

Stage 01: Proposal

What stage is this document in the process?

0369A:

Alternative Re-establishment of Supply Meter Points – measures to address shipperless sites

- 01 Proposal
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

This Modification Proposal seeks to modify the existing provisions of the Uniform Network Code regarding Reestablishment of Supply Meter Points to ensure Supply Point Registration where gas is consumed at a Supply Point which has been subject to Effective Supply Point Withdrawal but the original Supply Meter remains connected (or has been reconnected) and is capable of flowing gas. The Proposal features other associated measures to mitigate the detrimental effect of 'shipperless sites' on Transporters and the User community.

This proposal provides an exception for Consumer owned metering equipment which cannot readily be removed from a consumers site and were the Transporter themselves have undertaken physical works allowing the Effective Supply Point Withdrawal



The Proposer recommends that this Proposal be subject to development.



Medium Impact:
Transporters and Users.

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About this document:

This document is a proposal, which will be presented to the Workgroup for assessment on 27 October 2011.



3 **Any questions?**

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1 Summary

Is this a Self Governance Modification

This modification is not subject to Self Governance procedures.

Why Change?

Whilst clear in respect of User Transportation and energy 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 but which remains capable of flowing gas.

Accordingly, whilst in such cases the User (Shipper) is liable for Transportation and energy charges, the Supplier is unable to recover its costs from consumer given that the lack of a registration in the Transporters 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.

In addition to Modification 0369, this modification provides recognition of consumer owned metering equipment and scenarios where the Transporter carries out the physical works which allow the Effective Supply Point Withdrawal.

Solution

It is proposed that the UNC is modified to clarify that the User's registration remains in place from the date of Effective Supply Point Withdrawal where the Transporter (or another party) identifies that the identical Supply Meter is installed at the premises and is capable of flowing gas which had previously been in place at the date of the Effective Supply Point Withdrawal. The terms proposed specify how the Supply Point Registration is re-generated in the SPR. The presence of a registration in the SPR will ensure that a Deemed Supply Contract is in place and thus enable the User to recover its costs through its supplier arrangements. This will result in the appropriate targeting of Transportation, energy and supply costs.

This alternative proposal provides an exception where: -

1. Consumer owned metering equipment is present which cannot readily be removed from a consumers control and for which the supplier has taken steps to disconnect the relevant metering equipment, or
2. Transporters themselves have directly undertaken the physical works e.g. responding directly in response to an urgent cessation of gas.

In such scenarios Transporters cannot recover retrospective Transportation and Energy Balancing charges from the User following works undertaken to allow the Effective Supply Point Withdrawal.

For the avoidance of doubt this modification does not seek to alter the proposed arrangements in respect of charging for physical works where the Transporter seeks to levy an abortive GSIU charge.



Supply Point Withdrawal and Isolation

UNC TPD Section G3 sets out comprehensive terms which set out the conditions under which Users are able to remove themselves from being Registered to a Supply Point or to limit their transportation charge liability.

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Impacts & Costs

Implementation of the proposed terms would enable Users to recover the costs (to which they are exposed to pursuant to the prevailing terms of the UNC) through their supply arrangements. This would also reduce the overall population of so called 'shipperless sites' which has been highlighted as an industry concern in light of the risk of socialised costs being otherwise applied to the User community.

The proposed method of achieving re-registration is an existing process operated by both Users and Transporters (including the capability for the Transporter to register on the User's behalf). Notwithstanding this, it is expected that systems, process and administration costs are likely to be incurred by Transporters, Shippers and Suppliers.

Implementation

It is proposed that, subject to the appropriate direction from the Authority, and after a suitable period of development, notwithstanding that systems changes may be necessary, this Proposal be implemented as soon as reasonably possible.

The Case for Change

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

Given that Users already have the charging liability under the prevailing terms of the UNC, we believe that is of benefit to the industry as a whole to enable deemed supply arrangements to exist by clarifying the SPR registration status in respect of the relevant shipperless sites. According to statistics provided by the Transporters' agent xoserve, shipperless sites are an increasing population which increases the risk of socialised costs.

Recommendations

The proposed recommends that that this Proposal be implemented as a sustainable measure to seek to address the increasing population of shipperless sites.

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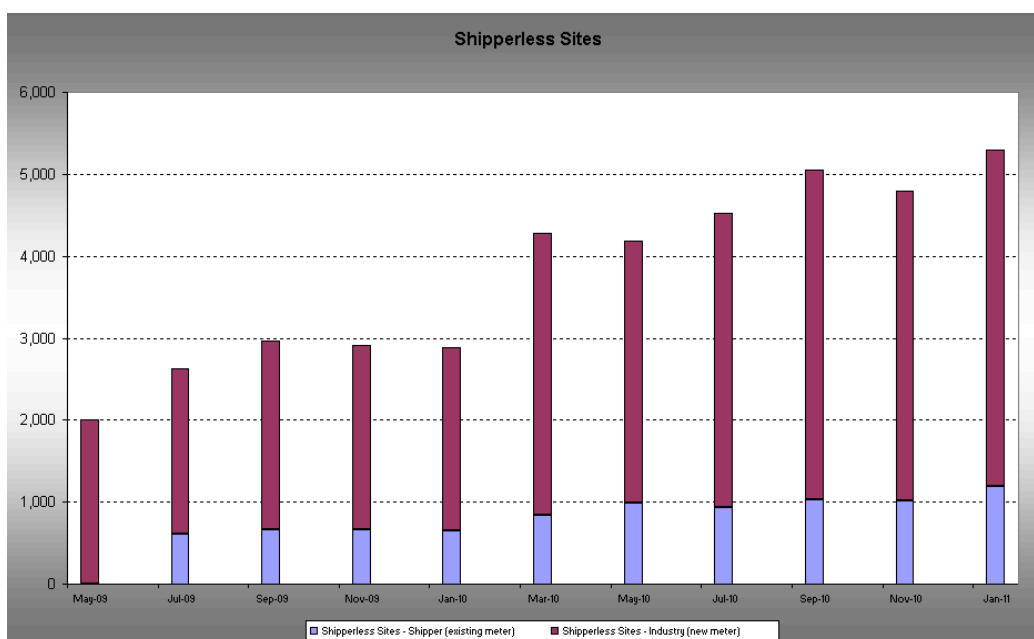
2 Why Change?



Industry Concerns

Statistics presented at the Transporter agent (xoserve) administered 'Shipperless and Unregistered Sites Working Group' illustrate an increasing number of Supply Points which have been subject to an Effective Supply Point Withdrawal but remain capable of flowing gas. This is typically identified as a consequence of the Transporter conducting a service disconnection under the Gas Safety (Installation and Use) Regulations 1998 on behalf of the Supplier. Under these circumstances the Transporter is unable to expedite the disconnection which constitutes an inefficient use of its resources.

The following graph illustrates such volumes since May 2009, differentiated by whether the original meter remains in place or whether a new meter has been installed.



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.

Origin and Summary of the Current Provisions

Network Code Modification 0675, implemented in July 2004, created the current framework to enable a Registered User to cease its registration at a Supply Point and was part of a suite of Proposals designed to better facilitate the outcome of the Review of Gas Metering Arrangements (RGMA) programme. In broad terms, cessation of Supply Point ownership requires the User to submit a Supply Point Withdrawal (an expression to the Transporter that it intends to end its registration) and undertake physical works which would have the effect of enabling an Isolation.

Under current arrangements the work required to 'cease the flow of gas' need not incorporate the removal or disconnection of the Supply Meter; for example this work may be restricted in scope to the clamping of the Emergency Control Valve.

The UNC provisions covering Re-establishment (TPD G3.7) incorporate terms that where a Supply Meter Point is Isolated (but not Withdrawn):

Shipperless and unregistered sites

Unregistered Site

A Supply Meter Point within the Supply Point Register that has never been registered by a User

Shipperless Site

A Supply Meter Point within the Supply Point Register that has no current registered User, but previously had one

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- if a Transporter becomes aware that gas is capable of being offtaken, it shall notify the Registered User; and
- if a User becomes aware that gas is capable of being offtaken, it shall inform the Transporter who shall Re-establish the Supply Meter Point.

The 'Re-establishment' terms also dictate that where an Effective Supply Point Withdrawal occurs (i.e. a Supply Point Withdrawal and Isolation is submitted by the Registered User), the Supply Meter remains connected and gas is subsequently offtaken, the Registered User at the time of Isolation shall be liable for all charges as if an Isolation or Effective Supply Point Withdrawal had not occurred (TPD G3.7.5).

Despite User liability for charging, the current terms do not specifically require the User to re-register the Supply Point or permit the Transporter to re-register the Supply Point on the User's behalf. Furthermore where the Supply Meter is physically disconnected by the Withdrawing User from the Transporters' network, the charge liability set out above does not apply.

User Recovery of Costs (TPD G3.7.5)

In such circumstances, where the User does not elect to re-register the Supply Point, this would appear to create a risk to the User that it is not able to recover from the consumer its costs in respect of the Transportation and energy charges it incurs under the UNC G3.7.5 terms. This is because in absence of a registration in the SPR there is no Deemed Supply Contract as per the provision of the Gas Act (Schedule 2B) para 8(2). In absence of such an arrangement there is no basis upon which a Supplier is able to recover supply charges.

Socialised Risks and Costs

On behalf of Transporters, xoserve currently employs resources to identify those Supply Points that have been subject to an Effective Supply Point Withdrawal and are nonetheless flowing gas (or are able to do so). In many cases this is identified by the Transporter where it undertakes a service disconnection under the Gas Safety (Installation and Use) Regulations 1998 (GSIU) on behalf of Supplier.

In circumstances where gas continues to be offtaken at a Supply Point which is Isolated and Withdrawn, the Transportation commodity and energy cost exposure is borne by Users having Smaller Supply Points (SSPs) through the Reconciliation by Difference (RbD) mechanism. It is anticipated that an element of the energy cost would also be apportioned to Users having Larger Supply Points (LSPs) by the appointed industry expert (AUGE) under the Modification 0229 regime.

In its decision letter (dated 5 July 2004) in respect of Network Code Modification Proposal 0675 'Isolations - Changes required in accordance with the Review of Gas Metering Arrangements (RGMA)' Ofgem stated:

"Whilst it appears entirely pragmatic for meters to remain in place, where gas is no longer required for a short time, Ofgem is keen to ensure that meters do not remain connected and left in premises inappropriately, or for a long period of time, simply to avoid the costs of disconnection and removal. This could have implications for the transportation of gas and safety more generally.

Ofgem welcomes the assurance that Transco will conduct a site visit to ensure that safety aspects are maintained though it is likely that this work will focus upon the service pipe and not recovery of the meter. However Ofgem considers it likely that efficient competitive meter providers will have terms and conditions within their

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contracts to ensure that the supplier is charged for the meter, regardless of whether gas is actually flowing. This places an economic incentive on suppliers to have the meter removed when they are no longer in use as this would relieve them of the meter provision charges.

This is compounded by Transco's "cut off" charges as these could exceed the charge for disconnection and removal of the meter depending on the size of the meter. Ofgem will review this area as the competitive market develops, and to the extent required, may consider alternative remedies."

NGD believes that the UNC provisions should be rendered more robust in respect of the Isolation and Withdrawal regime and in particular the incorporation of measures which discourage offtake of gas in the absence of a User Registration (a so called 'shipperless site'). NGD has identified measures which we believe mitigate the risks arising from Supply Meters being left in properties and which are not removed from the premises by the Withdrawing User or their service provider.

Collective responsibility

Shipperless sites where gas is being offtaken or is capable of being offtaken can arise under two circumstances:

- The User procuring a Supply Point Isolation and Withdrawal has not correctly undertaken the necessary physical works or has provided erroneous data
- The consumer has reconnected the meter or removed the device preventing the flowing of gas.

NGD has accepted that Transporters have an overarching responsibility for 'unregistered' Supply Points. These 'greenfield' sites frequently have no supply contract in place and in these circumstances, NGD accepts that it has GT Licence obligations to investigate any offtake of gas and undertake reasonable endeavours to recover the cost of gas from the consumer where no Supplier is present. However in the case of shipperless sites, NGD's view is that in certain cases a Deemed Supply Contract applies.

The purpose of this Modification Proposal is threefold:

- To facilitate arrangements for ensuring that, with respect to a Supply Point where an Effective Supply Point Withdrawal has taken place, a User Registration is in place at a relevant Supply Point in circumstances where the Supply Meter is found to be connected to the Transporter's system and capable of flowing gas (i.e. that the Supply Meter is not 'disabled' by an appropriate device (typically those identified within the Meter Asset Managers Code of Practice (MaMCoP).
- To ensure that, in all circumstances where the Supply Meter is found to be connected to the Transporter's system and capable of flowing gas, the Registered User or Previous Registered User is responsible for relevant Transportation and energy charges during the period of Isolation or Effective Supply Point Withdrawal
- To ensure that Transporters are able to recover the costs from Users of 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 (GSIU) for reason that the Supply Meter remains connected to the Transporters network and is capable of flowing gas.

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3 Solution

Proposed UNC Changes

It is proposed that the current TPD G3.7.5 terms are extended such that the UNC reflects that where the Transporter identifies that gas is being consumed at a Supply Point which has no Registered User as a consequence of an Effective Supply Point Withdrawal, and the relevant Supply Meter which was installed at the point of Isolation has been re-enabled such that gas can flow (either through reconnection of the Meter or removal of any relevant disabling device), the 'Relevant Registered User' is required (upon receipt of an appropriate notice from the Transporter) to re-register the Supply Point in accordance with Section G2 of the Transportation Principal Document.

It will be noted that the provisions of TPD of G3.7.4 and G3.7.5 currently apply only if the User at the point of Isolation (G3.7.4) or Effective Supply Point Withdrawal chose to leave the Supply Meter connected to the Transporters network. A scenario may occur whereby the User chose to disconnect the Supply Meter from the Transporters network but elected not to remove the Supply Meter from the property. In circumstances where the same identical Supply Meter is subsequently found to have been reconnected and gas offtaken or (in the case of a Withdrawn Supply Point) capable of being offtaken, it is proposed that the Registered User (in the case of G3.7.4) or the previous Registered User (in the case of G3.7.5) should be liable for relevant charges including those associated with Transportation and Energy as set out in G3.7.4 and G3.7.5. The retrospective elements of these charges would not apply were Consumer owned metering equipment is present or where the Transporter has carried out the works which allowed the Effective Supply Point Withdrawal e.g. safety related, demolition works etc

In the event that the Relevant Registered User does not submit an appropriate Supply Point Confirmation within one calendar month of the appropriate notice from the Transporter, the Transporter would register the Supply Point on behalf of the Relevant Registered User (using the data attributes pertinent to the relevant Supply Point as at the point of Effective Supply Point Withdrawal. This would include utilising as an Opening Meter Reading the Meter Reading previously provided as 'closing read'). For the avoidance of doubt, the relevant User would be treated as the Registered User from the date of the original Effective Supply Point Withdrawal.

Finally, where the relevant Transporter undertakes a visit to the consumers property for the purposes of undertaking a service disconnection under the Gas Safety (Installation and Use) Regulations 1998 (GSIU), on behalf of Supplier and the Supply Meter remains connected to the Transporters network and is capable of flowing gas, given its inability to disconnect the service, the Transporter will levy a charge to the User registered to or previously registered to the Supply Point. Such charge will reflect the costs so incurred from the so called 'abortive' visit. Where Consumer owned metering equipment is present which cannot readily be removed from a consumers control and the supplier has taken steps to disconnect the metering equipment. Transporters cannot recover retrospective charges from the User for works undertaken to allow the Effective Supply Point Withdrawal e.g. safety related, demolition works etc. charges from the User for works undertaken to allow the Effective Supply Point Withdrawal e.g. safety related, demolition works etc.

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This alternative proposal provides an exception where: -

1. Consumer owned metering equipment is present which cannot readily be removed from a consumers control and for which the supplier has taken steps to disconnect the relevant metering equipment; or
2. Transporters themselves have directly undertaken the physical works e.g. responding directly to a demolition notification or an urgent cessation of gas.

In such scenarios Transporters cannot recover retrospective Transportation and Energy Balancing charges from the User following works undertaken to allow the Effective Supply Point Withdrawal.

For the avoidance of doubt this modification does not seek to alter the proposed arrangements in respect of charging for physical works where the Transporter seeks to levy an abortive GSIU charge.

Supply Contract

In the event of implementation, the position in respect of the Supply Contract would be clear in that the circumstances would meet the requirements of the Gas Act (Schedule 2B) paragraph 8. Accordingly, in absence of an express arrangement, a Supply Contract will be deemed to be in place between the Supplier and the consumer.

4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objectives a, b, c, d, e and f.**

Proposer's view of the benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	No
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.	No
c) Efficient discharge of the licensee's obligations.	No
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.	Yes
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.	No
f) Promotion of efficiency in the implementation and administration of the Code	Yes

NGD's opinion is that this Proposal would facilitate GT Licence Relevant Objectives (d) and (f) as follows:

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
- (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;

This Modification Proposal 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 the Users having Smaller Supply Points (and potentially Larger Supply Points via the AUGE mechanism). Such a mechanism must therefore be considered to facilitate competition in the gas market.

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

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The measures identified within this Modification Proposal are likely to bring about a reduction in the overall number of shipperless sites. User Registration of Supply Points capable of flowing gas is fundamental to the efficient operation of the UNC.

5 Impacts and Costs

Consideration of Wider Industry Impacts

None identified.

Costs

Indicative industry costs – User Pays
Classification of the proposal as User Pays or not and justification for classification
Subject to Transportation Agent scrutiny. Systems development costs may be incurred as a consequence of implementing this Modification Proposal.
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
To be identified.
Proposed charge(s) for application of Users Pays charges to Shippers
To be identified.
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
To be identified.

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> Changes required.
Operational Processes	<ul style="list-style-type: none"> Changes required.
User Pays implications	<ul style="list-style-type: none"> See above.

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> To be identified
Development, capital and operating costs	<ul style="list-style-type: none"> To be identified

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Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
<http://www.gasgovernance.com/networkcodearchive/551-575/>

Impact on Users	
Contractual risks	<ul style="list-style-type: none"> To be identified
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> To be identified

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> None identified.
Development, capital and operating costs	<ul style="list-style-type: none"> TBC
Recovery of costs	<ul style="list-style-type: none"> TBC
Price regulation	<ul style="list-style-type: none"> None identified.
Contractual risks	<ul style="list-style-type: none"> None identified.
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None identified.
Standards of service	<ul style="list-style-type: none"> None identified.

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> None identified.
UNC Committees	<ul style="list-style-type: none"> None identified.
General administration	<ul style="list-style-type: none"> None identified.

Impact on Code	
Code section	Potential impact
TPD G3.7	Modification required.

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	None identified.
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None identified.
Storage Connection Agreement (TPD R1.3.1)	None identified.
UK Link Manual (TPD U1.4)	None identified.

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Impact on UNC Related Documents and Other Referenced Documents	
Network Code Operations Reporting Manual (TPD V12)	None identified.
Network Code Validation Rules (TPD V12)	None identified.
ECQ Methodology (TPD V12)	None identified.
Measurement Error Notification Guidelines (TPD V12)	None identified.
Energy Balancing Credit Rules (TPD X2.1)	None identified.
Uniform Network Code Standards of Service (Various)	None identified.

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None identified.
Gas Transporter Licence	None identified.

Other Impacts	
Item impacted	Potential impact
Security of Supply	None identified.
Operation of the Total System	None identified.
Industry fragmentation	None identified.
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	None identified.

6 Implementation

It is proposed that, subject to the appropriate direction from the Authority, and after a suitable period of development, notwithstanding that systems development may be necessary, this Proposal be implemented as soon as reasonably possible.

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7 The Case for Change

In addition to that identified the above, the Proposer has identified the following:

Advantages

- Provides a mechanism under UNC whereby the collective User exposure to the costs of shipperless Supply Points is mitigated.
- Maximises the likelihood of a Deemed Supply Contract being in place where a Supply Point is shipperless but where gas is being offtaken or is capable of being offtaken
- Incentivises the removal of Supply Meters from properties where the supply of gas is no longer required thereby reducing the likelihood of gas being offtaken without a Supply Contract.
- Protects Shippers and Suppliers from the consequential risk of actions over which they have no control i.e. the consumers legal right to own and operate metering equipment and Transporters initiated activities

Disadvantages

- None identified.

8 Legal Text

9 Recommendation

The Proposer invites the Workgroup to:

- Recommend that Modification 0369A progress to consultation