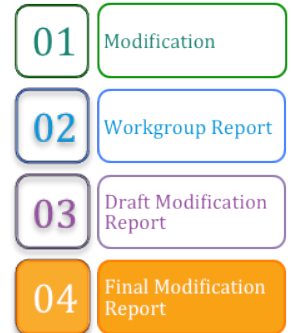


Stage 04: Final Modification Report

0425V:

Re-establishment of Supply Meter Points – Shipperless sites

At what stage is this document in the process?



This modification proposal seeks to further modify existing provisions of the UNC regarding the re-establishment of Supply Meter Points for Shipperless sites.



Panel consideration is due on 21 November 2013



Medium Impact: Transporters and Users

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About this document:

This Final Modification Report will be presented to the Panel on 21 November 2013.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.



Any questions?

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this modification should not follow the Self-Governance procedures.

Why Change?

Whilst clear in respect of User Transportation charge liability, the current provisions of the UNC do not clarify the User registration status at a Supply Point which has been subject to Effective Supply Point Withdrawal or Isolation but which remains capable of flowing gas.

Accordingly, whilst in such cases the User (Shipper) is liable for Transportation charges, the Supplier is unable to recover the costs from the consumer given that the lack of a registration in the Transporter Supply Point Register (SPR) means that there is no Deemed Supply Contract in place.

This potentially results in costs, which are smeared to the remainder of the industry.

National Grid Distribution raised Modification 0424 to address a specific issue where the previously connected Supply Meter (with the same serial number and number of dials as provided as part of the Meter Information) is physically connected to the System such that gas is capable of being offtaken. However, there are also circumstances a different Supply Meter is installed at the premises that is capable of flowing gas. In the absence of any knowledge of who installed the different Supply Meter, or when, these meter points could remain Shipperless indefinitely.

Where practically achievable, consumers should use gas pursuant to supply arrangements. The Gas Act Schedule 2B defines the circumstances where such a supply arrangements are deemed to exist; however the current UNC terms prevent such arrangements being deemed to exist in the case of Shipperless sites.

Solution

It is proposed that the UNC is modified to place an obligation on the last registered Shipper to take responsibility for resolving the issue by undertaking investigations as appropriate and by ensuring that actions are undertaken that will satisfactorily resolve the issue within three months from the date of notification from the Transporter.

Successful outcomes of a Shippers investigation could include: the re-registration of the site by the investigating Shipper or the registration of the site by another Shipper.

Where a successful outcome is not delivered by the investigating Shipper within the prescribed timescale, the User's registration will remain in place from the date of the Effective Supply Point Withdrawal or Isolation.

For clarification, where a successful outcome is delivered, the relevant Transportation and energy costs will be applied to the newly registered Shipper from the date the different Supply Meter was capable of gas flowing. Where this date is unknown, costs will be applied from the date of the notification of the issue to the investigating Shipper.

Relevant Objectives

This modification may facilitate Relevant Objective Standard Special Condition A11.1 (d):

As some participants consider this modification identifies measures, which serve to mitigate the likelihood of Shipperless sites occurring and such a mechanism should therefore be considered to facilitate competition in the gas market. The modification may introduce measures likely to bring about an eventual reduction in the overall

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number of Shipperless sites by reducing the number of new instances and thereby should further competition by targeting costs appropriately.

However, some participants consider an unintended consequence of this modification is that some Users may take a risk averse approach and disconnect sites, which may then lead to additional connections costs should a consumer subsequently require a gas supply. This would add additional cost and complexity and not further this relevant objective.

Implementation

Workgroup 0425 considers implementation could be achieved in the following timescales:

01 January 2014 if an Authority decision is made by 01 November 2013;

01 February 2014 if an Authority decision is made by 01 December 2013;

with a backstop lead time of 60 calendar days should the Authority makes its decision after 01 December 2013.

2 Why Change?

Overview

Further to the objectives of Modification 0424, this proposal seeks to address a further subset of Shipperless sites, which are out of scope of that modification proposal.

National Grid Distribution's Modification 0424 seeks to address the specific issue where the previously connected Supply Meter (with the same serial number and number of dials as provided as part of the Meter Information) is physically connected to a System such that gas is capable of being off-taken.

However, there are also circumstances, which are not covered by Modification 0424 proposal but which also need to be addressed, where the Transporter (or another party) during, for example, a gas safety visit identifies, that following an Isolation or Withdrawal, a different Supply Meter (to the previously connected Supply Meter) is installed at the premises that is capable of flowing gas.

In the absence of any knowledge of who installed the different Supply Meter asset or when the meter was installed, it is evident that these meter points could remain Shipperless indefinitely.

Therefore if appropriate action is not taken to address the situation, there is a clear risk that the costs of any gas consumed at Shipperless sites will continue to be inappropriately targeted and will alternatively be smeared to the remainder of the industry.

Background

The industry volumes of shipperless and unregistered sites are published bi-monthly, by Xoserve.

Data issued in January 2012 show that the existing volume of Shipperless sites affected by the specific issue that this modification proposal is trying to address is 4,657.

The table below clearly identifies that the volume of these sites have been increasing steadily of the past 2 years.

Date In	MPR In	Date Out	MPR Out	Total
May 2010	3205	May 2010	0	3205
Jul 2010	399	Jul 2010	19	3585
Sep 2010	597	Sep 2010	53	4129
Nov 2010	11	Nov 2010	369	3771
Jan 2011	443	Jan 2011	125	4089
Mar 2011	323	Mar 2011	91	4321
May 2011	13	May 2011	87	4247
Jul 2011	293	Jul 2011	19	4521
Sep 2011	191	Sep 2011	53	4659
Nov 2011	135	Nov 2011	46	4748
Jan 2012	108	Jan 2012	199	4657

Note: MPR - Meter Point Reference

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It is proposed that the UNC is modified to place an obligation on the last registered Shipper to take responsibility for resolving the issue by undertaking investigations as appropriate and by ensuring that actions are undertaken that will satisfactorily resolve the issue within three months from the date of notification.

Successful outcomes of a Shipper's investigation could include: the re-registration of the site by the investigating Shipper or registration of the site by another Shipper.

Where a successful outcome is not delivered by the investigating Shipper within the prescribed timescale, the User's registration will remain in place from the date of the Effective Supply Point Withdrawal.

For clarification, where a successful outcome is delivered, the relevant Transportation and energy costs will be applied to the newly registered Shipper from the date the different Supply Meter was capable of gas flowing. Where this date is unknown the costs will be applied to the investigating Shipper from the date of Transporter notification.

The presence of a registration in the Supply Point Register will ensure that a Deemed Supply Contract is in place and thus enable the User to recover its costs through its Supplier arrangements.

Business Rules

Introduction

1. These Business Rules have been drafted to support Modification 0425. For the purposes of this process a "Shipperless site" is defined as a Supply Meter Point which is not registered to a Shipper following an effective Supply Point Withdrawal.
2. The situations covered by this proposal are where the Transporter (or another party) during, for example, a gas safety visit identifies, that following an Isolation or effective Supply Point Withdrawal, a Supply Meter other than that previously installed as identified by the Meter Serial Number is installed which is capable of flowing gas.
3. If following an effective Supply Point Withdrawal or Isolation it is identified the same meter (meter serial number, number of dials etc) remains connected this specific circumstance is not covered by this proposal.
4. For clarification this proposal does not cover the situation where the service is removed and the MPRN is set to dead.
5. For the purpose of this proposal a month is defined as a calendar month.
6. The Transporter is able to recover the costs from the relevant Shipper for the so called 'abortive' visits. These occur where the Transporter is unable to cut off the service pipe in accordance with the Gas Safety (Installation and Use) Regulations 1998 due to the presence of a Supply Meter, which is connected to the Transporters Emergency Control Valve (ECV).
7. This proposal will capture all prospective Effective Supply Point Withdrawals and Isolations on and after the date of implementation.

Re-establishment of Supply Meter Points Business Rules

Transporter Activity

1. The Transporter normally completes a Gas Safety (GSIU) Visit on behalf of Shippers approximately 12 months after the date of the notification of the meter removal.
2. If during the process of the Gas Safety Visit, although not limited to Gas Safety Visits, the Transporter identifies a meter not registered to a Shipper, connected to the system, which is capable of flowing gas it shall follow the process set out below.
3. If no meter is identified the Transporter removes the Service and the Supply Meter Point is set as dead.
4. If a Supply Meter different to that previously held on the Supply Point Register is identified in situ and is capable of flowing gas the Transporter will use reasonable endeavours to record the data, which is deemed as appropriate for the Shipper to re-register the site. The data should include, date of meter fit (if known), date of visit, relevant asset reading details, relevant asset details (serial number, manufacturer, model, year of manufacture, and location) and for meter assets: metric/imperial indicator, meter type, number of dials) and conversion basis for converter assets. The Transporter will also provide any details on tags or stickers attached to the meter. If available the customer name, customer reference number and contact details should be obtained.
5. The Transporter (Xoserve) will perform a validation to identify if the meter is registered to another MPRN (Duplicate process) and if so, will take the necessary action to resolve the duplication.
6. The Transporter (Xoserve) will undertake a Shipper Activity report, to identify any other Shipper attempted confirmations, registrations, meter readings or Shipper asset updates to the Connections & Disconnections (C&D) store. In the case of a Withdrawn Supply Point, if Shipper activity is identified, that post dates the previous registered Shippers' withdrawal date the Visit data will be issued to the relevant Shipper, (whether this be the previous registered shipper or another Shipper), within 1 month of the visit.
7. If more than one Shipper (Multi-Shipper activity) is identified through Shipper activity process the Shipper undertaking the last activity will be held responsible and issued the Visit data.
8. If a MAM / Meter Worker updates the C&D store with Shipper details it is not deemed as Shipper activity, although the Transporter (Xoserve) will confirm with the relevant Shipper if they are responsible. If the Shipper confirms they are responsible the Visit data will be issued within 1 month, notifying them to complete the Supply Meter Point registration within 1 month. If the Shipper confirms they are not the responsible party the last previously registered Shipper (or registered Shipper for Isolated sites) will be issued the Visit data within 1 month.
9. If no Shipper activity is identified (attempted confirmations, registrations, meter readings or Shipper asset updates to the C&D store) the last previously registered Shipper (or registered Shipper for Isolated sites) will be issued the Visit data within 1 month of the visit.

No Shipper activity after the previous registered Shipper's Withdrawal

10. The last registered Shipper will have 3 months from receipt of the Visit data to examine and seek to resolve the Shipperless Supply Meter Point resulting in a registration by either themselves, or another Shipper.
11. Should within this period the last registered Shipper identify other Shipper activity they will notify the Transporter with the evidence of the other Shipper

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activity the Transporter will notify the other Shipper to register the Supply Meter Point within 1 month. (The other Shipper evidence is a photo of meter fit a sticker and/or an industry data flow. The customer evidence may be that of their interaction with the relevant Supplier which may be a customer bill, signed contract, or other forms of correspondence).

12. Should there be no registration by the other Shipper within 1 month the Transporter will investigate if the evidence provided by the previously registered Shipper is genuine. If in the opinion of the Transporter the evidence is deemed not to be conclusive the previous registered Shipper will still be required to register the Supply Meter Point. The Transporter will be responsible for communicating to both parties the outcome of the investigation.

Shipper Activity

13. If other Shipper activity is identified by the Transporter (attempted confirmations, registrations, meter readings or Shipper asset updates to the C&D store) the relevant Shipper will receive the Visit data to complete an investigation and have 1 month to register the Supply Meter Point.

Registration and industry updates

14. The relevant Shipper should contractually register the Supply Meter Point from the effective Supply Point Withdrawal date (reversing the effective withdrawal), or use the meter fit date, if known.
15. Should the relevant Shipper not register the Supply Meter Point within the relevant timescales from the date they were notified, the Transporter will register the Shipper on their behalf contractually back to the effective Supply Point Withdrawal date, or the meter fit date, if known.
16. The Shipper is responsible for updating the asset details on UK Link (Supply Point Administration) systems.
17. Within 1 month of the registration the Shipper is responsible for notifying the Transporter of the requested confirmation effective date with a Request for Adjustment (RFA) flow, so the Transporter can ensure the appropriate billing is achieved. In the absence of this the Transporter would complete the task and assume the effective Supply Point Withdrawal date unless the meter fit date is known.

Isolated only Shipper Activity

18. For the scenario of an Isolate only Supply Point Meter the registered Shipper will remain responsible for site regardless of other Shipper Activity.
19. For Isolated only Supply Meter Point the registered Shipper should update meter asset details on the Supply Point Register from the effective Supply Point Withdrawal date or the meter fit date, if known. Updates to the Supply Point Register should be completed within 1 month.
20. Should the registered Shipper not update meter asset details on the Supply Point Register within 1 month of the Transporter Notification, the Transporter will prompt the Shipper to update the asset details.

Miscellaneous

21. If the Shipper identifies a duplicate MPRN attached to the meter, they will notify the Transporter (Xoserve) to enable the Duplicate process.

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22. If during the Supply Point registration process if it is confirmed that the customer has signed a new Supply contract with another Supplier and the relevant Shipper has registered the site the process stops.
23. If during the process the relevant Shipper ascertain the Supply Meter connected was without Shipper (or respective Supplier) activity, e.g. consumer only activity and no other Shipper or Supplier activity can be identified e.g. Theft in Conveyance the relevant Shipper can pass the query to the Transporter for their action. Go to BR 25.
24. If during the process the relevant Shipper cannot identify warrants that they do not have any relationship between themselves and the relevant Supply Meter Point the relevant Shipper can pass the query back to Transporter for their action. The Transporter will undertake reasonable steps to identify other Shipper activity (BR 13), or then default to the previously Registered Shipper (BR 11). Should no Shipper be found to be responsible the Transporter will contact the consumer. Go to BR 25.
25. If the investigating Shipper identifies that the details of the visit do not correlate to the correct Supply Meter Point, information will be sent to the Transporter to investigate. The Transporter will investigate (possibly through a site visit) to establish and confirm the correct meter details. If following investigation it is realised the original information was incorrect the Shipper process stops and the Transporter reassess the Supply Meter Point information. If the Supply Meter Point is still Shipperless it will be re-entered into the Shipperless process. In this circumstance the Transporter is to raise a contact on Conquest.

(If it is found that the original visit was incorrect and no meter was found on site the relevant shipper gas safety visit charges will be reimbursed).

Transporter Activity for the curtailment of Theft in Conveyance

26. Where the Transporter identifies or becomes aware that a Supply Meter has been installed at a Supply Meter Point but has no reasonable evidence that this was done at the request of a Supplier and the corresponding Supply Point has not been registered by a Shipper within that period of 3 calendar months the Transporter will within 3 calendar months:
27. Investigate whether the consumer has sought or procured a supply contract.
28. Where such a contract does not exist, advise the consumer to obtain a supply contract as soon as possible.
29. Where the consumer fails to obtain a supply contract the Transporter will in normal circumstances seek to disconnect the supply of gas to the consumer. This will be subject to consideration being given to any applicable legislation, regulation or code of practice that requires the Transporter to do otherwise.
30. Where the consumer confirms they have obtained a supply contract, the Transporter will contact the relevant Shipper for confirmation that a supply contract is in place.
31. If the Shipper confirms a supply contract is in place they will be required to register the relevant Supply Meter Point within 1 month of notification by the Transporter.
32. In the event that such registration does not occur, the Transporter will within 1 month register the relevant Supply Meter Point on the Shipper's behalf.
33. In the event that the relevant Shipper warrants that a supply contract is not in place, the Transporter will advise the consumer, requesting they obtain a supply contract as soon as possible.

34. In the event that the relevant Shipper cannot be identified, the Transporter will contact the Supplier to ascertain the identity of the preferred Shipper.
35. Where after 3 months the consumer fails to obtain a supply contract the Transporter will in normal circumstances seek to disconnect the supply of gas to the consumer.

Charging, costs and liabilities

36. Relevant Transporter Commodity, Customer Capacity and Energy charges will be applied to the relevant Shipper from the relevant date. For Isolated only sites the Commodity and Energy charges will apply from the date of the meter asset details update.
37. Given that there will be backdated charges applied to Shippers by the Transporter registration this will create credits in respect of Energy. A mechanism will be devised to enable a counterbalancing credit to be applied back to the Shipper community.
38. Shipper’s liability will be limited to Limitation on Retrospective Invoicing timescales (currently MOD 152, 4-5 years).

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification
The modification is classified as User Pays as it is likely to require the amendment of central systems. However, as these costs are not considered to be material over and above those required for the implementation of Modification 0424, no additional charges will be recovered under User Pays and an ACS won't be published.
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
Not applicable
Proposed charge(s) for application of Users Pays charges to Shippers
Not applicable
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
Not applicable

4 Relevant Objectives

Impact of the modification on the **Relevant Objectives**:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) 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.	Impacted
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:

- (i) Between relevant Shippers;
- (ii) Between relevant suppliers; and/or

Some participants consider this modification identifies measures, which serve to mitigate the likelihood of Shipperless sites occurring. The impact of this is to promote cost targeting on individual Users and mitigate the risks of such costs being otherwise shared to other Users via RbD. Such a mechanism should therefore be considered to facilitate competition in the gas market.

Some participants consider the measures identified within this modification are likely to bring about an eventual reduction in the number of Shipperless sites by reducing the number of new instances and thereby should further competition by targeting costs appropriately.

Some participants consider an unintended consequence of this modification is that some Users may take a risk averse approach and disconnect sites, which may then lead to additional connections costs should a consumer subsequently require a gas supply. This would add additional cost and complexity and not further this relevant objective.

EDF Energy does not agree that this modification has a positive impact on the relevant objectives because of concerns around incorrect suppliers being registered and the difficulty with correctly identifying when meters were installed.

National Grid NTS believes that to an extent the modification legitimises the Shipper/Supplier actions (or non-action) which generate “Shipperless” sites and as such inadvertently perpetuates (and to an extent legitimises) a recognised inefficiency of the current regime, which National Grid NTS considers is contrary to the Relevant Objectives of securing effective competition between Shippers and between Suppliers and the efficient operation of the relevant transporter’s system.

5 Impacts

Impacts

Impact on Transporters’ Systems and Process	
Transporters’ System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> Changes to Transportation Systems will be required however, these are consider minor as the majority of the functionality required will be in place following the implementation of Modification 0424
Operational Processes	<ul style="list-style-type: none"> Minor changes will be required to the existing process

Impact on Users	
Area of Users’ business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> Changes are likely to be necessary, as Users may need to react to unsolicited notifications from the Transporter
Contractual risks	<ul style="list-style-type: none"> Users may need to recover costs from consumers where the supply contract has previously been terminated. User risks increase should Transporters delay visiting sites once the 12 months period following meter removal has expired.

Impact on Transporters	
Area of Transporters’ business	Potential impact
Development, capital and operating costs	<ul style="list-style-type: none"> Low level implementation costs would be incurred by Transporters as a consequence of implementing this modification.
Recovery of costs	<ul style="list-style-type: none"> No exceptional method of cost recovery is envisaged

Impact on Transporters	
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> National Grid NTS were of the opinion that the Solution proposed in this modification should not apply to NTS meter points as they have no impact on RbD.

Other Impacts	
Item impacted	Potential impact
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none"> Consumers may not be able to identify the relevant supplier until they start using gas and are identified as such by the Transporter

6 Implementation

Workgroup 0425 considers implementation could be achieved in the following timescales:

01 January 2014 if an Authority decision is made by 01 November 2013;

01 February 2014 if an Authority decision is made by 01 December 2013;

with a backstop lead time of 60 calendar days should the Authority make its decision after 01 December 2013.

The proposed lead times allow sufficient time for parties to implement operational and system changes needed to meet the requirements of the modification.

Systems changes are likely to be necessary to facilitate implementation of this modification.

Due to site visits being carried out 12 months after the effective withdrawal date central system changes will need to be completed within 12 months of the implementation of this modification.

This modification would be effective on a prospective basis only. Its terms apply with respect to any Supply Meter Point, which has been Isolated or any Supply Point where the Isolation has become effective through Withdrawal no earlier than the implementation date. For the avoidance of doubt no charges identified within this modification would be retrospectively applied to any User in respect of any period prior to the implementation date nor would any re-registration of the Relevant User in respect of a previously Withdrawn Supply Point be required in respect of any period prior to the implementation date.

Gazprom notes that should the modification be implemented they would like to have sufficient notice to enable parties to be able to modify systems and alter existing contractual arrangements.

RWE npower note that they would require 6-9 months for development work to implement this modification.

SSE would like a lead time of 6 months following implementation to alter processes, procedures and in some cases contracts to minimise the risk to their business. Systems support may be required to support unsolicited notifications.

7 Legal Text

Text

The following Text has been prepared by National Grid at the request of the Modification Panel.

TPD Section G Supply Points

Insert paragraphs 3.7.8 – 3.7.21 as follows:

- 3.7.8 Where a Supply Meter Point has been Isolated after 1 January 2014, and is Re-established, and an Effective Supply Point Withdrawal has not occurred and the Transporter identifies that a connected Supply Meter (with a different serial number as provided as part of the Meter Information) is physically connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System then where gas was or is being offtaken from the Total System during the period from the date of Isolation to the date of Re-establishment, the Transporter will use its reasonable endeavours to record both the Meter Information and details from any tags or stickers attached to the Supply Meter (together the “**Meter Data**”) and provide such information to the Registered User. The Registered User shall be liable for:
- (a) all reasonable costs incurred by the relevant Transporter in accordance with the Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where a Supply Meter is connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System; and
 - (b) all charges (including without limitation Transportation Charges and Energy Balancing Charges) associated with such Supply Meter Point from the later of the date of Isolation or the date that a Supply Meter is fitted following Isolation (the “**Subsequent Meter Fix Date**”) if known and:
 - (i) in respect of Energy Balancing Charges for which the Registered User is liable pursuant to paragraph 3.7.4 (b) in respect of Larger Supply Points, a reconciliation will be carried out in accordance with Section E6 and applied to the aggregate reconciliation process in accordance with Section E7.2; and
 - (ii) in respect of Energy Balancing Charges and any relevant Transportation Charges for which the Registered User is liable pursuant to paragraph 3.7.4 (b) in respect of Smaller Supply Points, the Aggregate LDZ AQ shall be adjusted in accordance with Section E7.7.
- 3.7.9 Where a Supply Meter Point has been Isolated after 1 January 2014 and an Effective Supply Point Withdrawal has occurred and the Transporter identifies that a connected Supply Meter (with a different serial number as provided as part of the Meter Information) is capable of flowing gas (without any further action being taken) from the Total System then where gas was or is being offtaken from the Total System during the period from the date of Isolation to the date of Re-establishment, the Transporter will use its reasonable endeavours to record the Meter Data and, subject to paragraph 3.7.15, shall issue the Meter Data to the Relevant Registered User within one calendar month of recording it and notify the Relevant Registered User that, subject to paragraph 3.7.20, they are required to register such Supply Meter Point in accordance with paragraph 2 within 3 calendar months of such notification (the “**Registration Date**”) unless another User registers the Supply Meter Point in accordance with paragraph 2 before the Registration Date and

- (a) the Supply Point Registration Date shall be deemed to be the later of the date of the Effective Supply Point Withdrawal or the Subsequent Meter Fix Date if known in accordance with paragraph 3.7.21;
- (b) for the purposes of calculating the Opening Meter Reading the User determined pursuant to this paragraph 3.7.9 shall use the Meter Reading taken at the time the Transporter identifies that the connected Supply Meter (with a different serial number as provided as part of the Meter Information) is physically connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System for the purposes of calculating the relevant Transportation and Energy Balancing Charges; such that the Effective Supply Point Withdrawal shall be deemed to be void and any obligations associated with such Supply Point shall be applied as if the Effective Supply Withdrawal had never become effective.

3.7.10 Where gas was or is being offtaken, the User as determined pursuant to paragraph 3.7.9 above shall be liable for:

- (a) NTS Exit Commodity Charges, LDZ Commodity Charges and Commodity Variable Component of Customer Charges and Energy Balancing Charges from the later of the date of Isolation or Subsequent Meter Fix Date if known;
- (b) Capacity and Customer Charges from the later of the date of Effective Supply Point Withdrawal or Subsequent Meter Fix Date if known; and
- (c) All reasonable costs incurred by the relevant Transporter in accordance with Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a service disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected and capable of flowing gas.

3.7.11 Where the User as determined pursuant to paragraph 3.7.9 is liable for any charges in accordance with paragraph 3.7.10 (a) above:

- (a) in respect of Energy Balancing Charges for Larger Supply Points, a reconciliation will be carried out in accordance with Section E6 and applied to the aggregate reconciliation process in accordance with Section E7.2; and
- (b) in respect of Energy Balancing Charges and any relevant Transportation Charges for Smaller Supply Points, the Aggregate LDZ AQ shall be adjusted in accordance with Section E7.7.

3.7.12 Where a Supply Meter Point has been Isolated after 1 January 2014 and an Effective Supply Point Withdrawal has occurred and the Transporter identifies that a connected Supply Meter (with a different serial number as provided as part of the Meter Information) is capable of flowing gas (without any further action being taken) from the Total System then where gas has not been offtaken (but is capable of being offtaken without further action being taken) at such Supply Meter Point during the period from the date of Isolation to the date of Re-establishment, the Transporter will use its reasonable endeavours to record the Meter Data and, subject to paragraph 3.7.15, shall issue the Meter Data to the Relevant Registered User within one calendar month of recording it and notify the Relevant Registered User that, subject to paragraph 3.7.20, they are required to register such Supply Meter Point in accordance with paragraph 2 within 3 calendar months of such notification (the “**Registration Date**”) unless another User registers the Supply Meter Point in accordance with paragraph 2 before the Registration Date and

- (a) the Supply Point Registration Date shall be deemed to be the later of the date of the Effective Supply Point Withdrawal or the Subsequent Meter Fix Date if known in accordance with paragraph 3.7.21;
- (b) for the purposes of calculating the Opening Meter Reading the User determined pursuant to paragraph 3.7.9 shall use the Meter Reading taken at the time the Transporter identifies that the connected Supply Meter (with a different serial number as provided as part of the Meter

Information) is physically connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System for the purposes of calculating the relevant Transportation and Energy Balancing Charges; such that the Effective Supply Point Withdrawal shall be deemed to be void and any obligations associated with such Supply Point shall be applied as if the Effective Supply Withdrawal had never become effective.

3.7.13 The User as determined pursuant to paragraph 3.7.12 shall be liable for:

- (a) Capacity Charges and Customer Charges associated with such Supply Meter Point from the later of the date of Effective Supply Point Withdrawal or Subsequent Meter Fix Date if known; and
- (b) all reasonable costs incurred by the relevant Transporter in accordance with Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a service disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains connected and capable of flowing gas;

3.7.14 Subject to paragraph 3.7.20, where neither the Relevant Registered User nor any other User submits an appropriate Supply Point Confirmation in accordance with paragraphs 3.7.9 and 3.7.12 above within 3 calendar months of being notified to do so by the Transporter:

- (a) the Relevant Registered User or another User involved in any User Activity shall be deemed to have granted the Transporter authority to register such Supply Meter Point using the information on the Supply Point Register in relation to such Supply Point as at the date of the Effective Supply Point Withdrawal; and
 - (i) the Supply Point Registration Date shall be deemed to be the later of the date of the Effective Supply Point Withdrawal or the Subsequent Meter Fix Date if known in accordance with paragraph 3.7.21;
 - (ii) for the purposes of calculating the Opening Meter Reading the Transporter shall use the Meter Reading taken at the time the Transporter identifies that the connected Supply Meter (with a different serial number as provided as part of the Meter Information) is physically connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System for the purposes of calculating the relevant Transportation and Energy Balancing Charges; such that the Effective Supply Point Withdrawal shall be deemed to be void and any obligations associated with such Supply Point shall be applied as if the Effective Supply Withdrawal had never become effective.

3.7.15 In the event that after an Effective Supply Point Withdrawal the Transporter receives:

- (a) information about any of the following:
 - (i) a Supply Point Confirmation from a User other than the Relevant Registered User which was rejected by the Transporter in accordance with Section G 2.1.5; or
 - (ii) Meter Readings from a User other than the Relevant Registered User which were rejected; or
 - (iii) a C&D Notification, or
 - (iv) a User other than the Relevant Registered User has submitted Meter Information in accordance with Section M 3.2;in each case "**User Activity**"; or
- (b) evidence from the Relevant Registered User that demonstrates to the Transporter's reasonable satisfaction that another User has been involved in any User Activity relating to the relevant Supply Meter Point; such evidence from the Relevant Registered User in respect of another User's User Activity may include but is not limited to Meter Information, a

photo of a Supply Meter Installation, a C&D Notification, a customer bill, signed contract or relevant email correspondence; or

- (c) a C&D Notification from a Non-Code Party and the Non-Code Party confirms which User such Notification was made on behalf of,

then in the event that the Transporter determines that the Supply Meter Point is not already registered to another User the Transporter will issue a notice to such User identified pursuant to this paragraph 3.7.15 within one calendar month of becoming aware of such information setting out the Meter Data and notifying the relevant User that they are required to register such Supply Meter Point in accordance with paragraph 2 within one calendar month of receiving the Transporter's notice. Where more than one User is identified pursuant to this paragraph 3.7.15 the Transporter will issue the notice to the User found to have undertaken the most recent activity in relation to the Supply Meter Point.

3.7.16 The User as determined pursuant to paragraph 3.7.15 above shall be liable for:

- (a) all reasonable costs incurred by the relevant Transporter in accordance with the Siteworks Terms and Procedures (as defined in Section G7.2.2) where the relevant Transporter undertakes a visit to carry out a disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where a Supply Meter is connected to a System such that gas is capable of being offtaken (without any further action being taken) from the Total System; and
- (b) all charges (including without limitation Transportation Charges and Energy Balancing Charges) associated with such Supply Meter Point from the later of the date of the Effective Supply Point Withdrawal or the Subsequent Meter Fix Date if known and:
- (i) in respect of Energy Balancing Charges for which the User is liable pursuant to paragraph 3.7.4 (b) in respect of Larger Supply Points, a reconciliation will be carried out in accordance with Section E6 and applied to the aggregate reconciliation process in accordance with Section E7.2; and
- (ii) in respect of Energy Balancing Charges and any relevant Transportation Charges for which the User is liable pursuant to paragraph 3.7.4 (b) in respect of Smaller Supply Points, the Aggregate LDZ AQ shall be adjusted in accordance with Section E7.7.

3.7.17 Subject to paragraph 3.7.20, where the User identified in accordance with paragraph 3.7.15 does not submit an appropriate Supply Point Confirmation within one calendar month of being notified to do so by the Transporter, the Transporter will investigate the evidence provided by the Relevant Registered User. If in the opinion of the Transporter the evidence is not deemed to be conclusive, the Relevant Registered User will be required to register the Supply Meter Point.

3.7.18 Subject to paragraph 3.7.17, where, in the opinion of the Transporter, the evidence provided by the Relevant Registered User is deemed conclusive:

- (a) the User identified in accordance with paragraph 3.7.15 shall be deemed to have granted the Transporter authority to register such Supply Meter Point using the information on the Supply Point Register in relation to such Supply Point as at the date of the Effective Supply Point Withdrawal; and
- (i) the Supply Point Registration Date shall be deemed to be the later of the date of the Effective Supply Point Withdrawal or the Subsequent Meter Fix Date if known in accordance with paragraph 3.7.21;
- (ii) for the purposes of calculating the Opening Meter Reading the Transporter shall use the Meter Reading taken at the time the Transporter identifies that the connected Supply Meter (with a different serial number as provided as part of the Meter Information) is physically connected to a System such that gas is capable of being offtaken (without any further action being taken)

from the Total System for the purposes of calculating the relevant Transportation and Energy Balancing Charges; such that the Effective Supply Point Withdrawal shall be deemed to be void and any obligations associated with such Supply Point shall be applied as if the Effective Supply Withdrawal had never become effective.

- 3.7.19 Where a User identified pursuant to paragraph 3.7.9 or 3.7.15 warrants to the Transporter that they are not associated with the Supply Meter Point then the Transporter will send Meter Data and notice to register the Supply Meter Point to the User who has carried out the next most recent User Activity or where no other User Activity is identified the Transporter shall send Meter Data to the Relevant Registered User with notice that they are required to register the Supply Meter Point within 3 calendar months of receiving such notice.
- 3.7.20 If the Transporter identifies that a Supply Meter has been installed at a Supply Meter Point but has no reasonable evidence that this was done at the request of a User the Transporter will within 3 calendar months advise the consumer to obtain a Supply Contract and:
- (a) if the consumer confirms that a Supply Contract is already in place and the relevant User verifies this then the relevant User shall register such New Supply Meter Point in accordance with paragraph 2 within 1 calendar month of being notified to do so by the Transporter failing which the provisions of paragraph 3.7.14 shall apply; or
 - (b) if the consumer does not enter into a Supply Contract within 3 calendar months of being notified to do so or the Transporter is unable to ascertain whether a Supply Contract is in place then the Transporter shall seek to disconnect the supply of gas to the consumer subject to any applicable legislation, regulation or relevant code of practice.
- 3.7.21 If pursuant to paragraphs 3.7.9(a), 3.7.12(a), 3.7.14(a)(i) or 3.7.18(a)(i) a User fails to notify the Transporter of the Subsequent Meter Fix Date within one month of such User becoming the Registered User the Supply Point Registration Date shall be deemed to be the date of the Effective Supply Point Withdrawal.

8 Consultation Responses

Representations were received from the following parties in response to Modification 0425:

Company/Organisation Name	Support Implementation of 0425 or not?
British Gas	Support
Corona	Not in Support
EDF Energy	Not in Support
Gazprom	Not in Support
National Grid Distribution	Qualified Support
National Grid NTS	Support
Northern Gas Networks	Qualified Support
RWE npower	Not in Support
Scotia Gas Networks	Support
Scottish Power	Not in Support
SSE	Not in Support
Total Gas & Power	Not in Support
Winchester Gas	Support
WINGAS UK Ltd	Not in Support

Of the 14 representations received, 4 supported implementation, 2 offered qualified support, and 8 were not in support of Modification 0425.

Summary Comments

British Gas considered implementation of Modification 0425 should -

1. Clarify Shipper provisions when a different meter is found in situ following an Effective Supply Point Withdrawal
2. Provide a resolution path for a root cause of Shipperless sites
3. Reduce the imbalance smearing cost to the industry and better allocate Transmission and Distribution charges
4. Re-establish the Shipper and customer relationship to better enable Shippers to recover customer costs
5. Clarify the Transporters' responsibility for the theft in conveyance scenario

Corona Energy is concerned that Modification 0425 would place unacceptable liabilities on Shippers relating to matters, agents and behaviours beyond their control. It is not conceivable that Shippers or Suppliers would be able to police the behaviour of customers or third parties to the extent required to address this liability. This leaves Shippers and Suppliers with the costly and disruptive option of undertaking works to fully disable a supply. Given this lack of control on the one hand and the incredibly disruptive and costly nature of the required works on the other, Shippers will be totally incapable of mitigating the liabilities proposed by this modification through any proportionate, reasonable, affordable or desirable means.

EDF Energy is concerned that the complexity of Modification 0425 makes it very difficult to accurately resolve each shipperless site. They are concerned that in many cases the incorrect shipper will be re-registered to a site where they have no recent involvement. Where a shipper has withdrawn from a site because there is no meter on site and gas is not flowing at the property, they consider it is unreasonable to charge the shipper if they have not had any involvement with the reconnection.

Gazprom noted Modification 0425 exposes the Supplier to the risk that having carried out the disconnection of the in situ metering and its removal from site, that

subsequently a different meter is found on site. In such circumstances the Supplier is again deemed to be registered. They are concerned that Suppliers cannot mitigate the risk Modification 0425 places on them through pre existing arrangements, as the disconnection and removal of the existing meter from site cannot remove the risk, in future, of a new meter being found later, which would then re-establish the Supplier's liability. Therefore, existing commercial arrangements cannot mitigate the risk arising from this modification.

RWE npower considers Modification 0425 has the potential to legitimise both illegal abstraction and the incomplete processes of some industry parties. This is not the best way to address the issue of what is essentially erroneous meter installation (by parties and non parties). Current industry controls over when a gas meter can be installed are not sufficiently governed; this in itself creates a barrier when seeking to confirm liability. They would consider supporting this modification if stronger controls were added to the OAMI and MAMCoP to ensure that meter installation is, firstly, only carried out at the request of the registered supplier and, secondly, is fully auditable.

Scotia Gas Networks considers that Modification 0425 will have a positive effect on reducing the population of Shipperless sites, as it will introduce obligations on the last registered Shipper to resolve the issue. They feel that this modification over time will reduce the number of new instances of Shipperless sites as it will drive improved behaviour by Shippers when withdrawing from Supply Points as they will seek to avoid unnecessary cost that they may incur from an incorrect withdrawal process being followed.

Scottish Power understands the need to take appropriate action where it is found that gas is capable of/or being consumed at a consumer's premise which has been subject to a previous isolation and withdrawal from a Shipper portfolio. However, in instances where a meter is found at the consumer's premise which is different from that previously installed whilst under the registration of the previous Shipper, they do not support that this Shipper should be responsible for resolving the issue by undertaking investigations to ascertain the circumstances under which gas has been offtaken.

SSE considers that if Modification 0425 is implemented it will not be possible for a supplier to sever their relationship with a customer entirely. Once a contract has ended and a supplier has removed their meter from a customer's site, the customer and supplier should be able to consider that their relationship has ended and suppliers should not have any responsibility for the actions of site tenants or potentially other suppliers once that relationship has ended.

Total notes that there is a competitive metering market and customers can, and often do, make their own metering arrangements and are able to procure the installation of a new meter without any involvement from a supplier. If an end consumer does install a different meter following disconnection and removal of the old meter, this activity is completely outside the control of the old supplier following the end of their relationship with that consumer and any gas consumed should not be their responsibility. It would be unfair to force the previous supplier back into a deemed contractual arrangement with an old customer (especially where the customer was disconnected for debt) when the Supplier has acted in good faith and done everything within their powers to prevent future consumption of gas at that site by removing the old meter. The only other option open to suppliers if Modification 0425 were to be implemented would be to remove the service altogether – at great expense to end consumers and a disproportionate measure. Total conclude that networks should introduce controls to prevent the connection of meters to their networks without a registered shipper and supply contract being in place.

Winchester Gas notes that the amount of unallocated gas represents a significant portion of a shipper's allocation in the SSP market and any process that would improve this situation is one they support.

WINGAS recognise the need for appropriate action to reduce the consumption of unregistered gas, however implementation of Modification 0425 would expose WINGAS to unacceptable risks when legitimately withdrawing from sites where they have arranged for isolation of the supply should any other agent subsequently install an asset to the capped off supply point without following the proper registration procedures.

Additional Issues Identified in Responses to Modification 0425

British Gas notes from Workgroup 0425 discussions that there were concerns raised by Shippers with regard to theft in conveyance. The concern was once a Shipper has completed an Effective Supply Point Withdrawal it has no legal right to that site and therefore should a consumer take an action to reconnect the site to the network, if the responsibility to address this action was placed solely on the Shipper this would legitimise theft.

British Gas considers Modification 0425 clearly separates the responsibility in this scenario. For example, following an Effective Supply Point Withdrawal the last relevant Shipper may be asked to warrant if they took an action which resulted in the site being reconnected. Following an internal investigation by the Shipper of its own systems and processes should they confirm they did not warrant an action which resulted in the site being reconnected to the system, for this specific scenario the query can be passed

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back to the Transporter for them to take an action.

As part of the Theft in Conveyance process, as only the Transporter has legal rights to the site, therefore the Transporter is in the best position to resolve situation and Modification 0425 makes this provision.

Corona Energy notes that if individuals or organisations are intent on offtaking unregistered gas, they may be able to do so despite all reasonable efforts from industry participants having been exhausted. If an industry participant has done everything it reasonably can to prevent the offtaking of such unregistered gas then it must not then be subject to further liability relating to that gas. It would be proper in such circumstances for such gas to be fed into the calculation of unallocated gas that is to be charged to all Shippers.

EDF Energy were concerned that where a Shipper ceases to operate in the market or has changed the services it offers, EDF Energy could pick up consumers to whom it cannot offer a supply contract; and/or it cannot recover debts from as it does not have a contractual relationship with these consumers.

National Grid Distribution notes that Modification 0425 features a requirement for the Relevant Registered User to register the previously Withdrawn Supply Point under TPD Sections G3.7.9, G3.7.12 and G3.7.15 and for 'forced' registration by the Transporter under proposed TPD Section G3.7.14. This would apply in the absence of a Confirmation being made by the Relevant Registered User as identified by the modification.

While not specifically a UNC matter they note that Modification 0425 identifies (as reflected in the legal text), that "the Supply Point Registration Date shall be deemed to be the later of the date of the Effective Supply Point Withdrawal or the Meter Fix Date if known".

In circumstances where the Meter Fix Date is identified, then the User registration would not be rendered 'continuous'. i.e. there would be a 'gap' in registration between the date of Effective Withdrawal by the previous Registered User and the new Supply Point Registration Date.

Continuous registration is an essential pre-requisite for invoking the 'deemed supplier' provisions of Schedule 2B paragraph 8 of the Gas Act 1986 which establish that a deemed supply contract exists where "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.....".

Accordingly, in the absence of a deemed arrangement, the User registered by the Transporter in circumstances set out in G3.7.14 would have no recourse to 'back off' its financial liability for relevant charges to the supplier and ultimately the consumer.

Both Northern Gas Networks and Scotia Gas Networks note that Xoserve has highlighted an additional number of data items that will be required to be collected by Transporter staff during a site visit in order to meet the aspiration of the business rules and legal text. Not all of the data items suggested in the legal text are essential for the auto- registration of sites to take place and these need to be considered during any implementation planning.

Scottish Power considers the Gas Transporter should take all appropriate steps to ascertain the current situation at the site. If necessary they should investigate any illegal extraction of gas and ensure through appropriate communication and follow-up action, that the consumer is actively encouraged to contract with a suitable Supplier. Their commercial and contractual relationship with the customer ceased when they stopped being the Registered Shipper at the site. They therefore do not agree that they have any contractual power of entry at the site to undertake the required investigation.

SSE is concerned that, following a withdrawal, if a consumer has fitted a meter with malicious intent, Modification 0425 will effectively legitimise the arrangement by providing a deemed supply contract retrospectively and, without meter tampering, no theft will have been committed. This suggests that the consumer can behave in this way without consequence. The consumer may also avoid agreeing contractual terms using this mechanism, perhaps to avoid paying a security deposit for example.

SSE notes that a prudent customer in the same circumstances, who seeks their supplier by contacting the transporter, will be told that there is no registered supplier to their site. However, once a meter is discovered on their site, they will find that they do have a relationship with a supplier of which no one made them aware when they enquired. This is likely to lead to complaints particularly as the supplier involved may also have been contacted by the customer and indicated that they were not the supplier to that site.

SSE notes that large supply points will need to be nominated in order to effect a registration. Following withdrawal, the capacity may have been reallocated and if a large site is found to be burning gas after the capacity has been reallocated, it is not clear whether a registration will be possible.

Winchester Gas expressed concern regarding situations that may occur where the meter may be re-connected without the supplier's knowledge and the supplier may be

in a position where they are responsible for the gas consumed at site but may no longer have contract with the consumer and therefore have no contractual rights to recover this debt from the consumer.

Workgroup consideration of Additional Issues Identified in Responses

Workgroup 0425 considered the new or additional issues raised in 0425 consultation responses. A number of Workgroup participants clarified the points they had raised in their responses to the consultation, to aid Workgroup 0425 with its assessment of the issues. Workgroup 0425 concluded that a number of the issues raised had been sufficiently discussed previously and further assessment was not required.

Workgroup 0425 was unable to reach a consensus on the status of deemed contracts. There is a difference in legal opinion when, following a withdrawal, the previous registered shipper connects a different meter and hence the supply is not continuous. The Gas Act is not prescriptive regarding whether or not supply needs to be continuous for a deemed contract to exist. Legal interpretations differ regarding whether or not a deemed contract can exist if there is not continuous registration. However, these differences in opinion exist whether Modification 0425 is or is not implemented.

A number of Workgroup participants had questioned whether Modification 0425 was mandating the provision of specific aspects of data items, which may not be available to the Transporter when the site is to be registered. However, Workgroup 0425 concluded that the data items were to be provided on a reasonable endeavours basis and were not mandated.

The proposer confirmed that following assessment of the issues raised during consultation, it was not intended to amend Modification 0425 as the points raised were already addressed in the business rules. Transporters confirmed that they may wish to make some small adjustments to the legal text provided in the Final Modification Report.

Workgroup consideration of Additional Issues Identified by Panel

Workgroup 0425 was requested to consider the following points by Panel:

- Points raised by Ofgem in their letter to the Proposer and National Grid Distribution;
- Clarify the solution and supporting business rules; and
- Identify an implementation path, covering the nature of systems changes and if the modification is subject to User Pays.

Workgroup 0425 noted the comments raised by Ofgem and these were subsequently reviewed alongside the amended legal text. They also noted that the legal text has been amended to address some of the concerns raised by Ofgem and to add further clarity. Workgroup 0425 is aware that further amendment to the text is needed, though this is likely to be received after the submission of this report to Panel.

The Proposer presented proposed amendments to business rules 2 and 11 and Workgroup 0425 agreed that the changes were required to add further clarity to the solution. However, the Proposer had not brought forward a formal amendment, and Workgroup 0425 consider that, if the changes are put forward as discussed, the variation should not be considered material.

One participant was concerned that the mechanism proposed in business rule 22 to stop the process for recovering transportation costs up to the date of discovery of an unregistered site, should the consumer choose a different supplier soon after being identified as unregistered, may create a perverse incentive. Other Workgroup participants did not agree with this view and did not consider it a material issue.

The implementation path was reviewed and an amended timeline developed.

Workgroup 0425 considers Modification 0425 should be classified as User Pays as it is likely to require the amendment of central systems. However, as these costs are not considered to be material over and above those required for the implementation of Modification 0424, no additional charges will be recovered under User Pays and an ACS amendment will not be published.

9 Panel Discussions

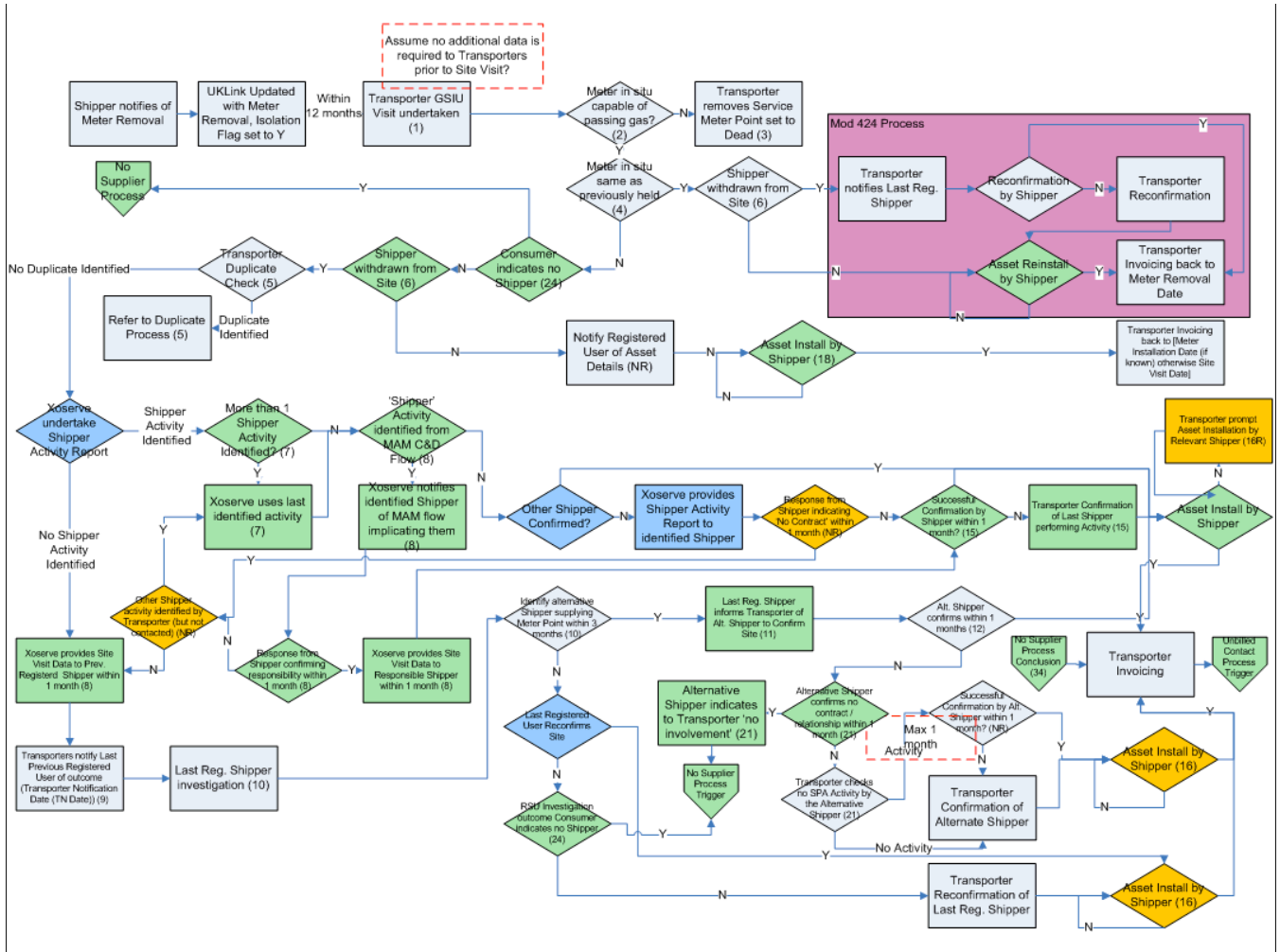
10 Recommendation

Panel Recommendation

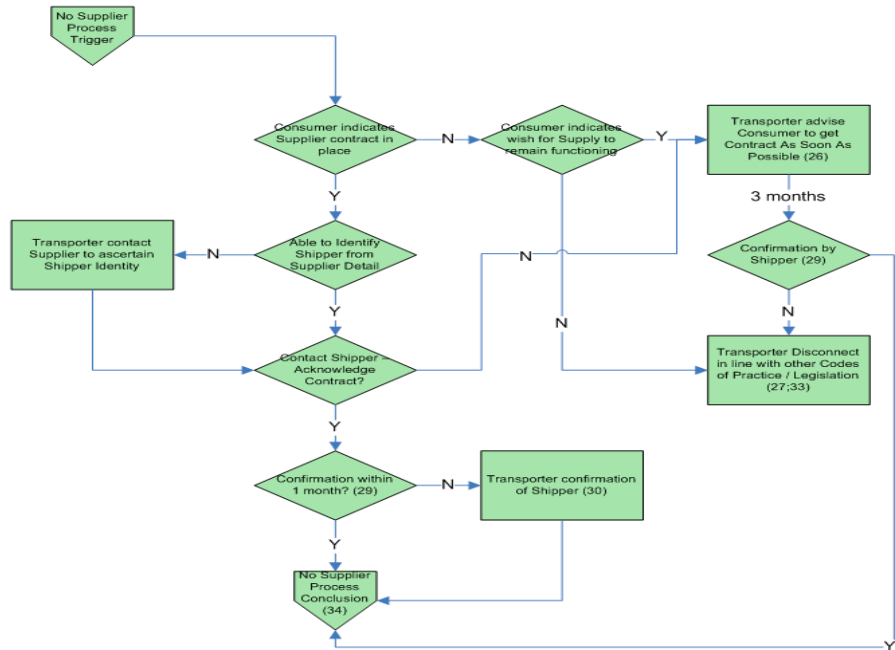
Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0425V [should/should not] be made.

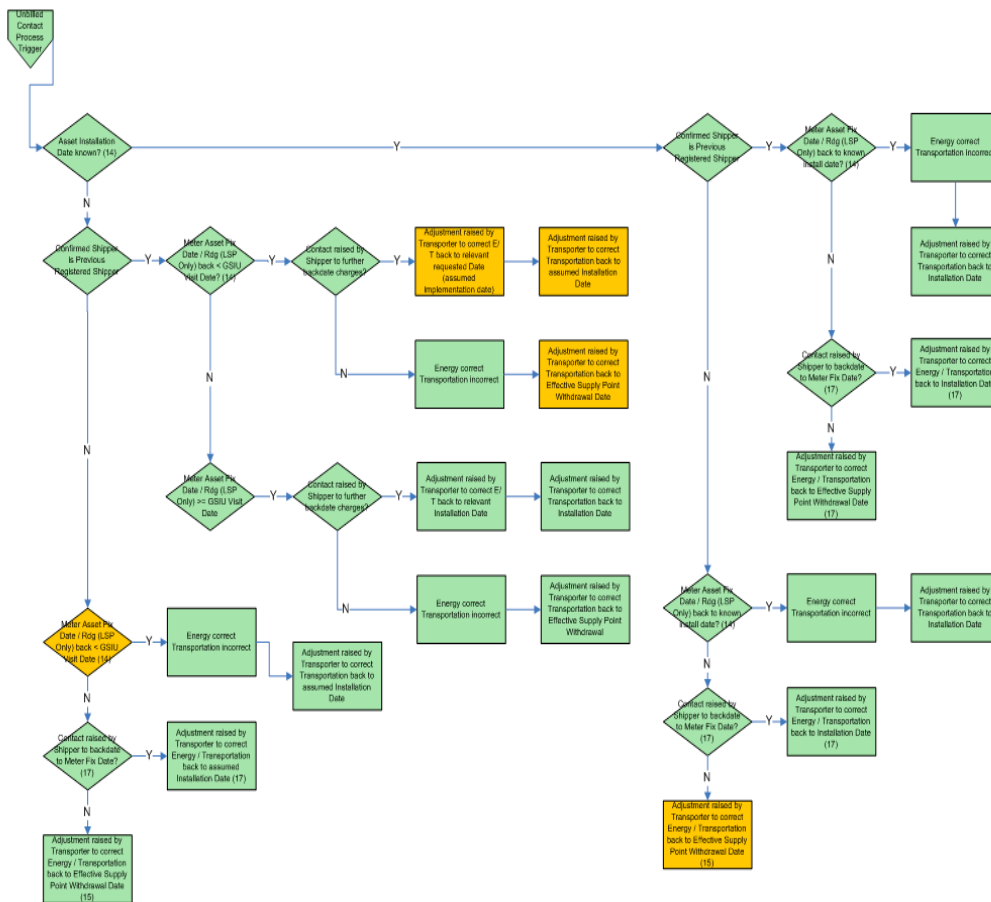
Re-establishment of Supply Meter Points process flow



No Supplier Process Trigger



Unbilled Contact Process Trigger



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