

Terms of Reference
UNC Modification Reference Number 0282
Introduction of a process to manage Long Term Vacant sites
Version 2

Purpose

This Proposal seeks to establish a new process for the management of long term vacant sites within Uniform Network Code (UNC).

Background

Within the current economic climate there are a large number of domestic and commercial properties that have become vacant. In England alone it is estimated that there are approximately 700,000 homes unoccupied, of which over 300,000 have been vacant for more than six months¹. However despite this fact gas Shippers are unable to effectively reduce their settlement and transportation cost exposure to these sites, as:

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

This problem was considered in great detail in relation to the electricity market in 2005 under Issue 14² of the Balancing and Settlement Code and subsequently resulted in the successful introduction of MOD196³ (“Treatment of Long Term Vacant Sites in Settlement”). Modification 196 was introduced in February 2007 and since introduction 50,000 sites have gone through the electricity Long Term Vacant process.

The basis of MOD196 is that where a Supplier’s receives two “notification of failure to obtain reading” flows, with the “site visit check code” noted as “not occupied”, of more than 3 months and no more than seven months apart, they can apply for the site to have the Estimated Annual Quantity (EAC) set to zero. Exclusions apply and there are monitoring and ongoing management requirements for sites assigned Long Term Vacant status and rules to outline when a site no longer qualifies:

At the present time in the gas market the AQ for a site can only be brought down, where metering readings suggest that there has been a reduction in the gas consumed at a site. However, with a vacant site a Shipper/Supplier cannot gain access to the site to determine that there has been no consumption. It is therefore the case that the Shipper is left with no re-address in respect of changing the AQ of the site or reducing transportation costs to the site.

¹ Study by Empty Homes for the 2008 period – www.emptyhomes.com and details outlined on the Parliament website www.uk-parliament.co.uk

² [http://www.elexon.co.uk/documents/modifications/196/P196_attachment_1_\(issue14_report_v1.0\).pdf](http://www.elexon.co.uk/documents/modifications/196/P196_attachment_1_(issue14_report_v1.0).pdf)

³ <http://www.elexon.co.uk/documents/modifications/196/p196.pdf>

The Proposal

It is proposed that a new process be established under the UNC, where a Shipper can reduce their cost exposure to vacant sites, through a process similar to what exists in the electricity market.

For comparison the electricity process is set out in detail below:

MOD196 allows a site to become a Long Term Vacant site where a Supplier's receives two "notification of failure to obtain reading" flows, with the "site visit check code" noted as "not occupied", of more than 3 months and no more than seven months apart. This in effect allows the Supplier to have the Estimated Annual Quantity (EAC) set to zero for these sites.

Exclusions apply; where any other check code, other than site not occupied is received or where the Supplier receives any other valid flows containing register reading data or there is any indication of consumption at the site.

In addition there are monitoring and ongoing management requirements for sites assigned Long Term Vacant status and rules to outline when a site no longer qualifies:

Ongoing management and monitoring requires:

- *The Supplier must proactively attempt to obtain meter readings and retain a record of these attempts:*
 - *Extra attempts to contact the owner e.g. telephone, post, e-mail*
 - *Attempting to contact the local estate agent or Local Authority*
 - *Where dual fuel is supplied by checking for a similar pattern with gas consumption*
- *The site must remain energised according to the Supplier Meter Registration Service to quality as an LTV*

A site no longer qualifies as a Long Term Vacant site where one of the following is applicable:

- *One of the exclusions are met:*
 - *Any other "site visit check code" is received between "site not occupied" notices*
 - *The Supplier receives any other valid flows containing register reading data*
 - *There is any indication of consumption at the site*
- *The Supplier has not registered a "notification of failure to obtain reading" within a seven month period*
- *The Supplier believes that energy consumption has re-started*

In meeting any of the above criteria the Supplier must instruct the Data Collector to enter a non-zero EAC into the Settlement process.

The principle of this proposal is that the same process would be introduced in the gas market as that already established for the electricity market – to allow a Shipper/Supplier to classify a site as Long Term Vacant, with xoserve setting the Annual Quantity to 1 for settlement.

To qualify it is proposed that a Shipper/Supplier must receive two metering flows that flag the site as "vacant premises" and these must be more than three calendar months, but less than seven months, apart. The Shipper/Supplier would have the ability to flag

both of these flows to xoserve. xoserve would then revise the AQ of the vacant site to 1kWh.

It would be proposed that the site should not be classified as LTV, if:

- Any other validation code is received between “vacant premises” notices
- The Shipper receives any other valid flows containing register reading data, which indicates consumption at the site

In the event that either or these reasons are fulfilled, the AQ for the LTV would revert to the value that was in place before the AQ for the site was set to 1 kWh (the non-vacant value).

For the ongoing management of the Long Term Vacant sites it is proposed that Shipper/Supplier would have to proactively attempt to obtain meter readings and retain a record of these attempts. Such attempts would include:

- Extra attempts to contact the owner e.g. telephone, post, e-mail
- Attempting to contact the local estate agent or local authority
- Where dual fuel by checking for a similar pattern with electricity consumption

It is proposed that xoserve should monitor the use of the LTV process and report usage through the Billing Operations meetings.

Scope and Deliverables

Within the context of the proposal (above) and including comments from UNC Panel, the Workstream is asked to consider:

- Safety implications of the Proposal.
- Assessment of Transporter safety case and any associated implications.
- Impacts on Gas Safety Regulations and Supplier obligations for the disconnection of service pipes not using gas and Pipeline Safety Regulations.
- Impacts on allocation and reconciliation.
- How sites will be monitored to ensure status changes are identified.
- Consider how theft detections should be managed.
- Operational impacts on gas networks.
- Benefits of adopting a model of operation similar to the Electricity Industry.
- Consideration of impacts of gas supply contracts and deemed contracts.
- Impacts on current processes and systems.
- Consideration of SMART metering and its possible impacts.

A Workstream Report will be produced containing the findings of the group in respect of the work identified above.

Limits

The Workstream will consider changes required to the following:

- Uniform Network Code

The Workstream is asked to develop the Proposal to ensure it is fit for consultation and be mindful of:

- changes required to processes and procedures
- changes required to existing systems
- development of business rules
- consideration of User Pays charges

Composition

The Workstream will encompass representation from all relevant areas, including consumer representatives.

A Workstream meeting will be quorate provided at least 2 Transporter and 2 User representatives are present.

Information Sources

- Uniform Network Code – Sections (to be identified).
- GT, Shipper and Supplier Licences.
- Gas Act.
- Various Industry legislation as appropriate – may include reference to:
 - Gas Safety (Installation & Use) Regulations.
 - Gas Safety (Management) Regulations.
 - Pipeline Safety Regulations.
 - Industry Codes of Practice as relevant.

Timetable

It is proposed that a total period of 6 months be allowed to conclude this review.

- Frequency of meetings – monthly. The frequency of meetings will be subject to review and potential change by the Workstream.
- Meetings will be administered by the Joint Office and conducted in accordance with the Chairman's Guidelines.