduction in the number of instances of a shipperless site arising.

Panel Members recognised that gas being offtaken at unregistered sites is allocated between Shippers in general rather than being targeted at any specific party. This creates a cost across the market as a whole, and a risk since costs are incurred that do not relate to a Shipper's portfolio. Reducing this otherwise unallocated volume of gas would be expected to reduce risk and improve the targeting of costs to the appropriate party. Hence any measures to reduce the volume of gas offtaken at unregistered sites would be consistent with facilitating the securing of effective competition between Shippers and between Suppliers.

Some Panel Members felt that Modification 0410 would deliver a reduction in the volume of gas offtaken at unregistered sites since it would ensure that a party has a clear commercial incentive to ensure that this the case. In response to that cost driver, the Transporters would be expected to implement steps that would mitigate the risks faced, such as restricting the number of MPRNs created or requiring warrants that the meter point would be registered. However, other Members were concerned that this could have a negative impact on the connections market and potentially reduce the number of new (registered) connections, thereby restricting the size of the market and hence being deleterious to competition between Shippers and Suppliers.

Panel Members felt that Modification 0410A would similarly deliver commercial incentives that would be expected to reduce the volume of gas offtaken at unregistered sites and so facilitate the securing of effective competition. This was, however, directed at the party requesting that a meter be fixed, and so was seen by

some Members as likely to be more effective than Modification 0410 since the impact would be closer to the root cause of the problem.

Panel Members noted a concern that implementation of Modification 0410 may be inconsistent with Standard Special Condition D4 of the Transporter Licence requirements to remain neutral to or not to procure energy. Whether or not this Licence is breached is a matter of legal interpretation but any breach would mean implementation of Modification 0410 would be inconsistent with efficient discharge of the licensee's licence obligations.

Some Panel Members felt that, rather than being alternatives, Modification 0410 could be seen as a backstop and so be implemented in addition to Modification 0410A. Others were concerned that this would create a possibility for double charging such that it would be inappropriate to implement both modifications. With amendment, the two approaches could be implemented but this would require changes to be made to the modifications and the associated legal text in order to be effective.

Members then voted and, with 3 votes in favour, failed to determine to recommend that Modification 0410 should be implemented. With 9 votes cast in favour, Members determined to recommend that Modification 0410A should be implemented.

Members then considered which of the two modifications, if one were to be implemented, would be expected to better facilitate the relevant objectives. With one vote preferring Modification 0410, and 8 votes preferring Modification 0410A, Members determined that, of the two, Modification 0410A would be expected to better facilitate the relevant objectives.

10 Recommendation

Panel Recommendation

Having considered this Modification Report, the Panel recommends:

- that proposed Modification 0410 should not be made;
- that proposed Modification 0410A should be made; and
- that proposed Modification 0410A better facilitates the Relevant Objectives than proposed Modification 0410.

11 Appendix 1 (Modification 0410A)

