

**Workstream Report**  
**Introduction of a process to manage Vacant sites**  
**Modification Reference Number 0282**  
Version 0.2 Draft

This Workstream Report is presented for the UNC Modification Panel's consideration. The Distribution considers that the Proposal is sufficiently developed and should now proceed to the Consultation Phase. [The Workstream also recommends that the Panel requests the preparation of legal text for this Modification Proposal.]

## **1 The Modification Proposal**

### **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 months<sup>1</sup>. 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 14<sup>2</sup> of the Balancing and Settlement Code and subsequently resulted in the successful introduction of MOD196<sup>3</sup> (“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 Vacant process.

The basis of MOD196 is that where a Supplier 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. (Mod196 has subsequently been amended (P245) to change the timescales for submission of the site check code to “not less than 75 calendar days and not more than 215 calendar days” to ensure more equitable treatment for Suppliers who operate a quarterly meter read cycle).

Exclusions apply within the process and there are monitoring and ongoing management requirements for sites assigned Vacant status and rules to outline when a site no longer qualifies.

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<sup>1</sup> Study by Empty Homes for the 2008 period – [www.emptyhomes.com](http://www.emptyhomes.com) and details outlined on the Parliament website [www.uk-parliament.co.uk](http://www.uk-parliament.co.uk)

<sup>2</sup> [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)

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

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. In certain circumstances, a warrant can be obtained through the courts however this is a costly procedure and requires a considerable amount of time and effort. 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.

### **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. It is intended at this time that the Vacants process, if implemented, be applied to sites with an Annual Quantity of <73,200kWh. Discussions within the Distribution Workstream to develop a solution to include DM and NDM LSP sites have highlighted a number of areas of concern and as such may require detailed business rules in order to deliver a Vacants solution. In order to expedite the development and delivery of a workable approach for dealing with Vacants within the NDM SSP market sector, this Proposal as been amended to exclude NDM LSP and DM sites at this time.

It is proposed that a site classified as Vacant would be excluded from commodity charging. For the avoidance of doubt, capacity charging would be retained (LDZ Capacity (ZCA), Customer Capacity (CCA), NTS Exit (NNX)). Shippers/Suppliers would continue to apply the isolation and withdrawal process where is deemed appropriate.

In addition a Change Proposal will be raised to SPAA to introduce a Voluntary Schedule which outlines the procedure to be followed where a Supplier has identified that a premise with an Annual Quantity of <73,200kWh qualifies as vacant and what appropriate action should be taken by Suppliers when managing vacant premises.

It is also proposed that Transporters should provide monthly reports to each Registered User for a relevant MPRNs included within the Vacants process

### **Business Rules – Introduction of a process to manage Vacant Sites**

1. The Supply Point must be in the requesting Registered Users ownership
2. The Supply Point must be NDM SSP.
3. The Supply Point must not be a Prime or Sub configuration.
4. The Registered User will warrant that it has received two notifications from the Meter Read Agent to verify that it is a vacant premise. These attempts must be no less than 75, and no more than 215 calendar days apart.
5. Where an NDM SSP has been identified as qualifying as Vacant, the Registered User should update the Large Transporters Agent via the appropriate file format.

6. On receipt of the notification, the Large Transporters Agent shall amend the Supply Point Register to reflect that the NDM SSP is Vacant.
7. Following the update to the Supply Point Register, at D+7 and in accordance with UNC, Section H2, NDM SSP Demand will cease to be determined in respect of that NDM Supply Meter Point (Commodity Charging & RbD market Share).
8. The Supply Meter Point will remain within the AQ Review process.
9. Where a NDM SSP increases AQ during the review to a point where it would become LSP, the Large Transporters Agent would remove it from the Vacants process. This would then be subject to Mod 640 Business as Usual processes. The Large Transporters Agent will notify the Shipper.
10. Where a Supply Meter Point status is Vacant, the Registered User of the Supply Point will continue to be responsible for gas offtaken.
11. Where the Registered User acquires evidence that the Supply Meter Point no longer qualifies as Vacant, the Registered User will notify the Large Transporters Agent at the earliest opportunity via the appropriate file format.
12. Where a Supply Meter Point is flagged as Vacant, and the Large Transporter Agent identifies that it is not/no longer Vacant and is consuming gas, the Large Transporter Agent will take such actions to notify the Shipper. Where the Registered User received such notification, they will investigate and remove from the Vacant process where appropriate.
13. Where it has been identified by the Large Transporter Agent that gas was, or is being offtaken at a NDM SSP during such period as was identified as 'Vacant', the Registered User shall be liable for all charges (including without limitation Transportation Charges) as if it has not been Vacant.
14. Where the Registered User notifies the Large Transporter Agent that the NDM SSP no longer qualifies as Vacant e.g isolated or live, the Large Transporters Agent will update the Supply Point Register to reflect the appropriate status.
15. Where a NDM SSP has a status of Vacant, and meter readings are provided to the Large Transporter Agent, no validation should take place on the first reading. Where 2 meter readings have been provided, validation should take place to ensure that where gas has been offtaken the Registered User will remove the NDM SSP from the Vacants Process.
16. Relevant charges will re-commence from D+7 following the Shippers notification of status change.
17. Where an NDM SSP maintains a status of Vacant for a continuous period of 24 months, the Registered User will take reasonable steps to Isolate or set to live the NDM SSP.
18. In the event of a Change of Ownership or reconfirmation, the status of Vacant

will be removed.

### Reporting Requirements

Large Transporters Agent to provide monthly reports to each Registered User for a relevant MPRN detailing;

Details of each NDM SSP with a status of Vacant.

MPRN	SSC	AQ	Date of entry to vacant process (D+7)
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Details of NDM SSP removed from Vacants

MPRN	Shipper Short Code	AQ	Current meter point status	Date of exit from vacant process (D+7)
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Details of NDM SSP flagged Vacant >24month

MPRN	Shipper Short Code	AQ	Date of entry to vacant process (D+7)
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Large Transporters Agent to provide monthly anonymised reports to the industry

Shipper (Anonymised by % of SSP portfolio)	Total sites in Vacant process	New in the last month	Sites exiting vacant process in the last month	Number of notifications issued under rule 16	Sites that have been in the vacant process >24 months	Total
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## 2

### User Pays

#### a) Classification of the Proposal as User Pays or not and justification for classification

This proposal is a User Pays code service and as such costs should be attributed to those who would benefit from its' implementation.

#### b) Identification of Users, proposed split of the recovery between Gas Transporters

**and Users for User Pays costs and justification**

100% of costs to eligible Shippers, 0% of costs to Transporters

**c) Proposed charge(s) for application of Users Pays charges to Shippers**

Monthly charge per eligible Supply point.

**d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve**

To be determined.

**3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

**Standard Special Condition A11.1 (a): *the coordinated, efficient and economic operation of the pipe-line system to which this licence relates;***

Implementation would not be expected to better facilitate this relevant objective.

**Standard Special Condition A11.1 (b): *so far as is consistent with sub-paragraph (a), the (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;***

Implementation would not be expected to better facilitate this relevant objective.

**Standard Special Condition A11.1 (c): *so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;***

Implementation would not be expected to better facilitate this relevant objective.

**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, with AQs being set that are more reflective of customer usage. It would also provide a robust, cost effective and pragmatic process for managing Vacant sites. This would have the benefit of meeting the Relevant Objectives outlined above.

**Standard Special Condition A11.1 (e): *so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers)***

*of the standard conditions of Gas Suppliers' licences) are satisfied as respects the availability of gas to their domestic customers;*

Implementation would not be expected to better facilitate this relevant objective.

**Standard Special Condition A11.1 (f):** *so far as is consistent with sub-paragraphs (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 improve data quality and would have a beneficial impact on consumption accuracy.

**4 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

**5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:**

**a) implications for operation of the System:**

There are no implications for operation of the System.

**b) development and capital cost and operating cost implications:**

**c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

No additional cost recovery is proposed.

**d) Analysis of the consequences (if any) this proposal would have on price regulation:**

No such consequence is anticipated.

**6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

No consequences have been identified.

**7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and**

## Users

**8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

*Administrative and operational implications (including impact upon manual processes and procedures)*

*Development and capital cost and operating cost implications*

*Consequence for the level of contractual risk of Users*

**9 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party**

No such implications have been identified.

**10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal**

No consequences have been identified.

**11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

- Shipper can reduce their cost exposure to vacant sites

**Disadvantages**

- None identified

**12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Workstream Report)**

No written representations have been received.

**13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation**

No such requirement has been identified.

**14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

No such requirement has been identified.

**15 Programme for works required as a consequence of implementing the Modification Proposal**

No programme for works has been identified.

**16 Proposed implementation timetable (including timetable for any necessary information systems changes)**

It is proposed that this functionality be introduced at the earliest opportunity following a positive direction from the Authority to mitigate the costs faced by Shippers/Suppliers in relation to vacant sites.

**17 Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

**18 Workstream recommendation regarding implementation of this Modification Proposal**

The Distribution Workstream considers that the Proposal is sufficiently developed and should now proceed to the Consultation Phase. [The Workstream also recommends that the Panel requests the preparation of legal text for this Modification Proposal.]