

UNC Workgroup 0410 Minutes
Responsibility for gas off-taken at Unregistered Sites following
New Network Connections
Thursday 23 February 2012
Elexon, 350 Euston Road, London NW1 3AW

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Tim Davis (Secretary)	(TD)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Alex Ross	(ARo)	Northern Gas Networks
Alison Jennings	(AJ)	Xoserve
Andrew Margan	(AM)	British Gas
Anne Jackson	(AJa)	SSE
Brian Durber	(BD)	E.ON UK
Chris Warner	(CW)	National Grid Distribution
David Mitchell	(DM)	Scotia Gas Networks
Edward Hunter	(EH)	RWE npower
Elaine Carr	(EC)	ScottishPower
Gareth Evans	(GE)	Waterswye
Lorna Lewin	(LL)	Shell
Marie Clarke	(MC)	Scottish Power
Rob Cameron-Higgs*	(RCH)	Wales & West Utilities
Steve Mulinganie	(SM)	Gazprom
Tabish Khan	(TK)	Ofgem

* by teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0410/230212>

1. Review of Minutes and Actions

1.1 Minutes

The minutes of the previous meeting were accepted.

1.2 Actions

0001: National Grid to consider the recovery process and treatment of connections through the Shrinkage process. CW What happens to energy now.

Update: CW confirmed the question had been asked internally but a response is awaited. **Carried Forward.**

0002: GE to set out why MPRN is the better trigger/mechanism.

Update: Covered under Item 2 below. **Closed.**

0003: All to consider alternative mechanisms to using the MRPN as the trigger point.

Update: ARo confirmed that NGN is considering bringing forward meter fit date as an alternative approach. **Closed.**

2. Discussion

GE gave a presentation on two key issues:

- How costs for gas used are recovered; and
- The use of MPRN as a suitable trigger.

He clarified the purpose of the modification, which data items were involved and the cost recovery mechanism proposed. It was emphasised that the time period of gas use is not important – only consumption needs to be established. GE went on to set out some first thoughts on gas use determination and illustrated the envisaged recovery process, with the suggested way forward being driven by practicalities. Hence it is not proposed that energy is reapportioned - a single one-off, financial, adjustment is made and balancing positions are not reopened.

Given the issues of collecting and analysing daily SAP figures, GE suggested that adopting a single figure each year would be sensible. An annual adjustment could then be made on 1 April each year, again simplifying the process and making it a practical one-off financial adjustment rather than any attempt to adjust historic positions.

CW questioned who commissions meter fits and, given this is a Supplier, how it is plausible that the commissioning Supplier may not be involved.

AJa questioned why the MPRN date should be used rather than the Meter Fit date. GE argued that using the MPRN creation date as the starting point was suggested for consistency, being a known date in all cases and giving clear responsibility to the party that had asked for the MPRN. SM added that this would help to create incentives and drive appropriate behaviours such that subsequent data is provided and the number of Shipperless sites should be reduced.

AR suggested a logical reaction by the DNs would be to refuse to create an MPRN in the absence of a Supplier. GE said he would have no problem with this – the modification is not about blame but about backing-off risks, helping to ensure robust processes are in place to ensure all the necessary commercial steps are taken. SM explained that the modification creates a consequence from MPRN creation, and he would think it entirely appropriate if the DNs acted as suggested by AR.

AJ questioned how this would operate if a builder registered a new connection and informed the DN that a particular supplier was in place without that Supplier being aware. SM responded that the company undertaking the connection should bear the consequence – if the DN had not confirmed the Supplier was in place, that should be at their own risk.

AR argued that the issue arises once a meter is in place and so a meter fit is the right trigger. GE agreed that without a meter the issue does not arise. However, a meter fit date is not always known. The siteworks contract should establish responsibilities and risks. CW did not agree with this – Suppliers generally commission meters. AJa understood it is illegal to fit a meter without a Supplier in place since gas has to cross the meter when fitted, and in her opinion this breaches the Gas Act if there is no gas supply contract in place. GE had sought advice on the legal position which was inconsistent with the advice given to AJa and suggested that meters can be fitted with no Shipper involvement. He therefore felt that MPRN creation remains the correct trigger that should capture all instances.

SM was clear that the process does not work at present and that there is no disincentive to creating supply points, issuing MPRNs and subsequently failing to register meter fits. Creating an incentive to improve the process should be of

value to all, thereby giving parties responsibility for the MPRN – which is a key piece of industry data. GE agreed that shipperless sites should not exist but, since they do, action is merited.

AJ noted that meters are being fitted in the expectation of a supplier being appointed, and these can become genuinely shipperless sites when that supplier fails to materialise for whatever reason. SM agreed that examples of this can be found, such as where the Supplier changes and processes are not seen through as a result of the change.

GE said that his conclusion was that there should be a financial incentive, which should be kept simple, to drive appropriate behaviours. AR fundamentally disagreed with the solution being put forward since the fitting of a pipe does not create a problem and hence there should be no Transporter responsibility. Only when there is a meter (and Supplier) does the problem arise as gas cannot be offtaken prior to that. The issue is not the existing rules but that they are not being followed at present. AR therefore saw the problem as the process and enforcement of obligations, such that putting obligations on Transporters is addressing the wrong issue. SM responded that the issue has existed for a long time and has not been addressed. Alternative solutions may exist – which GE would welcome – but these had not been brought forward over a number of years. The view being put forward is that creating some responsibility at the point of MPRN creation should help to focus minds and drive improved behaviours.

AJ was not convinced how the practicalities would be addressed – the meter fit date may still be unknown. GE explained that this is one reason why the MPRN creation date had been proposed such that the meter fit date would not need to be known. Consumption would be established and annual one-off adjustments made.

MC asked whether the DNs go back and check if a meter has been fitted and a Shipper registered for every MPRN. AR said this is not done as a matter of course – laying a connection is harmless and should gas be offtaken then this would be illegal usage and should not have happened. AJa felt there would be merit in encouraging more scrutiny to try and address illegal use of gas. MC also felt that the DNs might usefully be checking and thereby identifying illegal gas usage. SM said that putting some skin in the game could incentivise these behaviours, whether by Transporters or Shippers who would become responsible as the MPRN raiser to ensure no gas is offtaken illegally.

AJa asked how this would work if a UIP requested an MPRN. SM repeated that the obligation should sit on whoever created the MPRN and this should help ensure all the steps are taken to register the site appropriately. AJa asked about the case where SSE as a UIP approached the Transporter for the MPRN – GE said they would be treated exactly the same as any other UIP rather than as a Shipper. The DN would create the MPRN and be responsible, but would be expected to back off the risk within their processes to the UIP, who could similarly choose to back off the risk to a Shipper/Supplier. AJa was unclear how the UIP could manage this, as they would have no rights to access a site and inspect their own pipe and know when a meter had been installed and was being used without their knowledge. SM felt this was precisely why the UIP would want to establish suitable contractual arrangements to manage this risk – commercial incentives would be changed and this would incentivise appropriate behaviours.

GE recognised that parties would need time to put revised processes in place in order to implement this modification. He would therefore suggest a reasonably long implementation time, with April 2013 a potential implementation date. However, he had not heard any arguments that would lead him to amend the basic principles of the modification. The next step would be to produce business

rules that can be refined at the Workgroup. GE anticipated these being available for the next meeting.

3. Any Other Business

None raised.

4. Diary Planning for Review Group

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

The next meeting of the Workgroup will take place within the business proceedings of the Distribution Workgroup on:

Thursday 22 March 2012, at Elexon, 350 Euston Road, London NW1 3AW.

Workgroup 0410 – Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0001	27/01/12	2.0	National Grid to consider the recovery process and treatment of connections through the Shrinkage process. CW What happens to energy now.	National Grid (CW)	Carried Forward
0002	27/01/12	2.0	GE to set out why MPRN is the better trigger/mechanism.	Waters Wye (GE)	Closed
0003	27/01/12	2.0	All to consider alternative mechanisms to using the MRPN as the trigger point.	All	Closed