

31 October 2014

Ms Maxine Frerk  
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Dear Maxine

**RE: GDN Response to Ofgem's Open letter to Gas Distribution Networks on Tackling Unregistered Sites**

I refer to your letter dated 9 August 2013 which identifies Ofgem's expectations for Gas Distribution Networks (GDNs) to address the industry issue of unregistered sites. Please find below the joint Gas Distribution Networks (GDNs) final update. This letter has been jointly collated and represents the collective views of the GDNs. The GDNs agree that this may be published alongside the letter on Ofgem's website.

In Ofgem's letter GDNs were requested to consider additional root cause measures to prevent new unregistered sites being created and also establish a robust plan to materially and measurably reduce the number of existing unregistered sites over a 12 month period. GDNs have expended a considerable amount of effort in both of these areas over the past year and have set out details of the outcome within this letter.

As we noted in our initial response to Ofgem 9 September 2013 we do not consider that GDN actions alone would deliver suitable resolutions to the relevant issues and it is our view that actions from other industry participants are required. It is acknowledged that Shippers, Suppliers, Utility Infrastructure Providers (UIPs) and others, including those individuals taking gas without a Supply Contract and/or Shipper registration, all contribute to the root cause of unregistered sites. Although we did see a substantial supporting effort from one Shipper over the past year, co-operation from others has unfortunately not been forthcoming which is disappointing given that this is an industry issue. Notwithstanding this we believe that much has been achieved and we are pleased with the outcome which in our opinion meets and possibly exceeds Ofgem's requirements.

## **New Connections**

GDNs have implemented a number of mitigation measures over the past 12 months including:

1. Tighter controls over the MPRN batches provided to connection providers
2. A joint GDN information leaflet provided to all new connections, a copy of which is provided as an attachment.
3. Two modifications to the Meter Asset Managers Codes of Practice (MAMCoP). The first change was implemented in February 2014 and prevents a meter being fitted without a supply contract in place. The second change which is progressing through governance at present, seeks to obligate Meter Asset Managers (MAMs) to provide yearly portfolios to our agents Xoserve so that meters installed at shipperless and unregistered (S&U) sites can be easily identified. We anticipate that this will be implemented in February 2015.
4. UNC Modification 0431 which has been progressing since April 2014 identified around 2,800 MPRNs on supplier portfolios but lacking shipper registration (excluding unknown MPRNs and IGT sites). To date 1,872 (66%) have been registered due to this modification to Code.
5. An innovation project is currently being progressed through the Energy Innovation Centre to create a fitting which can be placed on a service outlet following a Gas Safety visit and would prevent meters being fitted/gas being offtaken illegally . Further information can be found through this link - <http://www.igem.org.uk/news/igem-news/igem-news/eic-supports-nationwide-call-to-combat-gas-theft.aspx>

We believe all of the above solutions work in conjunction with the implemented UNC Modifications (0410A, 0424 and 0425) to reduce the likelihood of any new S&U sites flowing gas without a Supply Contract. GDNs will continue to monitor the effectiveness of these measures and provide regular reporting to the industry at the Xoserve Shipperless & Unregistered Working Group (SUWG).

Our focus is now on the Shipper Meter Point Reference Number (MPRN) creation process. New measures were discussed at the September 2014 SUWG to seek to ensure that duplication and data errors are kept to a minimum. We will also be working more closely with UIPs to ensure that adequate processes are in place for MPRN creations and cancellations.

## Existing Unregistered Sites

In Ofgem's letter last year GDNs were requested to draw up a plan "to reduce the number and materiality of existing unregistered sites that are taking, or are capable of taking, a supply of gas". GDNs reviewed the total numbers of S&U sites and identified the categories which were believed to be most likely to be offtaking gas. These included Shipper Activity, No Activity, Orphaned and Shipperless 'pots'.

GDNs presented a plan to industry in October 2013 setting out our intentions on leading the industry through a programme of work to reduce these high priority S&U sites. In November 2013 a snapshot of the backlog of S&U sites, as reported through SUWG, was taken.

As per the plan, the ring-fenced pot was firstly subject to extensive data cleansing then letters were issued to consumers by Xoserve and where necessary site visited by the GDN.

The breakdown of these sites is shown below:

<b>Base Data Set Nov-13</b>		
Shipper Activity – Unregistered sites with no evidence of any shipper activity	<b>242</b>	
Orphaned – Unregistered sites with previous shipper activity	TOTAL	<b>14,969</b>
	With Meter	6,266
Shipperless Sites - Shipper (PTS) – Gas Safety visit identified same meter on site	<b>1,568</b>	
Shipperless Sites - Industry (SSP) – Gas Safety visit identified different meter on site	<b>4,748</b>	
No Activity – Unregistered sites with no evidence of shipper activity	<b>1,290</b>	
Legitimately Unregistered – Gas not capable of flowing	37,487	
Meter Point created less than 12 months	35,058	
Total Shipperless Sites	<b>6,316</b>	
Total Unregistered Sites	<b>16,501</b>	

### Activities undertaken

As detailed in the plan provided by the GDNs to tackle the S&U portfolio of sites, a number of steps were taken by Industry Parties. These are summarised below:

- 1) Xoserve issued reports to Shippers and GDN's for investigation.
- 2) Shippers and GDNs responded and asked for a number of sites to be removed from the sample population for future steps of the exercise, pending further investigation.
- 3) High level data-cleansing activities, primarily around address data were carried out to ensure incomplete or insufficient addresses were not subject to lettering processes.
- 4) The remaining S&U portfolio (minus any sites already confirmed, dead or extinct) were sent 2 letters. These were issued in tranches with a gap of 2 weeks between Letter 1 and Letter 2 (moving to a 3 week gap for later tranches).
- 5) Responses were analysed and where necessary details passed to Shippers and GDNs where further action was required.
- 6) GDNs commenced internal investigations and site visits which is still ongoing for most networks as this is a very time-consuming activity

### Results of the activities to date

Pot	Starting Pot Total	Total Set to DE	Total Set to EX	Total Confirmed	Total Deemed Legitimately Unregistered	Total Resolved	% of Starting Pot Total
No Shipper Activity	1290	76	103	344	11	534	<b>41.40%</b>
Orphaned	14969	1162	1698	2419	245	5524	<b>36.90%</b>
PTS	1568	94	52	531	62	739	<b>47.13%</b>
Shipper Activity	242	10	23	63	0	96	<b>39.67%</b>
SSP	4748	466	336	792	215	1809	<b>38.10%</b>
<b>Total</b>	<b>22817</b>	<b>1808</b>	<b>2212</b>	<b>4149</b>	<b>533</b>	<b>8702</b>	<b>38.14%</b>

## **Summary**

We hope that the above information provides Ofgem with sufficient assurance that it can conclude that adequate root cause measures have now been implemented by GDNs. We also believe that we have met and exceeded Ofgem's aspiration in making material and substantial reductions in the number of S&U sites including those which are capable of taking a supply of gas.

We look forward to hearing back from Ofgem on the material provided and would welcome any questions or feedback you may have.

## **Next steps**

You will be aware that industry discussions regarding the treatment of S&U sites are ongoing within the SUWG. Presently several further root cause mitigation measures are being considered and UNC arrangements are being put in place to address newly created sites. As we have alluded to above, we have some concern regarding the extent of Shipper User participation and level of commitment to dealing with the existing portfolio of S&U sites and identifying how the likelihood of S&U sites arising can be avoided. We feel that it is vital that elimination of S&U sites requires the participation of all parties and not simply left as being a 'Transporter problem'.

From experience gained in the exercise we have identified that reducing the S&U portfolio is a source of negative feedback and has an adverse impact on consumers (based on responses to the lettering exercise and site visits) and requires extensive administrative commitment in our back office together with diversion of resources from other activities in our operational functions. Therefore we believe it essential that we review and discuss our experiences with you at the earliest opportunity.

Yours sincerely



David Smith  
**Chief Executive**

**On behalf of GDN Regulation Managers**

Attachment – Joint GDN Leaflet (provided to all new gas connections)