

**UNC Workgroup 0410 Minutes
Responsibility for gas off-taken at Unregistered Sites following
New Network Connections
Thursday 24 May 2012
at ENA, 52 Horseferry Road, London SW1P 2AF**

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Alex Ross*	(ARo)	Northern Gas Networks
Alison Jennings	(AJ)	Xoserve
Andrew Green	(AG)	Total
Andrew Margan	(AM)	British Gas
Anne Jackson*	(AJa)	SSE
Brian Durber	(BD)	E.ON UK
Cesar Coelho	(CC)	Ofgem
Chris Warner	(CW)	National Grid Distribution
David Addison	(DA)	Xoserve
Edward Hunter	(EH)	RWE npower
Elaine Carr	(EC)	ScottishPower
Erika Melèn	(EM)	Scotia Gas Networks
Harpal Bansal	(HB)	Ofgem
Lisa Waters*	(LW)	WatersWye
Lorna Lewin	(LL)	DONG Energy
Marie Clarke	(MC)	Scottish Power
Mark Jones	(MJ)	SSE
Richard Street	(RS)	Corona Energy
Rob Cameron-Higgs*	(RCH)	Wales & West Utilities
Stefan Leedham	(SL)	EDF Energy
Steve Mulinganie	(SM)	Gazprom
Tim Davis	(TD)	Joint Office

* by teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/0410/240512

1. Review of Minutes and Actions

1.1 Minutes

The minutes of the previous meeting were reviewed, and it was agreed that the following two sets of amendments should be incorporated.

National Grid requested the following amendments following Action 0006 page 2/3:

Action 0006: GE to provide a view on the C&D regulations where a non relevant supplier is notified that a meter is connected – what action should they take.

CW challenged if Suppliers should be commissioning the installation of meters without a supply contract. The group concluded it was ~~desirable~~ **essential** that meters should not be fitted until a signed contract with the customer was in place, it was recognised such practise could reduce Shipperless sites.

CW noted that a fundamental principle of dealing with shipperless and unregistered sites was the ability for parties to be able to recover their costs from consumers. He highlighted that this was a principle identified within UNC Modification Proposal 0369 where a deemed supply contract would be established. CW asked how Transporters would recover the energy costs incurred from gas offtaken at an unregistered site under this modification. GE was under the impression that this could be achieved through the Gas Act, however CW believed that recovery could only be made where a duty to investigate under its licence applied. CW clarified that under the proposal, Transporters would be liable for costs even if the consumer provided evidence of a supply contract. However, given this CW emphasised that the Transporters had no duty to investigate the theft and consequently any vires to recover costs if there has been a theft. ~~He explained that Transporters must be~~ under the 'reasonable endeavours provisions in GT licence Condition 7 would not apply. CW noted that Transporters were mandated to be cash neutral under the licence in the event they were able to recover costs from the consumer for an illegal taking of gas ~~the theft of gas.~~ ~~If theft has occurred and reasonable endeavours have been made to recover the cost of the gas, Transporters can recover the money through the reasonable endeavours scheme. However, if the customer has a contract with a supplier and refuses to pay the Transporter for the duration they have offtaken gas between the MPRN creation and being identified as not having a supplier.~~ CW ~~explained the cash neutrality and doubted~~ questioned how whether energy charges as would be levied under Proposal 0410 on Shippers or Transporters would constitute 'investigation costs' as identified within the GT Licence. ~~Transporters recover the costs due to the trigger of the creation of the MPRN following the supply pipe fitting.~~

In conclusion CW was concerned that the modification would have the effect of was placing a financial liability on Transporters and Shippers for gas offtaken during a period where a site was not registered for which each party would be unable to recover from the relevant consumer.

CW ~~reiterated was concerned~~ that if a customer demonstrates they are paying a supplier and the site is not registered, Transporters (or the Shipper who created the MPRN) would still; be liable under this modification for the energy gas offtaken and that Transporters or the Shipper's Supplier would have not be able to claim compensation from the customer when the customer y was ere already paying a supplier (being in the case of a supplier who created the MPRN, a different supplier).

Xoserve requested the following amendments following Action 0005 page 2:

Action 0005: All to review the business rules as amended during the meeting and feedback to GE.

GE believed that the trigger point for claiming the unregistered gas costs is the creation of the MPRN by the Transporter. However, Xoserve considered that the fixing of a meter ~~is the problem would be an appropriate trigger~~ as it allows gas to be offtaken. AJ ~~confirmed thought~~ that Transporters would ~~not be unlikely to~~ disconnect a customer if the customer were paying a supplier. There are only situations where it could be deemed that a customer may be at fault, such as when a customer procures and has installed their own meter and then fails to

~~secure an appropriate gas supply contract it was deemed that the customer was at fault of offtaking gas from the supply is where the customer has commissioned the fixing of a customer owned meter and offtakes gas without securing a supplier.~~ A disconnection will not take place if no gas is offtaken and a meter is in situ. ARa advised that meters can be fitted legally or illegally. AJ believed that in the majority of cases meters are fitted through a request ~~via to~~ a supplier. Discussion took place around tThe scenario of a meter being fitted by through supplier A, ~~but that and the~~ customer doesn't then sign a supply contract with that with supplier A ~~and~~ decides to contract for a gas supply with supplier B to change their mind and sign a contract with supplier B. AJ was aware this can does occur. It was questioned if Supplier A has facilitated an illegal offtake. In such an instance it was agreed that supplier A would not be responsible for gas offtaken, however they may be in breach of the C&D regulations. It was envisaged that Supplier B would be responsible for any gas offtaken.

1.2 Actions

0004: WWU, SGN and NGN to confirm whether they share the National Grid Distribution intention to proactively visit unregistered sites and disconnect them if no action is taken to address registration.

Update: EM indicated that SGN is awaiting firm legal advice regarding the right to disconnect. RCH and ARo confirmed that WWU and NGN are aligned with National Grid's position. SM suggested it would help to have this process, which is a positive step forward, documented such that it would not be lost. CW emphasised that the process is a trial at present and any next steps would be informed by the trial. AG asked if the conclusions would include looking at the action taken by the consumer, which AJ anticipated would be the case - at least at a high level. **Closed**

0005: All to review the business rules as amended during the meeting and feedback to GE.

Update: AG confirmed that comments had been received from ScottishPower and Ofgem. These had been incorporated in the revised modification. **Closed**

0006: GE to provide a view on the C&D regulations where a non-relevant supplier is notified that a meter is connected – what action should they take.

Update: No update available. **Carried Forward**

0007: Ofgem to provide a view of licence conditions – can Transporters disconnect a customer who is not registered by a Shipper but are paying a supplier for a gas supply.

Update: CC explained that Ofgem had provided a view at Xoserve's Shipperless and Unregistered Group. He requested the action to be carried forward in order to confirm the position subsequent to the meeting. He emphasised that any Ofgem view would not be binding but only a view. His recollection was that Ofgem's view was that any contract between a supplier and customer would be invalidated since there would be no registered shipper. CC also encouraged attendance at Xoserve's Shipperless and Unregistered Group in order to ensure issues continue to be pursued (next meeting is on 18 July). **Carried Forward**

2. Workgroup Discussion

CW indicated that the Transporters had reviewed the revised Business Rules and had a range of issues to raise since the rules do not provide sufficient clarity to support legal drafting. DA and AJ indicated that additional information would

also be needed to confirm how the process was to be run and, initially, a ROM to be produced. RS was unclear as to whether the issues were levels of detail that could be dealt with subsequently rather than needing every detail to be provided at this stage. SM added that he would wish to understand the issues being raised in order to ensure the modification can be progressed and not subject to further delay. CC added that Ofgem felt early sight of the legal text would be particularly welcome in this particular case, and requested that the Transporters provide it. SM suggested a specific legal drafting meeting might be necessary if the text is particularly complex.

Action 0008: NGN (ARo) to advise when legal text can be available for discussion

AG then explained the changes made to the modification and Business Rules, which sought to add clarification. CW noted that the ability for Transporters to recover costs had been removed and questioned why. BD suggested this was an incentive to change behaviours, with MPRNs no longer being issued without a registered Shipper. AG confirmed this was the intention – to prevent the problem arising such that no liabilities would be incurred. It was recognised that the outcome may be that MPRNs are only issued following significantly more controls being implemented, which AG confirmed he would regard as a positive outcome. CW sought clarity that an intended outcome is increased control of UIP activity, and AG confirmed that, while the Transporters response to the incentive would be a matter for themselves, he would also regard this as a very positive outcome.

CW questioned whether a similar iGT UNC modification would be raised, but SM suggested there was less of an issue for iGTs at present and the focus was on the UNC.

AJ suggested that issuing an MPRN is not the issue so much as the fitting of a meter and asked if we should be looking at other solutions. SM felt there was scope for considering other options, but the key was to incentivise and enshrine improved behaviour. AJ noted that the start of the process needed to be clear in the Business Rules, and that meter fit is the trigger at present. RS added that issuing an MPRN legitimises a meter point and is a key process that can be controlled by the issuing party.

AM asked how to resolve a situation if an MPRN was created for one Shipper/Supplier, but the customer moved to a different Shipper/Supplier. For example, if MPRNs are created for a developer on a housing estate, a subsequent problem could arise and the original Shipper should not be held liable. SM and RS argued that this was an issue for the business requesting and issuing MPRNs and their contractual relationship with the organisation to which an MPRN has been issued. Any dispute should be resolved through the courts. AM was concerned that an organisation could create a large number of MPRNs but not become the Supplier, and that to restrict this would be anti-competitive. AG confirmed that preventing such issue of MPRNs with no identified Supplier was the intention. However, AM remained concerned that the way in which costs would be allocated remained to be addressed if a different Supplier became involved.

SM and RS emphasised that the modification should not set out how businesses mitigate the risks faced when issuing MPRNs, and different organisations may make different choices and subsequently face the consequences of their own decisions: the modification is seeking to change those consequences.

AJa asked about the case where a Shipper has a connections business. Would they pick up the costs whereas a connections business without a Shipper would

not. RS said that this was not a distinction since it would be the body issuing the MPRN that would be liable. However, AJa felt it would be a different process for a non-Shipper business since they would go to the Transporters and the Transporters would become liable rather than the Shipper. LW clarified that, in these circumstances, the Transporter would be expected to put in place appropriate arrangements to pass on that risk. The key was the contractual arrangements that are put in place in light of the changed incentives, with the intended outcome being controlled issue of MPRNs

AR asked how the approach works when someone approaches the Transporter for a connection but no firm understanding of the Shipper they will select. RS anticipated that the contractual arrangement with that customer would require them to establish a contract and the site to be registered. AR questioned where liability would sit if the site were not subsequently registered through the appropriate process. RS said that if this were to arise, the Transporters would be liable and would have the option of billing the customer – there would be no ‘pot’ into which costs would be passed. LW also suggested that if Shippers or Suppliers are not complying with their Licence under these circumstances, the Transporters might like to inform Ofgem of such breaches.

While supportive of the objective of the modification, SL had a concern about the impact on data quality. If sites are registered earlier, the quality of data may be worse. For example, formal addresses might not be available when registration is requested (i.e. Plot 14 is not an address). BD suggested that the incentive might be to delay the issue of the MPRN within the connections process, awaiting the point at which the address is available. SM agreed that the move from plot number to address is a significant problem, but felt the modification could only improve the situation if, as expected, it created a more formalised approach to issuing MPRNs, underpinned by contractual arrangements. For example, the industry process could be unchanged with an MPRN created but not issued to the customer such that it is more controlled by the Shipper involved.

In response to a question from CW, AG confirmed that the liability would be a straightforward liability on the Transporters, thereby creating an incentive to change behaviour.

Rather than consider them at this stage, it was suggested that the meeting to consider the legal text could also consider the Business Rules. However, CW suggested that legal text could not be produced without the business rules being clarified. AG indicated that, if the transporters could not produce text, Total would be prepared to bring suggested text to the meeting. ARo confirmed that NGN, as the Transporter responsible for providing text, would be happy with this.

CW raised some specific issues regarding the detail of the Business Rules, such as that the transporters should provide information to Xoserve, which is not practical from a legal perspective as Xoserve is not a party to the UNC. AJ said that Xoserve were looking to clarify some details rather than question the modification. RS said that Business Rules had been prepared in response to the request by the Transporters to provide more detail, but that the principles were in fact simple and all that he envisaged being necessary to include within the legal text. SM added that the Business Rules had been taken into operational issues in order to clarify how it was envisaged that the process would be operated and agreed with RS that the legal text should be simpler than the Business Rules.

ARo agreed to forward the Transporters comments on the Business Rules as soon as possible to AG, and AJ agreed to provide the Xoserve comments. AG would then seek to provide text for the Workgroup to review, hopefully at the Distribution Workgroup meeting planned for 12 June.

Action 0009: NGN (ARo) and Xoserve (AJ) to provide comments on the Business Rules to Total (AG)

AM questioned how the AUGE process would be amended in light of the modification. AG said that this would no longer be unallocated gas since it would be allocated. AM said that the level of unallocated gas is an issue for the AUGE and the way in which the issue is approached should not be prescriptive in the modification. RS agreed with this and suggested that the fundamental AUGE process would be unchanged. However, the issue had been flagged to make the AUGE aware of the change while leaving it to the AUGE to take the information into account as deemed fit.

3. Any Other Business

None raised.

4. Diary Planning for Workgroup

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

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

Tuesday 12 June 2012, 10:30, 31 Homer Road, Solihull

Workgroup 0410 – Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0004	22/03/12	2	WWU, SGN and NGN to confirm whether they share the National Grid Distribution intention to proactively visit unregistered sites and disconnect them if no action is taken to address registration	SGN (EM)	SGN update outstanding
0005	26/04/12	2	All to review the business rules as amended during the meeting and feedback to GE	All	Closed
0006	26/04/12	2	GE to provide a view on the C&D regulations where a non relevant supplier is notified that a meter is connected – what action should they take.	WatersWye (GE)	Pending
0007	26/04/12	2	Ofgem to provide a view of licence conditions – can Transporters disconnect a customer who is not registered by a Shipper but are paying a supplier for a gas supply.	Ofgem (JD)	Pending
0008	24/05/12	2	Advise when legal text can be available for discussion	NGN (ARo)	Pending
0009	24/05/12	2	Provide comments on the Business Rules to Total (AG)	NGN (ARo) and Xoserve (AJ)	Pending