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2<sup>nd</sup> June 2011.

Your Reference:UNC Modification Proposal 0282/0282A.

**Re: UNC Modification Proposal 0282/0282A:**  
**'Introduction of a process to manage Vacant sites'**

Dear Bob,

Thank for your invitation seeking representations with respect to the above Modification Proposal

**Do you support or oppose implementation?**

Support/Qualified Support/Neutral/Not in Support/Comments\* *delete as appropriate*

**Please summarise (in one paragraph) the key reason(s) for your support/opposition.**

National Grid Distribution (NGD) does not support implementation of either Modification Proposal. We believe that the establishment of a 'Vacant Sites' regime within the UNC would be a significant retrograde step as implementation would have the potential to increase the number of unoccupied buildings with a live gas supply which would represent an increased safety risk to the public. From a commercial perspective, the introduction of this regime would have the potential to allow sites to commence offtaking gas without any reference back to the supplier with the associated risk that the gas would not be correctly accounted for and contribute to the pre-existing problems with unidentified offtakes of gas.

We set out in detail in 'supporting information' below the reasons for our opinion.

**Are there any new or additional issues that you believe should be recorded in the Modification Report?**

We have not identified any such issues.

## Relevant Objectives:

*How would implementation of this modification impact the relevant objectives?*

We do not believe that either Modification Proposal facilitates the relevant objectives as set out in Standard Special Condition A11.1 of the GT Licence.

Noting that the Proposals do not facilitate sub sections (a), (b), (c) and (e), we have the following comments on the statements pertinent to sub sections (d) and (f) which are contained within the draft Modification Report:

**Standard Special Condition A11.1 (d): *so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;***

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

NGD comment: We believe this statement to be flawed on 2 counts:

1. Isolation can be achieved at minimal cost (e.g. by disabling the Supply Meter by an approved method).
2. The efficient allocation of costs is contingent on the effective administration and monitoring of Vacant sites by the Registered User. We believe that the risks of Unidentified Gas flowing are significantly increased as opposed to Isolation which would by definition adversely impact on Users having SSPs.

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

NGD comment: Our opinion is that implementation would significantly reduce the degree of rigour required on behalf of the User as there appears to be little incentive for Users to actively monitor the potential for gas to flow at a Supply Meter Point which has been declared Vacant. NGD’s view is that the measures identified within Proposal 0282A do not sufficiently mitigate this.

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

NGD comment: NGD concurs with this statement.

“The Workgroup considered that Modification 0282A, in maintaining vacant sites within the [Reconciliation by Difference] RbD Process, the RbD costs are socialised across all RbD Supply Points regardless of whether a site is vacant or not and whether this is appropriate for vacant sites. Some parties considered this to be a disadvantage where others did not.”

NGD comment: NGD does not believe that the merits of leaving Vacant sites within the RbD Shipper share has been sufficiently explained by the Proposer.

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

“This proposal would increase choice of services provided through UNC.”

NGD comment: NGD acknowledges that the proposed Vacant sites mechanism arguably increases choice for the User as it represents an alternative to Isolation. However for the reasons set out below under ‘Supporting Information’ we believe that key UNC processes associated with accurate allocation and settlement of energy would be significantly compromised by this solution, as well as on safety grounds, and outweigh any benefits which might arise through the availability of choice.

**Impacts and Costs:**

*What analysis, development and ongoing costs would you face if this modification were implemented?*

Rough Order of Magnitude (ROM) costs for both Modification Proposals have been identified and published by the Joint Office of Gas Transporters.

**Implementation:**

*What lead-time would you wish to see prior to this modification being implemented, and why?*

Significant development work would be required to the Transporters UK-Link computer system. Implementation timescales would therefore be subject to discussions within the UK-Link Committee.

**Legal Text:**

*Are you satisfied that the legal text will deliver the intent of the modification?*

NGD has viewed the suggested legal text with respect to this Modification Proposal and has provided comments to the originator with respect to this. We are satisfied that the amended draft legal text as published by the Joint Office meets the requirements of the Modification Proposal.

**Is there anything further you wish to be taken into account?**

We believe the following supporting information to be relevant:

**Supporting information**

Unidentified Gas

Presently under the UNC the established method of obtaining Transportation and Energy charge relief at a Supply Point where gas ceases to flow is Isolation<sup>1</sup>. Isolation requires disablement of the Supply Meter such that gas cannot flow (e.g. clamping of the Customer (Emergency) Control Valve (ECV)) or disconnection of the Supply Meter. NGD believes that the Isolations arrangements under the UNC are mature, well proven and robust.

NGD’s opinion is that the measures identified within both Modification Proposals incentivise Users not to undertake Isolation but instead leave Supply Meters at Vacant properties enabled and capable of flowing gas. The extent to which this would be the case is unclear given the absence of publically available analysis detailing the extent of anticipated ‘take up’ of the option and whether consequent reduction in Isolation would occur or whether Vacant sites are currently left ‘live’ on the Supply Point register.

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<sup>1</sup> TPD Section G3.4.1(a)

Users have indicated they find the costs of disablement of the Supply Meter prohibitive. NGD has sought typical prices from its Meter Reading Agent, Onstream as to this activity and has identified the following:

<b>Title</b>	<b>Description</b>	<b>Charge</b>
Remove Meter	Remove domestic-size meter.	£59.26
Fit or remove Clamp (Lock)	Fit or remove clamp to/from domestic-size meter.	£59.34

We have considered that based on an average sized domestic property with an Annual Quantity (AQ) of 16,500 kWh the annual capacity charge of £120 would apply. On the basis that the User can avoid all charges by Isolating and Withdrawing from the relevant Supply Point, we anticipate that the costs of disabling/re-enabling the Supply Meter can be recovered in a short period of time and certainly well within the maximum 24 month period by which Vacancy would be permitted under Proposals 0282 and 0282A.

We are mindful of recent industry efforts to minimise the quantity of Unidentified Gas existing in the system given its detrimental financial effects on the User community through UNC settlement. Our opinion is that the risks of gas flowing undetected during the period of vacancy are significantly exacerbated given the absence of any mechanical device being present at the Supply Meter which would physically prevent offtake of gas.

We note that business rule (13) provided for Modification Proposal 0282A identifies that 'Where it has been identified by the Transporter that gas was, or is being offtaken at a NDM SSP during such period as was identified as 'Vacant', the relevant User shall be liable for all charges (including without limitation Transportation Charges) as if it has not been Vacant'. This rule exists under the Isolation regime and we believe it to be fundamentally sound. It will be noted that through UNC Modification Proposal 0369<sup>2</sup> NGD is seeking to further strengthen these provisions in the interests of ensuring Unidentified Gas is accounted for whenever possible.

In the case of the Isolations regime, where an effective Withdrawal occurs, the relevant UNC provisions ultimately require that the Supply Meter will be disconnected from the Transporters network. This means that a disconnection of the service pipe by the Transporter under the Gas Safety (Installation and Use) Regulations 1998 (GSI&U) would follow. This provides an opportunity for Transporters to identify that the Supply Meter is enabled and flowing gas. Under the proposed Vacant sites arrangements, given that the Supply Meter is not disconnected, the GSI&U provisions would not apply. It will also be noted that relevant UNC terms associated with Effective Supply Point Withdrawal which require the Transporter to disable the flow of gas in the event a Supply Meter is left connected<sup>3</sup> would also not apply. The ramifications of this are that it is very unlikely that the Transporter would be in a position to identify if gas has been offtaken at a Vacant site as it would not be conducting a site visit.

We are concerned that business rule 13 has been omitted from Modification Proposal 0282. The consequences of this are that in respect of Proposal 0282 the Registered User has no financial exposure in the event that gas is found to have been flowed during the period of Vacancy. Instead the energy and commodity costs would be borne by Users having SSPs under RbD arrangements.

With regard to business rule 7 in both Modification Proposals we note that "NDM SSP Demand will cease to be determined in respect of that NDM Supply Meter Point" in the case of Proposal 0282,

<sup>2</sup> <http://www.gasgovernance.co.uk/0369>

<sup>3</sup> TPD G3.8.1

“Commodity Charging and RbD market share” and for Proposal 0282A “Commodity Charging only”. We assume that in the case of both Proposals that given that SSP Demand ceases that energy allocation and therefore the application of energy charges in respect of the relevant Supply Point would not occur. In respect of Proposal 0282A it has not been explained why Vacant sites should be included in the RbD market share. This is not presently the case for Isolated Supply Meter Points.

### Meter Readings

There is a significant onus on the obtaining of Meter Readings to verify/validate circumstances where a Supply Point is no longer Vacant. Given that vacancy implies an empty property, it must be questionable as to the likelihood that Meter Readings would be successfully obtained such that an offtake of gas can be detected at a Vacant site.

The UNC requires that as part of notification of Isolation a User is required to provide a Meter Reading<sup>4</sup>. This is beneficial in terms of ‘closing out’ reconciliation periods and provides that where gas is subsequently found to be offtaken during the period of Isolation that the volume of gas can be suitably accounted for and an appropriate adjustment issued to the relevant User. No such requirement to provide a Meter Reading when declaring a Supply Point Vacant is identified within the business rules for Modification Proposal 0282 or 0282A. In the event that gas is found to have been offtaken it would therefore be difficult to determine the volume of such gas (noting as described above that only Proposal 0282A provides for ‘retrospective’ charging of gas offtaken during the period of Vacancy).

We recognise that both Modification Proposals identify that a SSP cannot be Vacant for a period exceeding 24 months and that following that period the User must either Isolate or set to live the relevant Supply Point. Noting there does not appear to be a remedy if the User doesn't comply with this rule, there appears to be nothing preventing the User setting the Supply Point to live then requesting Vacant status immediately or shortly after.

### Supply Point Registration and the competitive market

As described above, Users are able to obtain relief from Transportation and Energy charge liability by procuring a UNC Isolation. If a User further wishes to remove themselves from all charges and ‘de-register’ from the Supply Point, they can make the Isolation effective<sup>5</sup> through Withdrawing from the Supply Point. This would correctly render the relevant Supply Meter Point ‘shipperless’ and available for Registration by any User.

TPD Section G of the UNC identifies that:

2.5.3 By making a Supply Point Confirmation in respect of a Proposed Supply Point the Proposing User:

(a) warrants to the Transporter:

(i) that; or

(ii) where the User will not be the supplier, that the supplier (or if there is more than one supplier, the suppliers between them) has (or have) warranted to the User that as at the Proposed Supply Point Registration Date there will be in force a contract or contracts (including a deemed contract pursuant to paragraph 8(1) or 8(2) of the Gas Code) for the supply to the consumer of the gas offtaken by such User from the Total System at the Proposed Supply Point;

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<sup>4</sup> TPD G3.5.2(a)(iv)

<sup>5</sup> An Effective Supply Point Withdrawal is defined in TPD Section G3.2.1

As described above NGD believes that the existence of Vacant sites arrangements in the UNC could discourage Isolation and therefore by definition Effective Withdrawal. Our opinion is that Users could be incentivised to retain Supply Point registration of properties which are empty (presumably, although we have no evidence that this would be the case, in the hope that they might secure a contract for supply with respect to a new occupant?). We recognise that the circumstances of the period of vacancy may vary and a consumer may have temporarily moved out, for example, for property refurbishment or a rental property. However it is quite possible that no supply contract would be in place as a consequence of a consumer vacating the property permanently.

The above scenario appears to run counter to the UNC principle which clearly contemplates that where a Supply Point is registered to a User, a contract for supply exists.

We are also aware that under the UNC where a User is registered to a Supply Point, the User has the ability to object to a transfer of Supply Point ownership. While we recognise that this can only occur in accordance with conditions set out in the Supplier Licence we believe nevertheless that it could form a potential obstacle to a transfer of Supply Point ownership. In the case of an Isolated and Withdrawn 'shipperless site' no such impediment to transfer exists and indeed a Supply Point Confirmation is facilitated in 8 Business Days<sup>6</sup> as opposed to a Supply Point where a registration is in place for which such transfer requires 15 Business Days. In this respect we are aware of general industry caution and concerns articulated by end consumers over use of the objection facility.

## Safety

As described above, where a User wishes to limit its liability under the UNC with respect to a Supply Point, the remedy is to Isolate the relevant Supply Meter Point. This requires a visit to the relevant property where a disabling device may be fitted to the ECV or the Supply Meter disconnected from the Transporters network. The UNC does not require that the Supply Meter be removed from the premises. Both methods form a pre-requisite for Isolation which will enable the User to remove itself from registration (and all Transportation and Energy charge liability) of the Supply Point by submitting a Supply Point Withdrawal. An added benefit is that such visits provide an opportunity to check for physical tampering of the Supply Meter in a potential theft of gas scenario. Methods of disabling the Supply Meter are identified in the Codes of Practice for Gas Meter Asset Managers (MaMCoP)<sup>7</sup> and have the effect of preventing the ECV from being turned to the 'on' position.

For gas flow to be enabled the disabling device must be removed or the Supply Meter reconnected for which access to the relevant premises is required. This provides an opportunity for a Meter Reading to be taken and relevant Meter Information ('meter asset details') checked and validated.

We have referred to the likelihood of a reduction in the numbers of Isolations (and Effective Withdrawals) being performed should either Modification Proposal be implemented. The implications of this are that there would be increased instances of live gas in empty properties. Notwithstanding that the ECV may have been turned to the off position, there is no physical mechanism preventing the opening of the ECV. NGD believes this is a situation which is not consistent with safety.

As described above it is possible that a User may Isolate a Supply Meter Point by disabling the Supply Meter albeit leaving it connected to the Transporters network. The UNC requires that within a period of 12 months where the Supply Point is Isolated and Withdrawn the previous Registered User is

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<sup>6</sup> TPD G2.5.8(b)(i)

<sup>7</sup> <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=6&refer=Networks/Techn/Metrology/AssetMgmt/mamcop>

required to disconnect the Supply Meter from the Transporters network<sup>8</sup>. In the event that this does not occur the Transporter will undertake work to 'disable the flow of gas' on the User's behalf.

The Gas Safety (Installation and Use) Regulations (GSI&U) 1994 Part C Section 16(3) requires the following:

(3) Where a primary meter is removed, the person who last supplied gas through the meter before removal shall-

(b) where the meter has not been re-installed or replaced by another meter *before the expiry of the period of 12 months beginning with the date of removal of the meter and there is no such service valve as is mentioned in sub-paragraph (a)(i) above, ensure that the service pipe or service pipework for those premises is disconnected as near as is reasonably practicable to the main or storage vessel and that any part of the pipe or pipework which is not removed is sealed at both ends with the appropriate fitting.*

Consequently, where the Supply Meter is disconnected from the Transporters network, the Transporter will disable the flow of gas.

NGD believes that the rationale behind the existence of both the GSI&U and UNC terms described above are that leaving a gas supply in a building, which is not required, has the potential to create an unsafe situation. We understand that the usual test the HSE applies to safety related changes is that any proposed new regime must be 'at least as safe as the current regime'.

Given that the UNC Isolations regime is clearly designed in the interests of safety NGD does not believe that Modification Proposals 0282 and 0282A:

1. Demonstrate that the new arrangements are at least as safe as the current regime
2. Are consistent with principles of the GSI&U

Certainly we are not aware of a risk assessment being conducted to demonstrate '1' above?

Annex 8 of the MaMCoP refers to:

1.1 Various components and connections on metering installations require sealing to prevent them being used by unauthorised persons. The form of seal used shall be readily identifiable and irreparable.

The MaMCoP further identifies:

## 18 Cessation of Gas Supply

### 18.1 General

The supply of gas at a meter installation may cease under the terms of the GT Network Code or under Schedule 2B of the Gas Act 1986 as amended 1995. The terms under which a supply of gas or gas may cease are:

- Discontinuance – An act by a gas supplier as a means of stopping the flow of gas at a gas supply meter point.
- Disconnection – An act by a GT to ensure that gas cannot be off-taken through a supply meter point.

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<sup>8</sup> TPD G3.8.1

## 18.2 Specific

The requirements of this section cover all actions required at the meter installation at cessation of a gas supply.

18.2.1 Where a MAM undertakes the discontinuance of a gas supply on behalf of a gas supplier then the following requirements apply:

(a) The work shall be undertaken by a competent person having the ability, appropriate training, knowledge and experience to undertake the work.

(b) The discontinuance shall be made using safe operating practices in accordance with 18.2.2(below).

18.2.2 Procedures shall be put in place to undertake the discontinuance in a safe and secure manner and shall take into account any requirement for the purging of the meter installation and the downstream installation pipework. Where purging of the downstream pipework is required, the meter shall not be removed until purging has been carried out or is in progress.

As a minimum, NGD recommends that the proposed measures be considered in the light of the terms of the MaMCoP as identified above by the MaMCoP Scheme Management Board.

We note the following extract from the relevant Terms or Reference<sup>9</sup>:

The Scheme Management Board shall ensure that the MAMCoP:

- is compliant with statutory requirements;
- maintains effective control of the gas meter asset management in the competitive environment; and
- continues to meet the needs of all relevant stakeholders.

Furthermore it is our recommendation that the Modification Proposals be brought to the attention of the Health and Safety Executive (HSE) for their consideration.

We trust that this information will assist in the compilation of the Final Modification Report.

Please contact me on 01926 653541 ([chris.warner@uk.ngrid.com](mailto:chris.warner@uk.ngrid.com)) should you require any further information.

Yours sincerely,

Chris Warner  
Network Code Manager, Distribution.

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<sup>9</sup> <http://www.ofgem.gov.uk/Pages/MoreInformation.aspx?docid=2&refer=Networks/Techn/Metrology/AssetMgmt/mamcop>