



respect > commitment > teamwork

## Root Cause Summary

### Review of root cause issues affecting the population of Shipperless and Unregistered Meter Points Approved Version 1.0

This workgroup report is presented following 12 months of industry discussions reviewing the root cause issues that have, and continue to have, a direct impact on the population of Shipperless and Unregistered meter points.

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## **1. Background**

The Shipperless and Unregistered Workgroup was founded back in May 2007. Initially the group consisted entirely of shippers but later became a cross industry meeting. The group was established to deal with operational issues and to look at ways in reducing the population of the Shipperless and Unregistered sites held on Sites and Meters.

Project USNANA (Unregistered Sites, No Activity, No Asset) had already reduced the population of the Shipperless and Unregistered portfolio, however these volumes then proceeded to be replenished and it soon became apparent that further work was needed to establish the root causes of the Unregistered Meter Point Reference Numbers (MPRN).

Prior to a wider industry group being established a new process to manage and monitor the entire population of Shipperless and Unregistered Meter Points was agreed at the March 2009 meeting which became effective in May 2009.

The proposal at the June 2009 meeting was that any future meetings should look at ways in dealing with the following:

- Collectively establish & administer activities to correct the current and ongoing Unregistered and Shipperless Meter Points recorded within the central systems.
- Identify root causes; fix and/or propose fixes for the deficiencies in the current processes; and identify and introduce, or make recommendations for, new processes to alleviate the problems identified.

A cross-industry group was established that started reviewing the root causes in January 2010 with an agreement on setting out the terms of reference the group should follow (**Appendix 22.1 page 22**)

There are no formal governance arrangements around the Shipperless and Unregistered Working Group and it was therefore accepted that whilst there may be some recommendations and proposals that the group could take forward and implement, others would require raising and taking forward to be discussed in a more structured governance format.

The definitions (Agreed with Ofgem and supported by the industry)

Shipperless Meter Point – A supply point that has no current registered shipper but previously had one, and for which it has been established that gas is being consumed through a meter.

Unregistered Meter Point - A supply point that has never been registered by a shipper but where there is a meter fitted and it has been established that gas is being consumed through a meter.

Unregistered sites can fall into one of the following categories:

- Service never installed
- Service still in planning stage of installation
- Service installed but no intention, yet or ever, of having a meter fitted
- Service installed and meter in planning stage to be fitted
- Service installed and meter fitted
- IGT site
- Data Issues

Shipperless Sites can fall into one of the following categories:

- New meter installed
- Meter never removed
- Industry processes
- Data issues

The details of each meeting and root cause topics discussed in the Industry Meetings can be found on the Joint Office Website; **[www.gasgovernance.co.uk](http://www.gasgovernance.co.uk)**

## **2. Current Process**

The current high level process for the request and creation of a meter point is under **Appendix 22.2 Page 27**

The current high level process for Unregistered Meter Points is under **Appendix 22.3 Page 27**

The current high level process for Shipperless Meter Points is under **Appendix 22.4 Page 28**

## **3. Root Cause - Background**

During the meetings, the group identified fifteen 'root causes' that were at the heart of the Shipperless and Unregistered portfolio.

A schedule was drawn up to document the root cause title as follows:

<b>Ref</b>	<b>Root Cause Title</b>
1	Timescales for MPRN Request
2	Xoserve is not informed of new service job cancellation or deferment.
3	Service laid but no MPRN is requested.
4	Inaccurate tagging of services
5	MPRN's Created for IGT / LPG Sites
6	MNC Queries
7	Existing Services not set to DE
8	Existing Services set to DE in error
9	Address Clarity
10	Legitimately Unregistered Sites
11	Meters fitted on site but not confirmed on Sites and Meters
12	MPRN Allocation
13	No response to shipper activity, MAM & UIP reports
14	Shipperless Sites (PTS and SSP Reports)
15	End Solution

Each of the root causes were discussed as individual agenda items at meetings and were discussed at length, and then captured as individual documents within their own right.

Although some root causes did overlap, they were still documented individually. The formats of these documents are as follows:

- Root cause reference number and title
- Problems/Issues – current issues surrounding this root cause
- Discussion Points/comments – items debated within the group
- Actions for the working group – any actions to be taken away by group
- Proposal; advantages/disadvantage – possible solutions with pros/cons

#### **4. Root Cause 1 – Timescales for MPRN Creation**

Pre August 2002 the creation of a Meter Point Number onto Sites and Meters was at the point of physical laid service and meter fitted. In order to support metering competition this was changed to create at quote acceptance stage.

This has resulted in issues arising from this process:

- Unnecessary work being carried out in creation that are subsequently cancelled
- Address issues with having the creation significantly in advance of the actual service being laid
- Services being laid that may never have a meter and therefore confirmation

Comments from the group stated:

- Any requester of a service preferred to have details of the Meter Point at the earliest opportunity.
- In order to plan any meter work, advance notice had to be provided, which also meant supporting this with details of the Meter Point Number
- A change to the current process needs to be looked at as many quotations are not concluded

**Proposal 1:** Create MPRN at quotation acceptance stage (Current Process)

**Proposal 2:** Create the MPRN at service planned date stage

**Proposal 3:** Create the MPRN post service laid

**Proposal 4:** Create MPRN at a fixed date prior to service in the ground and meter fix stage (e.g. 5 days)

**Proposal 5:** Create the MPRN with a PL (Planned) status and change to LI when service laid (Set to EX if PL status remains unregistered >2yrs)

#### **5. Root Cause 2 - Xoserve is not informed of new service job cancellations or deferrals**

The current process allows for Utility Infrastructure Providers (UIP's) sending through details of cancelled services when known.

Analysis conducted suggests that anywhere between 20-35% of cancellations are not being received which could amount to approximately 3,000 sites per year entering the unregistered process that should not exist on Sites and Meters.

Further analysis suggests that deferrals, where a service has yet to be laid, are anywhere between 5-10% of sites, which could amount to a further 600 sites approximately per year entering the unregistered process.

This has resulted in issues arising from this process:

- Cancelled jobs are still live on Sites and Meters 12 months after being created
- Sites being confirmed on Sites and Meters that should be either cancelled or deferred
- MOD517 process introduced for erroneous confirmations
- Potential duplicates occurring

The evidence suggests that contained within the current populace of unregistered sites it contains a number of cancelled and deferred jobs that still remain live on Sites and Meters system after 12 months. It is also important to note that the outcome of root cause 1 (Timescales for MPRN Creation) could determine what course of potential action may be required.

**Proposal 1:** New/improved governance procedures around entire process of requesting and cancelling MPRN creations.

**Proposal 2:** Educate participants (Utility Infrastructure Providers).

**Proposal 3:** Networks to provide details of completed services – Those not reported on >12 months since creation are set to EX (extinct) on Sites and Meters.

## **6. Root Cause 3 - Service laid but no MPRN provided**

Where a service has been laid but the details have not been provided by a UIP to Xoserve they will manifest themselves through either the Fast Track or MNC process.

This has resulted in issues arising from this:

- Service laid with no MPRN creation request received
- Fast Track queries being raised
- MNC queries being raised

Over the last 12 months Xoserve have created 1,301 through the Fast Track process and a further 20,592 through MNC process (figures for dates taken between March 2010 and February 2011)

Xoserve carried out a review of a typical month with the aim of identifying why Fast track queries were not raised via the UIP route. The Findings were as follows:

	<b>Volume</b>	<b>Percentage</b>
UIP Creation rejected and not returned	93	21.7%
UIP Creation never raised	270	63%
UIP Creation received around the same time	49	11.8%
Address or quality issue (existing process)	15	3.5%

The outcome highlighted a concern that UIP's were not submitting all relevant creation requests and not effectively managing some query rejections

The MNC process should be only for sites which do not contain a label and where the service was fitted prior to the introduction of labelling services in 2002. These highlighted 2 concerns

1. That not all services are having labels fitted (captured under root cause 4)
2. That the MNC process on requests is not being followed correctly (captured under root cause 6)

**Proposal 1:** Networks to accept that upon receipt of a UIP completion file, steps are taken to ensure the MPRN does exist on Sites & Meters prior to acceptance

**Proposal 2:** A review of the business rules associated as to what constitutes the creation of a new MPRN and the use of the existing MPRN

## **7. Root Cause 4 - Inaccurate Tagging of Services**

The obligations for the labeling of gas services are set out in the Gas Safety (Installation and Use) Regulations 1998. This was to provide information for any Ofgem Approved Meter Installer or other persons who may work on the system downstream of the emergency control valve.

This has resulted in issues arising from this process:

- On multiple service sites the wrong label being attached, resulting in inaccurate data between address and MPRN on Sites and Meters and MPRN on physical service
- Not tagging services at all
- Duplicate meter points

A Meter Asset manager (MAM) confirmed that meters should not be fitted where the request to fit a meter against a particular address and MPRN was different to that found on site.

The group did agree that the existing governance should be reviewed and any potential recommendations for further quality measures should be introduced to build in consistency and best practice across all UIP's.

The issue over tagging was also covered under root cause 12 – MPRN allocation

**Proposal 1:** To review the available governance procedures around entire process of labelling services

**Proposal 2:** Educate participants (UIP's)

## **8. Root Cause 5 - MPRN's created for IGT/LPG sites**

No IGT or LPG site should be created on Sites and Meters

Issues arising from the creation of an MPRN on sites and Meters that is part of an IGT area

1. Once a meter point has been created on Sites and Meters this can be used to request a meter fit from a MAM
2. Duplicates having to be raised
3. Meter points falling into the unregistered category that should not exist on Sites and Meters
4. This in an unknown volume of Unregistered on Sites and Meters with an increasing IGT market
5. Limited on the checks Xoserve can perform to prevent the creation of an MPRN on Sites and Meters
6. Reliant on IGT's regularly updating the IAD system
7. Not all IGT's labelling services – No governance

Analysis carried out on duplicate queries raised between January 2010 – May 2010 where the removal of an MPRN from Sites and Meters was as a result of an IGT site was:

<b>IGT</b>	
<b>Created on Sites and Meters</b>	<b>Volume</b>
Pre 2000	57
2000	5
2001	17
2002	42
2003	20
2004	6
2005	10
2006	11
2007	49
2008	54
2009	18
2010	2
<b>TOTAL</b>	<b>291</b>

Having analysed the results of those created on Sites and Meters for 2009 and 2010 all had been requests from shippers. The numbers are only from those where Xoserve have been made aware that they exist, there could be many more on Sites and Meters.

The 2 main reasons for this are:

1. Shippers not asking the right questions of the end consumer or checking the system that may be available to them (Refer to Root cause 6 MNC queries)
2. IGT's not labelling services

**Proposal 1:** Xoserve to trial a Networks Ordnance Survey Maps system to assist with the possible prevention of an IGT onto Sites and Meters (Trial currently underway)

**Proposal 2:** Agreement by Networks to ensure all MPRN(s) contained within completion files submitted by UIP are not recognised as an IGT/LPG site/area (information to be supplied to Xoserve should an M Number exist on Sites and Meters, in order to remove)

**Proposal 3:** Agreement from Shippers on best practice template regarding possible scripting/ system checks to identify IGT/LPG sites to prevent requests being made to Xoserve (**Appendix 22.5 Page 28**)

**Proposal 4:** All IGT's to submit/ update the SCOGES data consistently and more frequently

**Proposal 5:** As part of proposal 1 root cause 4, IGT's should be included in any review of labelling services

## **9. Root Cause 6 - MNC queries**

The Meter Number Creation (MNC) process allows shippers to request the creation of a MPRN on Sites and Meters.

On average 22,000 MNC's are created annually, this figure represents approx 25 % of the entire population of created MPRN's annually.

Issues resulting in this:

- UIP's not labeling services (Linked to Root Cause 4)
- Shippers not asking the appropriate questions or checking the available systems, results in
  - i) IGT sites being created – (Linked to Root Cause 5)
  - ii) Duplicates created where the MPRN already exists on Sites and Meters under a different address e.g. Plot
- The volume raised may suggest that we have a considerable number of services pre labeling 2002
- Shippers raising MNC queries, fitting meter, and then unable to secure customer contract (Linked to root cause 11)

**Proposal 1:** Shippers carry out review of script and systems being used where end consumers contact call/sales centres and educate participants (**Appendix 22.5 Page 28**)

**Proposal 2:** To review the available governance procedures around entire process of labelling services (Linked to Root Cause 4 proposal 1)

**Proposal 3:** Improved shipper departmental communications from point of sales then MPRN creation through to site confirmation

## **10. Root Cause 7 - Existing services not set to DE**

Following physical removal of an existing service, when a new service has been laid and new MPRN requested, it is clear from operational meetings between Xoserve and UIP's that there is unclear guidance and appropriate procedures to follow in ensuring the accuracy of the supply Point Register

This has resulted in the following issues arising:

- Shippers using the existing Meter Point rather than the newly created meter point leaving this unregistered
- Networks not being informed about setting a removed service to (DE)AD on Sites and Meters
- UIP's unsure of process (Linked to proposal 2 in root cause 3)
- Impact to the number of ISO queries raised by Shippers resulting in the Networks having to carry out Live/ Dead checks on site
- Risk of duplication on Sites and Meters
- Increased rejection volumes for UIP requested M Numbers when an existing M Number remains live on Sites and Meters

The group agreed that there were no formal procedures and guidance and responsibilities on what should follow with either new or alterations to existing service where new M Numbers had been requested and created on Sites and Meters.

**Proposal 1:** Complete review of procedure - Also linked to proposal 2 in root cause 3

**Proposal 2:** Xoserve will only proceed with MPRN creation where UIP has indicated they are aware of the existing service (already introduced within the MPRN creation process)



## **11. Root Cause 8 - Existing services set to DE in error or legitimately**

Previous to the introduction of RGMA a meter point on Sites and Meters was only capable of being set to DE once a meter was removed and shipper withdrawal taken place. With the introduction of RGMA this link was broken which allowed networks to set a meter point to DE whilst a meter was still attached to Sites and Meters and shipper registered.

This has resulted in two particular issues:

- Meter Points set to DE legitimately, new service laid, old service removed, Shippers not removing meter and withdrawing from old MPRN and re-confirming new MPRN
- Meter points set to DE in error, new MPRN created where registration not taking place

**Proposal 1:** To provide details to project Nexus to look at options of being able to re-open a site from a DE Meter point Status without creating any downstream system complications. (Details provided)

**Proposal 2:** All Networks to reinforce quality controls to ensure that sites are not set to “DE” in error

**Proposal 3:** All Shippers to regularly review their unregistered meter points against the DEAD portfolio

**Proposal 4:** A review of the business rules associated to what constitutes the creation of a new MPRN and the use of the existing MPRN (Also linked to root cause 3 proposal 2)

## **12. Root Cause 9 - Address Clarity**

The MPRN and address are created at the quotation acceptance stage, this could be many months in advance of the service being laid. The address details may change slightly/dramatically during this period (e.g. Plot to Postal). Xoserve have a process set up to accept address amendment queries prior to ownership.

This has resulted in issues arising from this process:

- UIP’s have no obligation to provide updated correct address details.
- High confirmation rejection rate on new site confirmations due to post code difference
- Shippers raising MNC queries for an MPRN as address details differ to that on Sites and Meters (Linked to Root Cause 6)

The volumes to amend an unregistered address for a 5 month period (January 2010 to May 2010)

UIP requests - 458

Shipper requests -787

**Proposal 1:** Only UIP’s to have the ability to submit address amendments (UNC) prior to Shipper ownership

**Proposal 2:** Set an MPRN with a plot address to “EX” if site remains unregistered for >5 years

### **13. Root Cause 10 - Legitimately Unregistered**

In 2002 the stage at which a Meter point was created on Sites and Meters changed from physical service laid and meter fitted to service quote acceptance.

This has resulted in 2 particular issues:

- 1) M Numbers live on Sites and Meters with the possibility of service never actually being installed (Linked to root cause 2)
- 2) M Numbers live on Sites and Meters with a meter being fitted to flow gas taking place significantly later or never at all

Currently the volume categorised as legitimately unregistered sites account for approximately 29,000 MPRN's, which equates to 0.13% of the total population on Sites and Meters. The 29,000 go back over a 10 year period and approximately 92% of the volume relate to MPRN's created over the past 5 years.

Xoserve currently defines legitimately unregistered sites as either:

- Live service with no meter
- Deferred service
- Vacant
- Capped service

As part of Xoserve's current process for Unregistered sites >12months a series of checks are carried out:

- They are checked against the Connections & Disconnections register to determine any meter activity (if meter activity identified it confirms there is service in the ground) – if identified moved to orphaned table.
- Xoserve send out MPRN reports to MAM's (Meter Asset Managers). Again if identified a meter attached suggests that service in the ground – again if identified moved to orphaned table.
- Where no meter activity is confirmed from carrying out both steps 1 & 2 the remaining portfolio is sent out to the UIP's, who originally requested for an MPRN to be created for the property. We ask that they confirm if either one of the following:
  - a) **Job completed** - If job completed it becomes legitimately unregistered
  - b) **Job Cancelled** - If job cancelled MPRN is set to "EX"
  - c) **Job Deferred** - If job deferred site becomes legitimately unregistered (as deferred status)
  - d) **IGT/LPG site** - If job IGT/LPG MPRN is set to "EX"
- On a bi-monthly basis the table is refreshed when a site is confirmed or the MP status changes (e.g. EX or DE) or meter activity is recorded on C&D
- Periodic checks with UIP's on the deferred sites
- Periodic checks with the MAM's & C&D store to see if meters fitted
- Desk top clean up exercises conducted

**Proposal 1:** Agreement from all MAM's to provide Xoserve with meter details and supplier information against "No Activity"

**Proposal 2:** Agreement that all UIP's to provide Xoserve with job status details against "No Activity" report

**Proposal 3:** Agreement on the processes and categorisation that currently form the legitimately unregistered sites.

**Proposal 4:** Disconnection of service (Linked to Root Cause 15 – **Appendix 22.7 Page 30**)

#### **14. Root Cause 11 - Meters fitted on site but not confirmed on Sites and Meters**

The obligation provisions for meter work undertakings can be found in paragraph 12 of Schedule 2B to the Gas Act 1986 and in section M 3.2 of the Uniform Network Code

The Connection and Disconnection (C&D) store is a database that stores all meter work information where the details have either been provided direct from a meter worker or generally through a shipper via a supplier and Meter Asset Manager

The issues relating to this process are:

- Meter Asset Managers are stating that they only undertake work at the direct request from a supplier – It has been raised several times within the workgroup that these should be manifesting themselves into shipper registration which are not taking place
- Supplier/shipper arranging to have meter fitted without securing the contract and once meter fitted customer then refusing to sign contract with supplier.
- Connection and Disconnection obligations are not being carried out
- Rejections not being re-worked –Shipper providing meter asset updates which are updating the C&D store but rejecting in updates to Sites and Meters due to no registration taking place first.

**Proposal 1:** Review of C&D obligations

**Proposal 2:** Meter Asset Managers to provide Supplier details to Xoserve

**Proposal 3:** Meter Asset Managers to provide direct updates to the C&D store

**Proposal 4:** Suppliers not to have meters fitted without securing a valid end consumer contract

#### **15. Root Cause 12 - MPRN Allocation**

Xoserve are responsible for the generation and allocation of MPR batches to UIP's. UIP's then have obligations for the labeling of gas services as set out in the Gas Safety (Installation and Use) Regulations 1998

The issues as a result of this process are:

- Ineffective management controls of MPRN allocation
- Data labelling firms are distributing MPRN's
- Historically large batch volumes of MPRN's have been allocated to individual UIP's

A number of measures and controls were introduced in 2010 to improve the existing quality measures and process effectiveness. These controls were:

- Only 6 months worth of MPRN's are now allocated per new batch (volumes are agreed following negotiations on current workloads)
- New batch of MPRN's is not released until previous batch had been fully investigated and outcomes confirmed and resolved where appropriate.
- Unfortunately a system approach to link into the UIP's systems to check job status of historic batches was unfeasible due to volumes and connectivity to their systems. It was therefore, agreed that UIP's will investigate historical batches only far back as Jan 2008 as it was a largely manual activity in all cases.
- An MPRN batch is now produced for a single UIP only and the naming conventions of each batch file is consistent to avoid any ambiguity as to the original recipient.

**Proposal 1:** To review the available governance procedures around entire process of labelling services (Linked to root cause 4)

**Proposal 2:** Introduction of MPRN management controls around allocation (Xoserve now operating)

## **16. Root Cause 13 - No response to shipper activity, MAM & UIP reports**

As part of the current management of the Unregistered process Xoserve issue out the following reports:

### **1. Shipper Activity Reports**

Issued to a shipper, Bi monthly, where activity has been identified on a Meter Point that is Unregistered and > 12months since the meter point was created on Sites and Meters. There is little to no response from shippers to the reports issued

### **2. Meter Asset Managers Reports (MAM)**

Where we have been able to reach agreement with a MAM, reports are issued out Bi monthly, for Unregistered sites that are > 12months since the meter point was created on Sites and Meters and No Activity has been identified. Xoserve are looking for meter activity

Need agreement from industry for the provision of information on meter activity

May not be required if some of the other root cause proposals are adopted

### **3. Utility Infrastructure providers Reports (UIP's)**

Issued to all UIP's, bi monthly, for unregistered sites that are > 12months since the meter point was created on Sites and Meters, No Activity has been identified and No MAM's reporting meter activity. Xoserve are looking for confirmation that the service was completed.

Need agreement for the provision of information

May not be required if some of the other root cause proposals are adopted

**Proposal 1:** Agreement from all MAM's to provide Xoserve with Supplier details against "No Activity" report

**Proposal 2:** Agreement from all UIP's to provide Xoserve with Job status details against "No Activity" report

**Proposal 3:** Shippers to manage and respond to the Bi monthly reports issued

## **17. Root Cause 14: Shipperless Sites (PTS and SSP Reports)**

The PTS & SSP reports contain Shipperless sites where a Shipper has originally isolated and withdrawn from a site. This in turn triggers a process where the Networks have obligations under the Pipelines Safety Regulations 1996, Regulation 14, to decommission the pipe work.

Please refer to **Appendix 22.4 Page 28** for the current process

The current process has the following issues:

1. Shippers believe that they no longer have a contract in place
2. Shippers removing meters from inaccurate source information
3. Possibility that the removal process is being used to clean up data
4. Duplicate raised queries that have been confirmed as duplicates, that have been closed where the shipper has failed to respond to the Data clarification requesting withdrawal, are subsequently having the meter removed by shippers which are then going out to networks under the GSR process.

Ofgems view on where a Deemed contract applies is:

- A supplier is supplying gas otherwise in pursuance of a contract, Gas Act, schedule 2B para 8 (1)
- or
- There is a registered shipper and previous supplier Gas Act, schedule 2B para 8 (2)

**Proposal 1:** Xoserve to auto confirm PTS sites where the networks are reporting the same meter is on site to that which was removed from Sites and Meters.

**Proposal 2:** Shippers to review their own procedures & governance regarding isolating and withdrawing from sites.

**Proposal 3:** Xoserve to review adding additional measures to the duplicate process (DUP) to avoid sites dropping into the GSR process unnecessarily

## **18. Root Cause 15 - End Solution**

The current process in managing Unregistered Meter Points, introduced in May 2009, whilst introducing measures that would look at and manage the entire population of unregistered sites, it did not provide a complete End to End solution.

The issues associated to this process are:

- Meter on site passing gas and end consumer unwilling/refusing to secure a valid supplier contract
- No current procedure in place to disconnect meters/services
- True volumes of these instances are unclear

Two proposals looking at an end to end process on service with meter and service only (Strawman) were first presented to the industry at Review Group 0245

Service and meter - **Appendix 22.6 Page 29**

Service only - **Appendix 22.7 Page 30**

### **Questions and comments captured at Shipperless & Unregistered workgroup meeting regarding the Shipperless & Unregistered Sites Process “Straw Man” as presented by David Watson (BGT).**

1. The process set out in the Straw Man should only apply to MPRN’s for which Xoserve has received significant assurance that no shipper supplies gas to the site.
2. Do Networks have a legal right to disconnect Shipperless & Unregistered Sites where no illegal connection is involved? If not, what would be the end result of this process?
3. There is a potential for The Gas Act 1986 – Schedule 2b - Deemed Contract to have an influence on this.
4. How will this process be funded? Would shipper liabilities be appropriate if it is found that an end user has a contract with a supplier when a Network engineer attends to disconnect?
5. Will this process apply to existing Shipperless & Unregistered Population, or will it only apply to newly classified sites?
6. What are the governance options for this process? Will it be included in the Uniform Network Code?
7. What criteria will be used to determine vulnerable customers, and what will be the end result for these?

**Proposal 1:** End to End process (Strawman)

## **19. Data Collection Exercise**

In order to further support the root causes discussions a data collection exercise was undertaken by Xoserve whereby 200 letters were issued to end consumers from 4 categories on shipperless and unregistered

- 1) Orphaned sites
- 2) Legitimate sites
- 3) Shipperless (PTS sites)
- 4) Shipperless (SSP sites)

The exercise took place in December 2010 and consisted of 2 letters being issued to End consumers who had 2 modes of response, phone call or pre paid postage card.

The letter provided them with 3 options:

- 1) If they had a contract with a supplier
- 2) If they did not have a contract with a supplier
- 3) If they were using gas

The overall collection of this data was categorised as follows;

<b>Overall</b>	<b>Volume</b>	<b>%</b>
No Response	63	31.50%
Using Gas - Live/not yet confirmed	43	21.50%
No Gas	31	15.50%
Unable to Resolve	25	12.50%
Data Issues	22	11.00%
Meter but not using Gas?	8	4.00%
Claims meter removed	5	2.50%
Gas Used - Customer believes sub meter	2	1.00%
Using Gas - No Contract	1	0.50%
<b>Total</b>	<b>200</b>	<b>100%</b>

If this was applied to the overall volume from the 4 categories listed above it would have represented

<b>Overall</b>	<b>Volume</b>	<b>%</b>
No Response	15,748	31.50%
Using Gas - Live/not yet confirmed	10,497	21.50%
No Gas	7,749	15.50%
Unable to Resolve	6,249	12.50%
Data Issues	5,499	11.00%
Meter but not using Gas?	2,000	4.00%
Claims meter removed	1,250	2.50%
Gas Used - Customer believes sub meter	500	1.00%
Using Gas - No Contract	250	0.50%
<b>Total</b>	<b>49,995</b>	<b>100%</b>

### Summary of findings

- The highest proportion of sites had no response to two letters that were issued
- A number of sites are using gas, where customers claimed to either have a contract in place or were in the process of getting a contract.
- There are still a number of data issues with the current creation processes
- Largely supported the current process and categorisation of Legitimately unregistered sites

## **20. Ofgem draft proposals**

At the November 2010 meeting Ofgem presented a paper looking at two main issues

- 1) Ability to disconnect the consumer if they refuse to enter into a contract
- 2) Ability to charge for gas consumed prior to a contract being in place

Three potential options in addressing charging for the site before it has been registered were identified by Ofgem.

Option 1: Use of current arrangements

Scenario 1 – Customer agrees to sign up with a new supplier

- i) GT charges for gas previously consumed
- ii) Disconnection not necessary

Scenario 2 – Customer does not sign up with a new supplier

- i) GT's have power to disconnect
- ii) GT's have requirement to reconnect only if matter has been remedied

Option 2: Supplier of First Resort (SoFR)

Introduce a SoFR with all unregistered sites being allocated

A deemed contract in place between SoFR and the customer

Possible to charge the customer for value of gas under a deemed contract

Option 3: Changes to primary legislation

Anticipated that legislators would be unlikely to amend primary legislation to address issue without options 1 and 2 being exhausted first and all reasonable efforts being made to address root causes (Full details of documents **Appendix 22.8 Page 31**)

A further document was sent out to support above proposals following clarification requirements (**Appendix 22.8a Page 40**)

### 20.1 National Grid Distribution view

Full response details in **Appendix 22.9 Page 43**

### 20.2 British Gas view

#### **Shipperless sites**

Agree with this and would welcome clarity in code that confirms a shipper can apply a deemed contract if they were the previous shipper but have withdrawn in error. The shipper will be charged for the period and on that basis I assume they would then be entitled to recover from the end user the value of the gas taken. If the person has not been paying for gas for the whole period will the rules around back billing apply in that residential customers could not be charged >12 months. This would need to be made clear.

Would we need to differentiate between PTS and SSP shipperless categories? I believe that in SSP (different meter found scenarios) the customer may well have had negotiation with an alternative shipper for a meter installation. Needs consideration, possibly based on analysis of the SSP MPR's.

#### **Unregistered**

Again agree with the policy principles and that as a last resort disconnection of supply should be an option, also that customers can be charged for gas consumed. If conducted by the GT, monies recovered could be used to offset the cost of the process and if in excess of spend be allocated as credit to RBD.

Option 1 seems a logical approach and although there are issues to be decided in terms of timescale and vulnerable customer, also the practicalities of setting up the process by the GT, they seem surmountable. With option 2, I would suggest, the biggest hurdle will be "how to choose the SoFR".

In addition to the above it seems clear from some of the workshops that I have attended that re-communicating the rules around MPR creation and withdrawal would be beneficial.

## **21. Conclusions and Recommendations**

The latest 12 month Unregistered volume for the period March 2009 to February 2010 shows that just over 85,500 new M Numbers were created on Sites and Meters during this period.

The breakdown is as follows:

Just over 20,000 (23%) of these were as a direct result of shipper requests to create. This suggests that we have one or more issues with the current process

1. Utility Infrastructure Providers are not labelling all the services
2. Shippers are not asking the appropriate questions
3. We have a considerable number of services that are pre labelling 2002

Just over 3,500 (4%) of the created meter points have been set to EX. This is as a result of cancelled service requests and duplicated meter points being identified. Analysis suggests that this figure should be higher.

Just over 74,000 (86%) have been registered on to Sites and Meters.

Just over 8,000 (10%) remain unregistered on Sites and Meters. Analysis conducted suggests that on average this figure would normally be closer to 17,000 (20%) that enter the unregistered process >12 months since created date on Sites and Meters. The following have all contributed in helping to reduce this figure and to stem or slow down the year on year upward trend of the population of unregistered sites

1. New process introduced to control the volumes
2. Raised profile of the unregistered population
3. Education to market participants
4. The Industry providing more commitment to improve

The issue still remains however that every year a volume enters the Unregistered population, along with the increasing upward trend of Shipperless sites, it is these that the Working Group having been looking at to have a better industry understanding of how the interactions are conducted and the impacts these interactions can have on the population of Unregistered and Shipperless sites.

Over the last couple of years, due to market forces, the volume of requested M Number creations has fallen. This as recently helped to mask some of the potential volumes that have entered the unregistered process in previous years

A few years ago the USNANA project was set up to tackle in excess of 114,000 unregistered meter points, but again this just managed the problem rather than address the root of the problem. The current market opportunity provides evidence that now is the right time to be looking at dealing with this and preventing potentially costly project activities in continuing to manage the issues.

A number of the proposals continue the trend of looking at ways to improve current processes or concluding existing ones, however this is more a way of managing the issues as opposed to dealing with the root causes. If we are to look at ways in which we can prevent unnecessary volumes entering the process or costly projects to clean up Sites and Meters we need to be looking at providing the industry with a clear set of guidelines and to assist new market participants.

The Shipperless and Unregistered Working Group have no formal governance arrangements and therefore certain selected proposal would only be binding if they resulted in agreement while other proposals should be addressed under UNC governance and therefore raised at the appropriate forums.



The Working Group has not taken any considerations of the impacts or benefits that Smart Metering may bring to Unregistered or Shipperless Sites, neither has it taken any significant look at any proposals in benefits that may be brought about by Nexus

Over the last 12 months the Shipperless and Unregistered Working Group have looked at over 15 Root cause issues and discussed over 40 proposals. A number of the issues overlap and therefore certain proposals could potentially bring about more benefits.

**The following are a list of proposals that have been implemented over the last 12 months or where agreements have been reached in principle.**

1. Shipperless site – Previous meter in situ -Deemed contracts and Recovery of charges  
(Taken from National Grids response to Ofgem draft proposals – Refer to document for full details)

Where Effective Supply Point Withdrawal has occurred but the original meter remains connected to the network and subsequently gas continues to be offtaken, the provisions of the UNC<sup>1</sup> would apply. Specifically, the Shipper remains liable for the Transportation charges as if the Effective Supply Point Withdrawal had not occurred. The Shipper is also required to ensure that the meter is disconnected within 12 months of the date of Effective Supply Point Withdrawal, and if this is not a deemed supply contract would apply where the shipper registration remains in the Supply Point Register thus meeting the requirements of the Gas Code paragraph 8. Given that the effect of section G3.7.5 of the UNC Transportation Principal Document is to levy Transportation Charges as if Effective Supply Point Withdrawal had not occurred we believe that the Shipper’s registration effectively remains in place and therefore a deemed supply contract applies. Accordingly, the UNC could benefit from clarification in respect of the Shippers registration in the Supply Point Register in these circumstances.

2. Unregistered Sites – Customer Refuses to enter into a Supply Contract – Recovery of gas consumed  
(Taken from National Grids response to Ofgem draft proposals – Refer to document for full details)

National Grid believe it is arguable the case where the presumption contained within the definition of gas “in the course of conveyance”<sup>2</sup> in Licence Condition 7(11) could be rebutted. To this extent, where there is no actual or deemed supply contract in place, *any* gas consumed at the relevant Supply Point could be treated as gas taken in the course of conveyance. Accordingly, the Transporter would be able to recover the value of the gas taken pursuant to paragraph 9(1) of the Gas Code. In order to provide certainty, we would welcome clarification within the Licence that where there is no actual or deemed supply contract, any gas extracted from the Transporter’s network (including where extracted downstream of the Emergency Control Valve) is illegally taken whilst “in the course of conveyance”.

3. Shipperless Site - Other Meter in situ – Disconnection and Recovery of Transportation charges  
(Taken from National Grids response to Ofgem draft proposals – Refer to document for full details)

National Grid believe that the Transporter is able to disconnect the premises pursuant to paragraph 11 of the Gas Code<sup>3</sup> and is entitled to recover the value of the gas on the basis that it has been illegally taken whilst in the course of conveyance

4. Funding  
(Taken from National Grids response to Ofgem draft proposals – Refer to document for full details)

National Grid welcomes Ofgem’s clarification that any activities undertaken by Transporter to address the Shipperless and Unregistered population of sites (including disconnection) would be classed as ‘investigations’ undertaken pursuant to Licence Condition 7(1). Accordingly, the associated costs and revenue would be treated in accordance with Licence Condition 7(3) and the Transporter would therefore acquire no financial benefit nor suffer any financial loss from the taking of the gas and compliance with Licence Condition 7(1).

5. Improved understanding of end to end process and interactions – Xoserve’s continued commitment to visit UIPs and Shippers to discuss improvements to the process.

6. Xoserve to only proceed with MPRN creation where an indication has been given by requester that they are aware of an existing live MPRN on Sites and Meters
7. Details provided to Nexus on looking at options and ways of managing the reversal of Meter Points set to DEAD erroneously.
8. Agreement on the current process and activities undertaken in categorising the Legitimately unregistered sites
9. Introduction of management controls around the allocation of Batched Meter Points to UIPs
10. Xoserve conducting trials on a networks ordnance survey mapping system to assist with possible prevention of IGT sites onto Sites and Meters.
11. Xoserve to review adding additional measures to the Duplicate process to prevent unnecessary GSR visits
12. Disclaimer to be introduced under project "Q" into the process that requests the creation of MPRNs onto Sites and Meters to ensure that shippers and UIPs are not requesting the creation for an IGT site.
13. To avoid confusion in the request to create an MPRN the code 12 process merged with the MNC process.
14. The GSR and GSS process merged to avoid sites transferring between reports with the potential to loose sight of some.

**The following are a list of proposals that require owners to be assigned and the actions agreed upon**

1. Networks to operate the following:
  - i) Upon receipt of a UIP completion file, steps are taken to ensure the MPRN does exist on Sites & Meters prior to acceptance.
  - ii) Ensure all MPRN(s) contained within completion files submitted by UIP are not recognised as an IGT/LPG site/area (information to be supplied to Xoserve should an M Number exist on Sites and Meters, in order to remove)
  - iii) All Networks to reinforce quality controls to ensure that sites are not set to "DE" in error
2. Shippers to operate the following:
  - i) Agreement from Shippers on best practice template regarding possible scripting/ system checks to identify IGT/LPG sites to prevent requests being made to Xoserve (**Appendix 22.5 Page 28**)
  - ii) To review processes to ensure meters are not being installed without securing a valid contract
  - iii) All Shippers to regularly review their unregistered meter points against the DEAD portfolio
  - iv) Shippers to review their own procedures & governance regarding isolating and withdrawing from sites.
  - v) Shippers to conclude duplicated sites in order to prevent unnecessary GSR visits being undertaken by networks
  - vi) Shippers to review their own organisations departmental end to end process from point of sales, MPRN request creation to site confirmation
  - vii) Shippers to manage and respond to the Bi monthly Shipperless and Unregistered reports issued by Xoserve
3. Meter Asset Managers to operate the following:

- i) Agreement from all MAMs to provide Xoserve with meter details and supplier information against “No Activity”

This needs to be taken forward by the shipping community

- 4. Utility Infrastructure Providers to operate the following:

- i) UIPs to provide Xoserve with job status details against “No Activity” report

**The following proposals would need to be addressed under formal Governance Framework**

**Root Causes 1, 3, 4, 5, 6, 7, 8, 12**

A complete review on the entire governance procedures around the M Number creation process to cover (but not exclusive) the following:

1. Industry agreement surrounding the business rules as to what circumstances constitutes the creation and labelling of a new service and the use of M Number from an existing service.
2. The procedure around cancelled services – To include services which are deferred.
3. Labelling of services (Allocation) – Should also work in conjunction with any business rules for IGT’s
4. The procedure and governance for dealing with services which are removed.
5. Optimal timescales for the request and creation of an M Number on Sites and Meters

**Root Cause 10, 15**

End to End Process:

1. Utilising the proposed Strawman as the basis for drawing up an end to end procedure in dealing with consumers who are using gas and refuse to obtain a supplier contract

**Root Cause 11**

Connections & Disconnection (C&D Store):

1. The obligations and governance arrangements around the C&D Store
  - MAM’s updating to store directly
  - Potential Liabilities for failure to notify

**Raised under MOD 0369**

**Root Cause 14**

To review the following proposals:

1. Xoserve to confirm sites on behalf of the shipper from the shipperless process, where the same Meter remains on site
2. Deemed contract
3. Transportation costs

**The following are a list of proposals where agreement in principle has not been reached**

- 1. Unregistered Sites – Customer Refuses to enter into a supply Contract - Disconnection (Taken from National Grids response to Ofgem draft proposals – Refer to document for full details)

National Grid believe that the Transporter does not have an express power to disconnect a premises not previously supplied with gas. This on the basis that the circumstances do not meet the requirements of paragraphs 24 (the consumer requires and is consuming the gas), 10 (no damage has been caused to the gas fittings), 11 (no unauthorised reconnection has taken place) or 14 (there is no prior Shipper registration in the Supply Point Register) of the Gas Code.

We agree that taking gas without a supply contract (where the consumer is fully aware of the requirement and is capable of entering into such an arrangement) is arguably “improper use” for the purposes of paragraph 18 of the Gas Code. We note that both Ofgem and British Gas Trading have expressed views in support of this interpretation however we maintain concerns that this provision of the Gas Code was not intended to cover this problem. As a consequence, we believe that there would be merit in reflecting an express power in the Gas Code (potentially paragraph 24) as an alternative to utilisation of paragraph 18.

- 2. Unregistered Sites - ‘Express’ Supply Contract in Place (Shipper/Supplier failure to register Supply Point) – Disconnection and Recovery of charges

(Taken from National Grids response to Ofgem draft proposals– Refer to document for full details)

National Grid do not believe that it is appropriate for the Transporter to disconnect the premises or seek to recover the value of the gas consumed. This is on the basis that the consumer has entered into a supply contract in good faith and should not be inconvenienced by omissions elsewhere in the market arrangements.

3. Shipperless Site - Other Meter in situ – Deemed Contract

(Taken from National Grids response to Ofgem draft proposals – Refer to document for full details)

National Grids view is that it would be inappropriate to reinstate the previous Shipper’s registration in these circumstances as in this case the withdrawing shipper will have removed the original meter and thus undertaken additional steps to ensure that gas is not able to oftaken. If this were the case and there is no registration in place within the Supply Point Register, there cannot be a deemed supply contract in place and therefore the supplier would be unable to recover any supply charges.

4. Set an MPRN with a plot address to “EX” if site remains unregistered for >5 years  
Concerns raised by BGT

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All details from the Shipperless and Unregistered Industry meetings can be found on the Joint Office Website; [www.gasgovernance.co.uk](http://www.gasgovernance.co.uk)

## Appendices

22.1 – Terms of Reference

22.2 – High Level Request and creation of a Meter point

22.3 – High Level Unregistered Process

22.4 – High Level Shipperless Process

22.5 – Best practice template on scripting and system checks in raising an MNC and preventing IGT requests

22.6 – Strawman – Service and Meter

22.7 – Strawman – Service only

22.8 – Draft Ofgem proposals

22.8.a – Further Ofgem clarification rules

22.9 – National Grid response to Ofgem proposals



## **TERMS OF REFERENCE**

**Document Status: Approved**

**Version Number: 2**

**Created: 7<sup>th</sup> January 2010**

**Printed:**

## Review

Reviewed by	Name	Organisation	Date
	Andrew Wallace	Ofgem	
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	Et al		

## Approval

Approved by	Name	Organisation	Date
	All Named Above		

## Document History

Version	Summary of Changes	Document Status	Date published
1		Superseded	
2		Approved	03/02/10

## **TABLE OF CONTENTS**

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- 8. TIME TABLE**
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- **PURPOSE**

A collective cross-industry working group is required to:

- Collectively establish & administer activities to correct the current and ongoing Unregistered and Shipperless Meter Points recorded within the central systems.
- Identify root causes; fix and/or propose fixes for the deficiencies in the current processes; and identify and introduce, or make recommendations for, new processes to alleviate the problems identified.

- **BACKGROUND**

Whilst Project USNANA significantly reduced the population of Shipperless and Unregistered sites on UK-Link, there remains a substantial number of sites which still need to be addressed. In addition, it is apparent that root causes have not been fully resolved as the population of Shipperless and Unregistered Sites continues to be replenished.

A Meter Point Reference Number (MPRN) can be included in the Shipperless or Unregistered population as a result of, for example, poor data quality; deficient industry arrangements; potentially ineffective central processes; poor industry behaviour; or a combination of any of the afore mentioned.

The impacts of the existence of Shipperless and Unregistered sites exacerbate issues such as duplicate MPRNs; safety; crossed meters; and incorrect settlement allocation.

### **3. OBJECTIVES**

This working group will:

1. Seek to address the existing and future populations of Shipperless and Unregistered Sites
2. Establish root causes of the occurrence of Shipperless and Unregistered Sites
3. Investigate solutions and preventative measures for the occurrence of Shipperless and Unregistered Sites.
4. Agree Industry-wide best practice in processes and procedures which are found to be a direct cause of Shipperless and Unregistered Sites.

### **4. SCOPE**

An Unregistered meter point will be deemed as such, where it has never had a Registered System User and where it remains with a Meter Point Status of LI.

Xoserve process currently addresses those that remain unregistered on UK-Link 12 months after its creation, however the whole population will be recorded and monitored by the group, and the group will consider remedies and actions for all shipperless sites, regardless of their age.

A Shipperless meter point will be deemed as such, where it has no current Registered System User but has previously had a Registered System User, and it has been established that gas is being consumed through the meter point.

### **5. ROLES & RESPONSIBILITIES**

Xoserve agree to host; chair and produce minutes for the Workgroup meetings. These will be published on the Joint Office website and be available within 2 weeks

Representatives from Shippers/Suppliers, Networks and other involved parties must agree to participate in all meetings and sign up to completing all actions agreed in the meetings.

The quorum will be:

At least one representative from xoserve

At least one representative from a Gas Distribution Network

At least one representative from at least three Shipper / Supplier Organisations.

### **6. REPORTING**

Xoserve will produce a report of the Industry position every 2 months and issue to all Shippers, Networks and attendees of the Workgroup meetings. (See Appendix 1)

## **7. METHODS**

Solutions to the Shipperless and Unregistered Sites issue can only be achieved through industry-wide co-operation. All parties must thoroughly examine their own activities and seek to improve them where possible, and share best practice where appropriate.

## **8. TIME TABLE**

The workgroup will commit to 6 meetings at intervals of 2 months. The schedule of meetings is as follows: 7<sup>th</sup> January 2010

4<sup>th</sup> March 2010  
5<sup>th</sup> May 2010  
7<sup>th</sup> July 2010  
8<sup>th</sup> September 2010  
3<sup>rd</sup> November 2010

It is envisaged that a comprehensive list of root causes will have been compiled by the end of the 2<sup>nd</sup> meeting, in March.

A detailed plan of how to address the root causes should be formulated by the end of the 4<sup>th</sup> meeting, in July.

Measures to address root causes should be implemented by the end of the 5<sup>th</sup> meeting, in September.

A review of actions taken and the industry position should be conducted in the 6<sup>th</sup> meeting, in November, and a decision on the future of the Workgroup should be made.

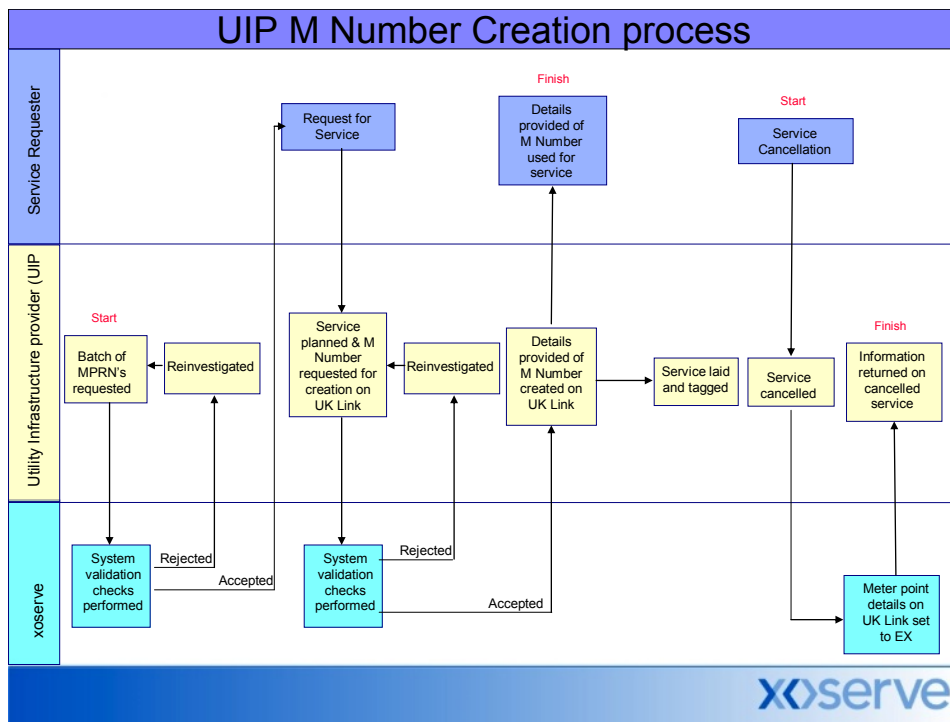
## **9. DELIVERABLES**

It is intended that the group will develop solutions which can then be taken forwards into appropriate Industry Governance arrangements.

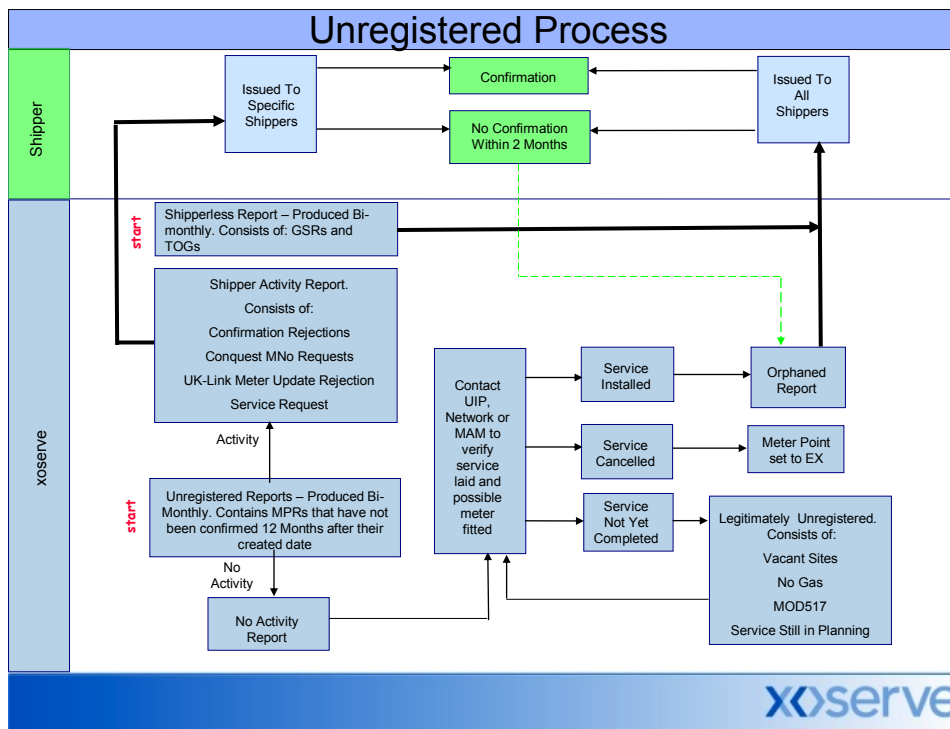
## **10. SUCCESS CRITERIA**

Success will be measured by the reduction of the Shipperless and Unregistered population, and the reduction in the production of new Shipperless and Unregistered Sites.

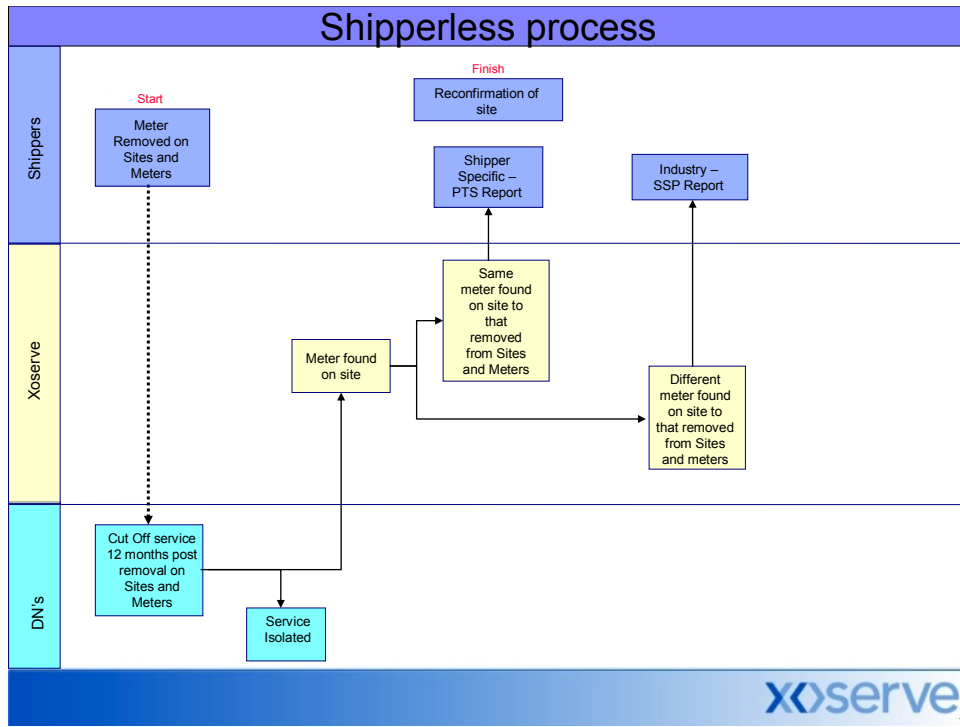
APPENDIX 22.2



APPENDIX 22.3



## APPENDIX 22.4



## APPENDIX 22.5

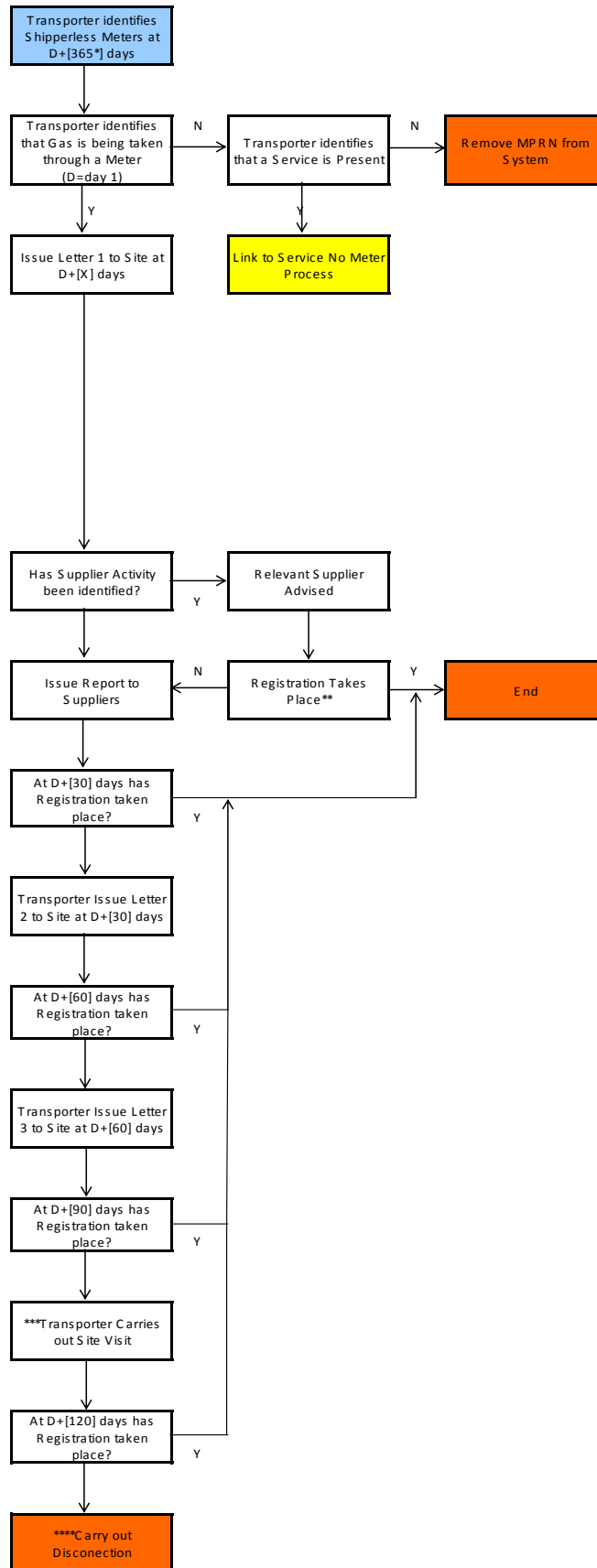
**A list of questions being employed and the systems used when dealing with end consumer in the request to create an M Number and to prevent requests for IGT sites**

- Tags or labels on meter pipe work (property of etc)
- Clarifying that service exists
- MSN
- IGT portfolio
- xoserve website
- Plot to postal info
- Rainbow
- Photo(s) of meter
- BT website
- Royal mail website
- Council tax and Land registry websites
- Google maps and Multimap website
- Hopewiser website
- MAMs
- Ecoes
- ICE (inc addresses for neighbouring properties)
- Jobs in Bsmart (inc rejected registrations/jobs)
- Is customer billed by any supplier, if so on what details

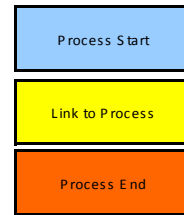
The list is not exhaustive as it will depend on the circumstances for the appropriate action and the responses received from the end consumer

Service & Meter

\*365 is used as it is the current check point used by Xoserve and is based on 85% resolution by D+365



Key



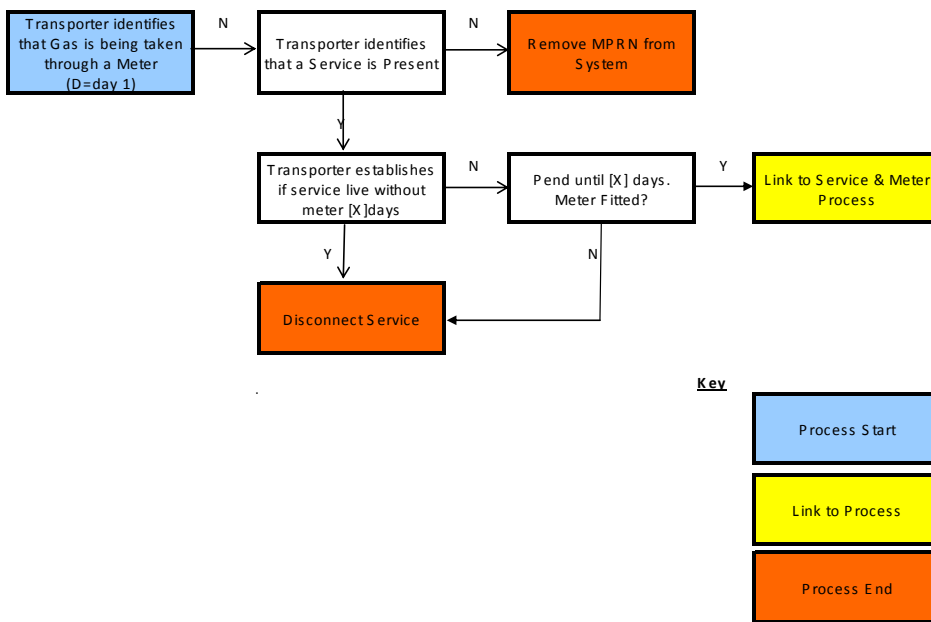
\*\*Test for Registration is whether Xoserve have received and are processing an acquisition attempt from a Supplier. If Registration attempt is cancelled for whatever reason the sites will re-enter the process at the point it left.

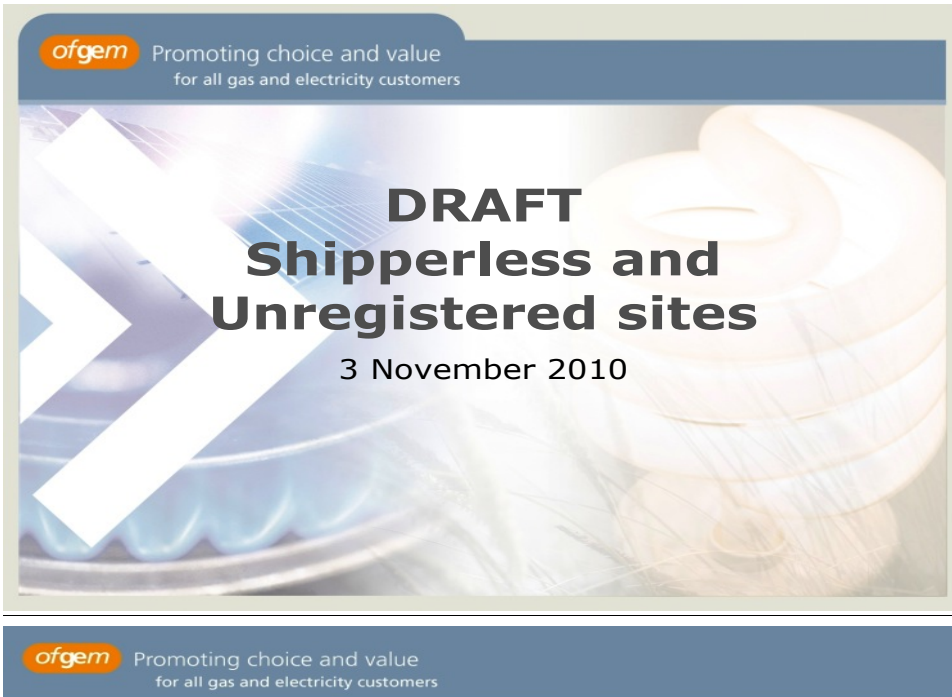
\*\*\*At ANY POINT during this process if a Vulnerable customer is identified then the process shall be suspended and a separate Vulnerable Customer Process will be enacted

\*\*\*\*Works will include the removal of the meter from site

**APPENDIX 22.7**

**Service & No Meter**





### Disclaimer

- This presentation is intended to facilitate discussion and further debate
- The contents of this presentation should not be taken to be a legally binding view

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### Contents

- Definitions
- Ofgem views on Shipperless sites
- Ofgem views on Unregistered sites
- Questions and next steps

3

## Definition

- What is a Shipperless site:
  - A supply point that has no current registered shipper but previously had one, and for which it has been established that gas is being consumed through a meter
- What is an Unregistered site:
  - A supply point that has never been registered by a shipper but where there is a meter fitted and it has been established that gas is being consumed through that meter

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## Treatment of customers

- Two main issues:
  - Ability to disconnect the consumer if they refuse to enter into a contract
  - Ability to charge for gas consumed prior to a contract being in place

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## Shipperless sites

- Deemed contract applies where either:
  - A supplier is supplying gas otherwise in pursuance of a contract (Gas Act, Schedule 2B para 8(1)), or
  - **There is a registered shipper and previous supplier (Gas Act, Schedule 2B para 8(2))**
- UNC retains the charging liability for shippers that do not withdraw from a site properly (UNC Section G)
  - Is the shipper still a “registered shipper”?
  - Potential to amend UNC to clarify if necessary
- Charging under normal deemed contract provisions and disconnection dealt with under suppliers’ debt and disconnection provisions

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## Unregistered sites

- If there is no registered shipper or has never been a supplier, there is no associated supplier charging and disconnection route
- Policy principles:
  - Customer should be requested to sign up with a supplier and be given the opportunity to do so
  - Only disconnect when clear that no contract in place, and customer refuses to sign up with a supplier after an appropriate period of opportunity
  - Customers should be charged for gas consumed

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## Unregistered Sites – GT requirements

- GTs arguably have obligations to tackle unregistered sites:
  - Requirement to develop and maintain an efficient and economic pipe-line system for the conveyance of gas (Gas Act s.9(1))
  - Duty to facilitate competition in the supply of gas (Gas Act s.9(1A))
  - Obligation to investigate where a supply may be being taken in the course of conveyance and recover value of the gas taken (GT SLC7(1))
- **Not all one way!**
  - Shippers and GTs must cooperate to ensure that the Supply Point Register is at all times as accurate as is possible (UNC section G1.9.8)

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## Unregistered Sites – Disconnection

- GTs have powers to disconnect consumers who improperly use or deal with gas “so as to interfere with the efficient conveyance of gas by the transporter” (Gas Act, Sch. 2B, para.18)
- GTs have previously questioned whether this power is applicable to this situation
- Only disconnect where no supply contract in place (even if not registered on central systems)
  - Assumption that no supplier contract for remainder of slides

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## Unregistered Sites – Charging

- GTs have powers to charge for the value of gas where “any person takes a supply of gas which is in the course of being conveyed” (Gas Act, Sch. 2B, para.9)
  - Conveyance is considered to have a broad meaning (i.e. gas is no longer conveyed when it has been consumed)
  - Policy view that when there is an applicable supplier, the supplier should make charges for the gas consumed
  - For unregistered sites there is no supplier to levy charges and the GT should therefore fill this void

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## Unregistered sites – potential options

- For discussion, we have identified three potential options to address charging for the site before it has been registered:
  - Option 1: Use of current arrangements
  - Option 2: Supplier of First Resort (SoFR)
  - Option 3: Changes to primary legislation
- Anticipate that legislators would be unlikely to amend primary legislation to address issue without options 1 and 2 being exhausted first and all reasonable efforts being made to address route causes

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## Option 1: Use of current arrangements

- Scenario 1 – Customer agrees to sign up with a new supplier
  - GT charges for gas previously consumed (Gas Act, Sch. 2B, para.9(1))
  - Disconnection is not necessary
- Scenario 2 – Customer does not sign up with a new supplier
  - GTs have power to disconnect (Gas Act, Sch. 2B, para.18)
  - GTs have requirement to reconnect only if matter has been remedied (Gas Act, Sch. 2B, para.19) – presumption of two conditions to be met:
    - Customer signed up with a Supplier
    - Charges/value of gas have been paid

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## Option 1: Further issues

- Funding for GT investigations/disconnections and use of recovered revenue
  - GTs required to investigate and recover value of gas from “any person [that] takes a supply of gas which is in the course of being conveyed” (GT SLC 7(1))
  - Arrangements in place to ensure that GTs are revenue neutral in terms of (amongst other things) the investigation costs and recovered monies from the customer (GT SLC 7(3))
  - “Rebuttable presumptions” that gas taken upstream of ECV is in the course of conveyance (GT SLC 7(11))
    - Rebutted where no supplier in place
- When should a GT disconnect?
- Treatment of vulnerable customers?

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### Option 2: SoFR

- Introduce a SoFR, to which all the Unregistered sites would be allocated
- A deemed contract would be in place between the SoFR and the customer of an Unregistered site (Gas Act, Sch. 2B, para.8(1))
- Under these provisions it would be possible for the SoFR to charge the customer for the value of gas under a deemed contract
  - But not retrospectively for period before SoFR mechanism implemented
- Other considerations to resolve e.g. how to choosing the SoFR

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### Summary

- Shipperless sites
  - Existing route for suppliers to charge/disconnect customers
  - Could be clarified (if needed) by UNC Modification
- Unregistered sites
  - GT power to disconnect
  - GT rights to recover backdated charges
  - Application of GT SLC 7 to associated costs and recovered charges
  - Potential option to allow suppliers to recover backdated charges e.g. SoFR

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### Questions and Next Steps

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## ANNEX

17

### Gas Act, Schedule 2B

#### *Deemed contracts in certain cases*

**8**

(1) Where a gas supplier supplies gas to a consumer otherwise than in pursuance of a contract, the supplier shall be deemed to have contracted with the consumer for the supply of gas as from the time ("the relevant time") when he began so to supply gas to the consumer.

(2) Where—

- (a) the owner or occupier of any premises takes a supply of gas which has been conveyed to those premises by a [gas transporter] in pursuance of arrangements made with the transporter by a gas shipper, or by a person authorised to make the arrangements by an exemption granted under section 6A of this Act;
- (b) that supply is not made by a gas supplier, or by a person authorised to make it by an exemption granted under section 6A of this Act *or an exception contained in Schedule 2A to this Act*; and
- (c) a supply of gas so conveyed has been previously made by a gas supplier,

the owner or occupier shall be deemed to have contracted with the appropriate supplier for the supply of gas as from the time ("the relevant time") when he began to take such a supply; but nothing in this sub-paragraph shall be taken to afford a defence in any criminal proceedings.

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## Gas Act Schedule 2B

### Paragraph 9(1)

*"Where any person takes a supply of gas which is in the course of being conveyed by a gas transporter, the transporter shall be entitled to recover from that person the value of the gas so taken."*

### Paragraph 9(3)

- *"Each gas transporter shall make, and from time to time revise, a scheme providing for the manner in which, and the persons by whom, the number of therms or kilowatt hours represented by a supply of gas taken in such circumstances as are mentioned in sub-paragraph (1) or (2) above is to be determined for the purposes of that sub-paragraph."*

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## Gas Act Schedule 2B (cont.)

### Paragraph 18

*"If a consumer improperly uses or deals with gas so as to interfere with the efficient conveyance of gas by the gas transporter (whether to the consumer or to any other person), the transporter may, if he thinks fit, disconnect the consumer's premises."*

### Paragraph 19

*"The transporter or supplier shall not be under any obligation to reconnect the consumer's premises or, as the case may be, resume the supply of gas to the consumer's premises until the consumer either is no longer an owner or occupier of the premises or—*

- (a) has made good the default, or remedied the matter, in consequence of which the premises were disconnected or the supply was cut off; and*
- (b) has paid the reasonable expenses of disconnecting and reconnecting the premises or, as the case may be, of cutting off the supply and restoring the supply."*

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## UNC Section G

**Section G 3.2.2** *"For so long as a Supply Point Withdrawal has not become effective in accordance with paragraph 3.2.1, the Withdrawing User shall remain liable for Supply Point Transportation Charges in respect of the Withdrawing Supply Point determined on the basis of the Supply Point Capacity and LDZ Capacity held immediately before the submission of the Supply Point Withdrawal"*

**Section G 3.7.5** *"Without prejudice to the generality of paragraph 3.7.4 where a Supply Meter Point has been Isolated and an Effective Supply Point Withdrawal has occurred and the Supply Meter continues to remain physically connected to a System then:*

- (a) where gas was or is being offtaken at such Supply Meter Point during such period the Relevant Registered User at the time of Isolation shall be liable for all charges (including without limitation Transportation Charges) associated with such Supply Meter Point, as if an Isolation or Effective Supply Point Withdrawal had not occurred;*
- (b) where gas has not been offtaken (but is capable of being offtaken without further action being taken) at such Supply Meter Point during such period then the Relevant Registered User shall be liable for Capacity Charges and Customer Charges associated with such Supply Meter Point, as if an Isolation or Effective Supply Point Withdrawal had not occurred."*

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## Gas Transporter SLC 7(1)

*"Where it appears that sub-paragraph (1) of paragraph 9 of Schedule 2B to the Act may apply by reason that a person has, or may have, taken a supply of gas in course of conveyance by the licensee ...it shall -*

- (a) investigate the matter; and*
  - (b) subject to the outcome of that investigation, use its reasonable endeavours to recover...the value of the gas,*
- and, in this paragraph and paragraph 3, "value", in relation to gas, has the same meaning as in paragraph 9 of the said Schedule 2B."*

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## Gas Transporter SLC 7(3)

*"Where the licensee has...recovered, or attempted to recover, the value of the gas taken...then any standard condition of this licence that limits, or has the effect of limiting, the charges made in pursuance of transportation arrangements or the revenue derived therefrom which is specified in a scheme designated by the Authority for the purposes of this condition shall be modified as provided in that scheme to take account of -*

- (a) the costs of any such investigation...;*
  - (b) any amount recovered...;*
  - (c) the costs of any such recovery or attempted recovery...; and*
  - (d) any costs to the licensee attributable to any gas being acquired, or not being disposed of, by it by reason of the taking of the gas,*
- so as to secure that, as nearly as may be and taking one year with another, the licensee suffers no financial detriment, and acquires no financial benefit, as a result of the taking of the gas and its compliance with paragraph 1."*

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## Unregistered and Shipperless sites - actions from meeting 3 Nov 2010

Following the presentation given by Ofgem at the 3 November meeting I took a number of actions to provide additional comments on the application of the legal framework to shipperless and unregistered sites. As with the caveat set out in the presentation, these responses should not be taken to be legally binding views and parties should seek their own legal advice.

In addition, we have given further thought to our definition of unregistered sites and the distinction between theft in conveyance. Our view is that an unregistered site occurs where there is not a shipper registered for the site and a connection has been made in accordance with the agreed industry arrangements (e.g. GIRS) and has been notified to the GT. We consider that instances where connection has been made outside of the agreed industry arrangements and without the agreement of the GT are more likely to be considered under Schedule 2B paragraph 10(a), ie where there has been damage to the pipeline. We have therefore not considered this second scenario in our responses below.

### Action 1: Views on responsibilities and rights to charge and disconnect unregistered sites where a supplier has a contract with a customer at the premises

In these instances the site is not registered to a shipper or supplier on the central systems. For clarity, this differs from the scenario considered in the 3 November presentation for unregistered sites, where there was no supply contract with a customer.

In summary, we consider that, if this circumstance is not specifically catered for in industry arrangements<sup>4</sup>, the supplier does not have title to the gas as there is no shipper responsible for that site.

If title to the gas is not dealt with under industry arrangements then we note that this could potentially give rise to liability under criminal and customer protection legislation. This may include legislation specifically enforceable by Ofgem under Part 8 of the Enterprise Act<sup>5</sup>.

We consider that the provisions generally set out in the presentation on 3 November (under Unregistered Sites) for GTs to charge the customer for the gas consumed and disconnect where satisfactory shipper/supplier arrangements are not put in place, will apply in this scenario. Given the obligations in the Gas Act and the licence referred to in the presentation, our view is that GTs should be managing the process to a satisfactory conclusion.

We further consider that it would be beneficial to give the contracted supplier an opportunity to correct the situation by arranging with a shipper to correctly confirm the site and give the customer an opportunity to sign up with another supplier if this does not occur.

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<sup>4</sup> The provisions under Section G 7.3.3 and 7.3.7 may be relevant here. These provisions prohibit the offtake of gas at a New Supply Meter Point until the First Supply Point Registration Date subject to certain exemptions which, for new sites, provide for offtake whilst the Supply Point Confirmation is being processed.

<sup>5</sup> For example, where there is a breach of an implied term in a contract to the effect that a trader has the title/right to sell the gas. See in particular, Section 12 of the Sale of Goods Act 1979, Section 2 of the Supply of Goods and Services Act 1982 and Section 6(1) and 7(3A) of the Unfair Contract Terms Act 1977.



We consider that, if a supplier has received payment for supply charges (including standing charges) from the customer where there has never been a shipper registered in the central systems for that meter point, or where there are no specific industry arrangements that cater for this, a supplier will not have title to the gas and all such charges should be returned to the customer. These charges can then be used to pay the GT in respect of gas consumed during the period before a shipper had been registered or is liable for charges ('the unregistered period'). Further, in the event that the charges payable to the GT in respect of the unregistered period exceed the amount originally charged by the supplier and paid by the customer (in respect of the same period of time and amount of consumption), we would expect the supplier to compensate the customer for any such additional payments.

#### Additional points

We note that both SLC 3 and SLC 8 of the gas shippers' licence may be relevant where unregistered sites exist.

Depending on the nature and terms of the commercial arrangements between a shipper and supplier, in order to comply with paragraphs 1, 2 and 3 of SLC 3<sup>6</sup> it may be necessary for the shipper to ensure that it is fully aware of the total number of sites which are being supplied in order to ensure that this correlates with the number of registered sites for which it is acting as the relevant shipper.

Further, in circumstances where the shipper has knowledge of a site which would be within the scope of its commercial arrangements with a supplier, we note that paragraph 5 of SLC 8 requires the shipper to give the relevant transporter confirmation of its intention to become the relevant shipper within a specified period in advance of the date those shipping arrangements will commence. Therefore, in light of the spirit of this licence condition (and without prejudice to any potential breach), in circumstances where a shipper becomes aware of an unregistered site, we would expect the shipper to take immediate steps to notify the relevant transporter and ensure that the site is correctly registered as soon as possible.

#### **Action 2: Which party has the right to charge and disconnect a shipperless site where the meter has been exchanged**

UNC Section G 3.2.2 ensures that a shipper remains liable for Supply Point Transportation Charges for as long as Supply Point Withdrawal has not become effective.

UNC Section G 3.7.5 sets out that if the Supply Meter continues to remain physically connected to a system after isolation and withdrawal, then the shipper will continue to be liable for charges for that Supply Meter Point.

A view was taken at the 3 November meeting that these provisions provide for a shipper to be in place when a site has not been correctly withdrawn and isolated. In these circumstances a deemed contract between the customer and the appropriate supplier would apply.

As requested, we have given further thought to whether a deemed contract will apply in circumstances where a site has not been correctly withdrawn and isolated and the meter in situ has been exchanged.

UNC Section M 1.2.2 defines a Supply Meter at a Supply Meter Point. This definition appears to provide for the Supply Meter to be any meter that is installed at the site, including where it has been exchanged.

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<sup>6</sup> These provisions place obligations on the shipper in respect of its use of the GT's pipe-line system, including the arrangements set out in the Network Code.

We therefore consider that, where there has been a meter exchange at a shipperless site, it will still be the shipper and supplier last registered to that site that will be responsible for the associated site charges and which will have a deemed contract with the customer.

### **Action 3: Ability of GT to recover costs of investigation and disconnection/reconnection from the customer**

We note that GT SLC7 requires a GT to investigate and use reasonable endeavours to recover the value of the gas taken in the course of conveyance. It is our view that this requires GTs to take action in relation to unregistered sites.

We note that SLC7 does not provide an explicit requirement on the GT to seek to recover the value of the investigation or the costs of any disconnection or reconnection from the customer although there is a provision under SLC7(3) for these unrecovered costs to be passed through under the price control arrangements.

Schedule 2B, paragraph 19 of the Gas Act provides for the GT to refuse to reconnect a site in certain circumstances. We consider that, where a customer's actions have resulted in a GT disconnecting a site under Schedule 2B paragraph 10(1) for example when they have refused to enter into contractual arrangements with a supplier after due process has been followed, the GT may be able to refuse to reconnect the site until satisfactory arrangements for repaying the costs of disconnection and reconnection and any reasonable costs associated with investigating the customer's actions have been made. We note that paragraph 10(1) is unlikely to be relevant where the unregistered site was not caused or sought to be continued by the actions of the customer.

## **Shipperless and Unregistered Sites Working Group**

### **National Grid Distribution View** **in respect of** **Relevant Legal Rights and Responsibilities of Transporters**

#### 1. Background

- 1.1 In November 2009, the Final Report for Uniform Network Code (UNC) Review Group 0245 recommended “the establishment of new processes by Transporters to proactively manage Shipperless sites” and “a review of shipperless sites scenarios to identify who should or might be subjected to retrospective charges associated with failure to confirm sites which are offtaking gas”.
- 1.2 The processes currently applied by Transporters<sup>7</sup> in respect of Shipperless and Unregistered Sites<sup>8</sup> is operational in nature and is not subject to any UNC or other formal industry governance. Accordingly the nature and form of this process is determined by xoserve<sup>9</sup> in consultation with the industry via the Shipperless and Unregistered Sites Working Group (SUSWiG). This forum is attended by various industry parties including Distribution Network Owners, Shippers, Suppliers and Meter Asset Managers.
- 1.3 Since the issue of the Review Group 0245 report, the SUSWiG has been considering the root causes of the current population of Shipperless and Unregistered Sites and whether any changes should be made to the existing processes applied in respect of such, as recommended by Review Group 0245.
- 1.4 At the meeting of the SUSWiG on 7 November 2010, Ofgem provided its view (see Appendix 1) of the rights and responsibilities of industry parties in respect of Shipperless and Unregistered Sites, specifically in the context of two key activities;
- the ability to disconnect the consumer if it refuses to enter into a supply contract, and
  - the ability to charge for gas consumed prior to a supply contract being in place
- 1.5 On 23 November 2010, Ofgem also issued a separate document in response to an action item (see Appendix 2) which provided Ofgem’s view in respect of two additional scenarios associated with Shipperless and Unregistered Sites.
- 1.6 This document seeks to provide National Grid Distribution’s (NGDs) view in respect of the relevant legal rights and responsibilities of Transporters including those identified by Ofgem in its SUSWiG presentation material and action response.

#### 2.0 Definitions

##### **Unregistered Site**

A Meter Point within the Supply Point Register that has never been registered by a shipper<sup>10</sup>.

##### **Shipperless Site**

A Meter Point within the Supply Point Register that has no current registered shipper, but previously had one<sup>11</sup>.

##### **Supply Point Register**

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<sup>7</sup> ‘Transporter’ in this context refers to the ‘Large’ Transporters being National Grid Transmission, National Grid Distribution, Northern Gas Networks, Scotia Gas Networks and Wales & West Utilities)

<sup>8</sup> The respective definitions of ‘Shipperless’ and ‘Unregistered’ sites are as detailed within section 2.

<sup>9</sup> xoserve is the Large Transporters’ agent and is responsible for the delivery of a number of regulatory and contractual obligations of these parties.

<sup>10</sup> The definition used by xoserve in its management of Shipperless and Unregistered Sites.

<sup>11</sup> See footnote 4, above.

The register of all Supply Meter Points, Supply Points and Supply Point Premises located on systems operated by the Large Transporters as required by Standard Special Condition A31(2)(a) of the their Licence and section G1.9.1 of the UNC Transportation Principal Document.

### 3.0 Procedure – Unregistered Sites

- 3.1 A new connection is made to a Transporter’s network by a Utility Infrastructure Provider (UIP) or by the Transporter itself. Where installed by a UIP, upon completion, pursuant to the contractual arrangements with the Transporter, the UIP issues a completion notice to the upstream Transporter. Subsequent to completion, a meter is installed by the customer itself or (upon the request of the customer) by a Supplier (who instructs a Meter Asset Manager). The consumer enters into a supply contract with a Supplier, which accordingly is able to levy ongoing supply and metering charges pursuant to this contractual arrangement.
- 3.2 Within 3 days of commencement of supply, the Supplier notifies the relevant Shipper that it will become the relevant Supplier. This is pursuant to Supplier Licence Condition 17.9: *“If the licensee becomes the Relevant Gas Supplier of premises, it must, no later than three days after becoming so, inform the Relevant Gas Shipper whether the premises are Domestic Premises or Non-Domestic Premises”*.
- 3.3 Not less than 14 business days prior to the point at which it will become the relevant Shipper, the Shipper notifies the Transporter in accordance with Section G of the Uniform Network Code. This is pursuant to Shipper Licence Condition 8(5): *“The licensee shall, in each case where it proposes to become the relevant shipper in respect of particular premises, give the relevant transporter confirmation that it will so become, in such manner as the transporter may reasonably require, not less than 14 business days (or any lesser period which may be permitted in the particular circumstances by or under the relevant transporter’s Network Code) in advance of the date on which it is to become the relevant shipper”*.
- 3.4 A Meter Point may be legitimately ‘Unregistered’ where the Meter Point is created in the Supply Point Register but it is not capable of offtaking gas.

### 4.0 Procedure – Shipperless Sites

- 4.1 A Supply Point may be legitimately ‘Shipperless’ where the previous shipper has submitted a Supply Point Withdrawal which has been made effective in accordance with the UNC<sup>12</sup>. Where the Supply Point Withdrawal is made effective by submitting an ‘Isolation’, the Shipper warrants that it has *“taken all reasonable steps to ensure that all work to cease the flow of gas has been carried out”*.<sup>13</sup> To this extent, the ‘shipperless’ status is legitimate where the consumer does not offtake gas from the date of the Isolation.
- 4.2 Where a Shipper submits an Isolation (in absence of a Supply Point Withdrawal) and it subsequently becomes aware that gas is capable of being offtaken, it notifies the Transporter of this and the Transporter Re-establishes the Supply Point by removing the ‘Isolated’ status in the Supply Point Register<sup>14</sup>.
- 4.3 Where an Effective Supply Point Withdrawal has taken place and the meter remains physically connected to the Transporters system, in the event that gas is offtaken the Shipper will be liable for all relevant Transportation charges as if an Effective Supply Point Withdrawal had not occurred<sup>15</sup>.

### 5.0 Transporter Duties, Rights and Powers

- 5.1 This section covers Transporters’ general obligations in respect of gas illegally taken and other rights and powers to address two particular areas, the ability to disconnect a supply and the ability to recover costs of gas illegally taken.

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<sup>12</sup> UNC Transportation Principal Document section G3

<sup>13</sup> UNC Transportation Principal Document section G3.5.5

<sup>14</sup> UNC Transportation Principal Document section G3.7.2

<sup>15</sup> UNC Transportation Principal Document section G3.7.5

## 5.2 Duties

- 5.2.1 Under Licence condition 7(1)(a) of its Licence a Transporter has a duty to investigate certain defined situations where it appears that gas may be being taken illegally. The circumstances in question are taken from paragraph 9 of Schedule 2B to the Gas Act 1986 (as amended) [hereafter the 'Gas Code'] and are
- (a) where a person has taken a supply of gas which is "*in the course of conveyance*" by the Transporter. Licence Condition 7(11) of the Transporter Licence states that it is a rebuttable presumption that where gas is taken at a point upstream of the outlet of the customer control valve on a service pipe, it is gas which is in the course of conveyance and where it is taken at some other point it is gas that "*has been conveyed*" to the premises. This would cover situations where a service pipe or main is 'teed into' so gas can be illegally off-taken. This would be an offence under paragraph 10 of the Gas Code<sup>16</sup>.
  - (b) where a person at a premises which have been reconnected in contravention of paragraph 11 of the Gas Code takes a supply other than pursuant to an actual or deemed supply contract.
- 5.2.2 A supply contract is deemed to exist<sup>17</sup> where a supplier supplies gas to a consumer otherwise than in pursuance of a contract, this being where a person takes a supply of gas without entering into a contract, the premises have previously been supplied by a gas supplier and the Transporter is conveying gas to the premises under an arrangement with a shipper or authorised person. In practice this is likely to occur where a new tenant takes a supply of gas in absence of a supply contract with a new supplier but the Shipper remains registered at the Supply Point within the Supply Point Register. In this case, the supplier who last supplied gas to the premises is deemed to be the appropriate supplier.
- 5.2.3 Under Licence condition 7(1)(b) of the Transporter's Licence, where an investigation (conducted as per paragraph 5.2.1 above) finds evidence that gas has been taken illegally in the circumstances described, the Transporter has a duty to use reasonable endeavours to attempt to recover the value of the gas taken, which is defined by paragraph 9(5) of the Gas Code as the amount that could reasonably expect to have been recovered under a deemed supply contract.
- 5.2.4 Each Transporter has a duty under paragraph 9(3) of the Gas Code to have a scheme for calculating how much gas was taken in the circumstances described in paragraph 5.2.1 above.
- 5.2.5 Each Transporter (and Shipper) has an obligation under section G1.9.8 of the UNC Transportation Principal Document to co-operate to ensure the accuracy of the Supply Point Register. In the context of Shipperless and Unregistered Sites, accuracy principally refers to registration by the relevant Shipper which itself is a function of the Supplier/Consumer relationship. To the extent that the Supply Point Register is required to reflect all relevant Supply Meter Points we believe that the Transporter fulfils its obligations under G1.9.8 by creating the relevant Meter Point Reference Numbers within the Supply Point Register.
- 5.2.6 Ofgem has taken a view that Transporters have obligations to address Shipperless and Unregistered Sites pursuant to duties under Gas Act sections 9(1) and 9(1A) to maintain an efficient and economic pipeline system for the conveyance of gas and a duty and to facilitate competition in the supply of gas.
- 5.2.7 We are of the view that obligations in respect of the efficient and economic operation of the pipeline system are more directly referring to the physical pipeline

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<sup>16</sup> See section 5.3.3(c), below

<sup>17</sup> Gas Code para 8(1) and 8(2)

network and would therefore question the obligations this imposes in respect of records within the Supply Point Register.

- 5.2.8 However, we concur that Shipperless and Unregistered Sites potentially contributes to the misallocation of Transportation and Energy costs between shippers and therefore Transporters should seek to optimise the processes applied to facilitate competition in the supply of gas.

### 5.3 Rights and Powers

#### 5.3.1 Charging:

- (a) Paragraph 9 of the Gas Code provides an entitlement for Transporters to recover the value of gas taken illegally in the circumstances described in paragraph 5.2.1 above.

#### 5.3.2 Entry:

- (a) Paragraph 23 of the Gas Code provides an entitlement for a Transporter to enter a consumer's premises for various purposes including the inspection of gas fittings or to ascertain the quantity of gas offtaken.
- (b) Paragraph 25 of the Gas Code provides an entitlement for a Transporter to enter a consumer's premises which has previously been disconnected (by a Transporter or Supplier) for the purposes of ascertaining whether the premises have been re-connected.
- (c) Paragraph 28 of the Gas Code imposes requirements on a Transporter seeking to exercise its rights of entry afforded by the Gas Code including ensuring that the person exercising the right is a fit and proper person, that the premises are left no less secure as a consequence of the entry and that obstruction of a person attempting to exercise the right of entry is guilty of an offence.
- (d) Entry (including by warrant) sought pursuant to the Rights of Entry (Gas and Electricity Boards) Act 1954 applies.

#### 5.3.3 Disconnection:

- (a) Paragraph 24 of the Gas Code provides an entitlement for a Transporter to enter a premises for the purposes of disconnecting the premises where:
- (i) a consumer ceases to require a gas supply; or
  - (ii) a consumer entering into occupation of a premises previously supplied with gas by a supplier does not take a supply of gas
- (b) Paragraph 18 of the Gas Code provides an entitlement for a Transporter to disconnect a premises where the consumer improperly uses or deals with the gas so as to interfere with the efficient conveyance gas by a Transporter
- (c) Paragraph 10 of the Gas Code provides an entitlement for a Transporter to disconnect a premises where a person intentionally or negligently causes or allows any gas fittings provided by a Transporter or Supplier to be damaged including alteration of the meter index or prevention of the meter from registering
- (d) Paragraph 11 of the Gas Code provides an entitlement for a Transporter to disconnect a premises where the premises has been reconnected in absence of the consent of the Transporter or the Supplier as appropriate

- (e) Paragraph 14 of the Gas Code provides an entitlement for a Transporter to disconnect a Larger Supply Point<sup>18</sup> premises where a shipper registration has ceased in the Supply Point Register and has not been replaced by a subsequent shipper registration
- (f) Where disconnection is actioned under Paragraphs 10, 11, 14 and 18 of the Gas Code, the Transporter is entitled to refuse to reconnect the consumer until the costs of the gas illegally taken are paid in addition to the costs of disconnection and reconnection<sup>19</sup>. This does not apply where disconnection is undertaken pursuant to Paragraph 24 of the Gas Code accordingly the Transporter has no entitlement to refuse to reconnect the consumer pursuant to Paragraph 19 of the Gas Code.

## 6.0 Scenarios

- 6.1 Except where stated otherwise, the following scenarios assume that a meter and service has been 'legitimately' installed in absence of damage any service pipe or gas fittings and that gas is being consumed<sup>20</sup>. In principle, consideration is given to the rights to disconnect and the rights and obligations to recover the value of any gas consumed.
- 6.2 Unregistered Site – Consumer Refuses to enter into a Supply Contract
  - 6.2.1 From a principle perspective we agree that a consumer should be requested to enter into a supply contract and be afforded the opportunity to do so. However, where a consumer refuses to do so, consideration is required of the available measures to prevent the ongoing consumption of gas and the recovery of the value of gas illegally taken.
  - 6.2.2 We believe that a Transporter does not have an express power to disconnect a premises not previously supplied with gas. This on the basis that the circumstances do not meet the requirements of paragraphs 24 (the consumer requires and is consuming the gas), 10 (no damage has been caused to the gas fittings), 11 (no unauthorised reconnection has taken place) or 14 (there is no prior Shipper registration in the Supply Point Register) of the Gas Code.
  - 6.2.3 We agree that taking gas without a supply contract (where the consumer is fully aware of the requirement and is capable of entering into such an arrangement) is arguably "improper use" for the purposes of paragraph 18 of the Gas Code. We note that both Ofgem and British Gas Trading have expressed views in support of this interpretation however we maintain concerns that this provision of the Gas Code was not intended to cover this problem. As a consequence, we believe that there would be merit in reflecting an express power in the Gas Code (potentially paragraph 24) as an alternative to utilisation of paragraph 18.
  - 6.2.4 Prior to exercising any rights to disconnect in these circumstances, we believe that it is imperative for the Transporter to have certainty that no supply contract is in place. To this extent, we believe that it is reasonable that any prospective operational 'Shipperless and Unregistered Sites' procedure (operated by xoserve) includes the requirement on shippers to respond to requests to provide confirmation of whether they are aware of the existence of a supply contract with a consumer. This would be required prior to Transporter consideration of disconnection activity at the relevant premises.
  - 6.2.5 In respect of the ability to recover the costs of any gas consumed, we believe it is arguable this is a case where the presumption contained within the definition of gas

<sup>18</sup> As per UNC Transportation Principal Document section A4.2.2 "a Supply Point in respect of which the Annual Quantity is greater than 73,200kWh (2,500 therms)".

<sup>19</sup> Gas Code para 19

<sup>20</sup> xoserve is not able to conclusively determine the physical circumstances of site (ie: whether a meter is physically installed or whether gas is being consumed). Invariably, a number of the duties, rights and powers of Transporters under the Gas Act and Licence are contingent on gas being consumed "improperly" or "illegally" and hence this is referred to at the appropriate point in this paper.

“in the course of conveyance”<sup>21</sup> in Licence Condition 7(11) could be rebutted. To this extent, where there is no actual or deemed supply contract in place, *any* gas consumed at the relevant Supply Point could be treated as gas taken in the course of conveyance. Accordingly, the Transporter would be able to recover the value of the gas taken pursuant to paragraph 9(1) of the Gas Code.

- 6.2.6 In order to provide certainty, we would welcome clarification within the Licence that where there is no actual or deemed supply contract, any gas extracted from the Transporter’s network (including where extracted downstream of the Emergency Control Valve) is illegally taken whilst “in the course of conveyance”.
- 6.3 Unregistered Site – ‘Express’ Supply Contract in Place (Shipper/Supplier failure to register Supply Point)
- 6.3.1 In this scenario, we do not believe that it is appropriate for the Transporter to disconnect the premises or seek to recover the value of the gas consumed. This is on the basis that the consumer has entered into a supply contract in good faith and should not be inconvenienced by omissions elsewhere in the market arrangements.
- 6.3.2 More importantly, we do not believe that the Transporter would have the *right* to recover the value of the gas taken as conferred by paragraph 9 of the Gas Code. The supply in this case has not been illegally reconnected (Gas Code Paragraph 9(2)) and we do not believe that gas has been taken in the course of conveyance (Gas Code Paragraph 9(1))<sup>22</sup>.
- 6.3.3 Equally, in respect of disconnection, we do not believe that the circumstances meet the requirements of paragraphs 24 (the consumer requires and is consuming the gas), 10 (no damage has been caused to the gas fittings), 11 (no unauthorised reconnection has taken place) or 14 (there is no prior Shipper registration in the Supply Point Register) of the Gas Code.
- 6.3.4 In this case we believe it would also be inappropriate to utilise paragraph 18 of the Gas Code to disconnect supply in light of the fact that the consumer has willingly entered into a supply contract in good faith. We certainly believe this was not the scenario envisaged to be addressed by this provision of the Gas Code and further, believe it would be detrimental to the reputation of both the relevant Transporter and the wider industry if such actions were taken.
- 6.3.5 We believe that in this scenario, the relevant Supplier and relevant Shipper should act in accordance with their respective licences<sup>23</sup> to ensure that the Supply Point is appropriately registered in the Supply Point Register. Upon such registration we note that the provisions of UNC Transportation Principal Document G7.3.7 would apply whereby the shipper would be treated as the registered shipper from the date of submission of the Supply Point Confirmation (or the Meter Fix date if notice of such was submitted by the same Shipper).
- 6.3.6 We also believe that in this case, the Shipper should also pay the Transporter’s reasonable costs in investigating the matter.
- 6.4 Shipperless Site - Previous Meter in situ
- 6.4.1 Where Effective Supply Point Withdrawal has occurred but the original meter remains connected to the network and subsequently gas continues to be offtaken, the provisions of the UNC<sup>24</sup> would apply. Specifically, the Shipper remains liable for the Transportation charges as if the Effective Supply Point Withdrawal had not occurred. The Shipper is also required to ensure that the meter is disconnected within 12 months of the date of Effective Supply Point Withdrawal, and if this is not

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<sup>21</sup> See section 5.2.1, above.

<sup>22</sup> See section 6.2.6, above.

<sup>23</sup> See section 3.2 and 3.3, above

<sup>24</sup> UNC Transportation Principal Document G3.7.5. See section 4.3, above



undertaken, the Transporter will disable the flow of gas and levy a charge to the relevant Shipper<sup>25</sup>.

6.4.2 A deemed supply contract would apply where the shipper registration remains in the Supply Point Register thus meeting the requirements of the Gas Code paragraph 8. Given that the effect of section G3.7.5 of the UNC Transportation Principal Document is to levy Transportation Charges as if Effective Supply Point Withdrawal had not occurred we believe that the Shipper's registration effectively remains in place and therefore a deemed supply contract applies. Accordingly, the UNC could benefit from clarification in respect of the Shippers registration in the Supply Point Register in these circumstances.

6.4.3 In light of the presence of a deemed contract we believe that it would be inappropriate for the Transporter to seek to disconnect the premises or to seek payment for the gas consumed for the reasons outlined in section 6.3 above. We believe these reasons remain valid despite the 'deemed' nature of the supply contract.

## 6.5 Shipperless Site - Other Meter in situ

6.5.1 We note that the Network Code Modification<sup>26</sup> which introduced the G3.7.5 provisions did not contemplate this scenario and we therefore do not believe these terms would permit the Transporter to levy Transportation charges to the relevant shipper where gas is being consumed via a different meter to that in place at the point of Isolation.

6.5.2 Therefore in order to levy Transportation Charges in these circumstances to the relevant shipper we believe, a Modification to the UNC would be required. If this change was implemented the Shipper's registration would effectively remain in place and therefore the principles identified in sections 6.4.2 and 6.4.3, above would apply.

6.5.3 However, our view is that it would be inappropriate to reinstate the previous Shipper's registration in these circumstances as in this case the withdrawing shipper will have removed the original meter and thus undertaken additional steps to ensure that gas is not able to offtaken. If this were the case and there is no registration in place within the Supply Point Register, there cannot be a deemed supply contract in place and therefore the supplier would be unable to recover any supply charges.

6.5.4 Therefore, in this scenario, we believe that the Transporter is able to disconnect the premises pursuant to paragraph 11 of the Gas Code<sup>27</sup> and is entitled to recover the value of the gas on the basis that it has been illegally taken whilst in the course of conveyance<sup>28</sup>.

## 7.0 Governance

7.1 We acknowledge the comments of a number of members of the SUSWiG that the procedure operated by xoserve should be subject to formal industry governance. We recognise the benefits this would provide and as such would suggest consideration of the following requirements:

- requirement for shippers to confirm whether a supply contract is in place or otherwise prior to Transporter consideration of disconnection;
- requirement for reinstatement of a Shipper's registration in the Supply Point Register where the original meter remains connected to the network and gas is being offtaken (UNC Transportation Principal Document section G3.7.5).

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<sup>25</sup> UNC Transportation Principal Document G3.8.1

<sup>26</sup> Network Code Modification 0675, implemented 12 July 2004.

<sup>27</sup> See section 5.3.3, above

<sup>28</sup> See sections 5.3.1 and 6.2.6, above

7.2 NGD is of the view that given the matters now being considered by the SUSWiG and the potential impacts on the UNC, these issues should now be addressed under UNC governance and therefore suggest that a topic is raised at the Distribution Workstream to develop any proposed changes.

## 8.0 Funding

8.1 We welcome Ofgem's clarification that any activities undertaken by Transporter to address the Shipperless and Unregistered population of sites (including disconnection) would be classed as 'investigations' undertaken pursuant to Licence Condition 7(1). Accordingly, the associated costs and revenue would be treated in accordance with Licence Condition 7(3) and the Transporter would therefore acquire no financial benefit nor suffer any financial loss from the taking of the gas and compliance with Licence Condition 7(1).

## Shipperless and Unregistered Sites Glossary of Terms

Term / Abbreviation	Description
C&D	Connections and Disconnection
DE	Dead” Meter Point Status (where physical service exists and was removed from Sites and Meters)
DUP	Duplicates – Any query challenging two MPRN’s for one service to a property and where the asset information matches
EX	Extinct” Meter Point Status (where no physical service exists and was removed from Sites and Meters)
Fast Track	A type of MPRN creation request. Where a UIP has failed to send an MPRN creation request to Xoserve shippers can send a Fast Track query asking for the creation along with the MPRN on the tagged service
GSR	Following a Gas Safety Regulations investigation by the network a meter is on site and flowing gas. Sites and Meters show that the meter has been removed and the shipper has completed a voluntary withdrawal.
GSS	Following a Gas Safety Regulations investigation by the network a meter is on site and flowing gas. Sites and Meters show that there is a registered Shipper in ownership.
GT	Gas Transporters
IAD	Internet Access to Data
IGT	Independent Gas Transporters
(ISO)	Any contact sent via conquest challenging the status of a Supply Meter Point (Service Pipe).
LI	“Live” Meter Point Status
LPG	Liquid Petroleum Gas
MAM	Meter Asset Manager
MNC	A request to create an MPRN for a Live Supply Point where Sites and Meters has no live record (No Meter label present).
MOD517	The Mod 517 query process is the industry agreed solution to manage No Physical Asset queries and financial adjustment. The process allows a Shipper who is the Registered System User to relinquish responsibility for a supply meter point where no meter has ever been physically installed. Where the shipper is able to demonstrate this, the meter point will effectively be isolated and the shipper may then withdraw from the ownership of that supply meter point.
MPRN	Meter Point Reference Number
Nexus Project	Xoserve’s next generation of data processes and systems that will underpin the competitive gas market
PL	“Planned” Meter Point Status
PTS	Pass to Shipper (Shipper Specific) Shipperless reports – (See GSR above)
“Q” Project	Conquest Replacement Programme, also known as (BPMS) Business Process Management Suite
RBD	Reconciliation by Difference
RGMA	Review of Gas Metering Arrangements
SCOGES	Single Central On-line Gas Enquiry Service
SSP	Shipperless Sites Process (Industry Portfolio)
Shipper Activity Unregistered Sites	An unregistered site where Xoserve have identified shipper activity. For example where an MPRN has been created on behalf of a shipper Confirmation Rejections
SOFR	Supplier of First Resort
UIP	Utility Infrastructure Provider. Also know as a connection company.
UNC	Uniform Network Code/ Address amendment Conquest query code
USNANA	Unregistered Sites No Activity No Asset. Project that managed over 114k unregistered sites