

Stage 01: Modification

0410:

Responsibility for gas off-taken at Unregistered Sites following New Network Connections

This modification proposes to place an obligation on Gas Transporters and Shippers to take responsibility for any gas consumed at Unregistered Sites following new connections to the network



The Proposer recommends
This modification is assessed by the Workgroup



High Impact:
Transporters, Customers



Medium Impact:
Shippers, Suppliers



Low Impact:
N/a

At what stage is this document in the process?

01

Modification

02

Workgroup Report

03

Draft Modification Report

04

Final Modification Report

0410

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09 January 2013

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About this document:

This document is a modification, which will be assessed by the Workgroup on 04 February 2013.



3 Any questions?

6 Contact:
Joint Office

7  [enquiries@gasgov
ernance.co.uk](mailto:enquiries@gasgov
ernance.co.uk)

11  **0121 623 2115**

12 Proposer:
**Andrew Green
(Total Gas & Power
Ltd)**

15  [andrew.green@tot
algp.com](mailto:andrew.green@tot
algp.com)

15  **01737 27565554**

Proposer Representative:
**Gareth Evans (Waters
Wye Associates)**

 [gareth@waterswy
e.co.uk](mailto:gareth@waterswy
e.co.uk)

 **07500 964447**

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1 Summary

Is this a Self-Governance Modification

The Modification Panel determined this modification is not suitable to be considered under the Self-Governance Process.

Why Change?

Currently Transporters have responsibility for MPRN creation, allocation and record keeping in relation to new service connections and, in accordance with industry processes, are informed of the installation of a meter from which point the Supply Point is capable of flowing gas. Further, where it appears that gas may be taken in the course of conveyance, Transporters have a licence requirement (SLC 7) to investigate and recover the value of gas so taken. Transporters ability to charge for gas taken in the course of conveyance is set out in the Gas Act, Schedule 2B para 9.

Suppliers and Shippers do not have the same rights and obligations, nor do they have control of network connection processes and are thus powerless to prevent the unauthorised (Unregistered) abstraction of gas prior to a shipper confirming ownership of the supply point through SPA processes. Suppliers / Shippers have no ability to recover gas taken at Unregistered Sites nor limit loss to the industry by disconnection without a Shipper first having confirmed ownership.

Unregistered Sites following new network connections are a significant source of Unidentified Gas (207GWh at last estimate¹). Where Transporter has control over the new connection process and the ability to limit loss and recover costs, the Transporter should be responsible and accountable for the consequences of any gas off-taken prior to shipper confirmation at a new connection to the network.

Where the Shipper requests the creation of an MPRN from the Transporter, that Shipper then has the ability to limit loss and recover costs through a contractual relationship with the infrastructure provider, and therefore that Shipper should be responsible and accountable for the consequences of any gas off-taken prior to shipper confirmation at a new connection to the network.

Note: for the purposes of this document the following definitions apply:

Shipperless site: A site that no longer has a shipper/supplier registered but could be still subject to the deemed contract rules in some circumstances

Unregistered site has never had a supplier/shipper responsible so there cannot be a deemed contract.

Solution

This modification proposes that Transporters should be responsible for, investigate and resolve Unregistered Sites following a new network connection where the Transporter has created the Meter Point Reference Number (MPRN) for any party other than a Shipper. If such an Unregistered Site has not either been assigned to a Shipper or disconnected following investigation by the Transporter, then the Transporter will be liable for the costs of the gas that the site has abstracted from the network. This modification also proposes to require that where Transporters become aware of a

¹ Allocation of Unidentified Gas Statement, version 4.0 December 23 2011

contracted supplier to an Unregistered Site, that they will make reasonable efforts to inform that contracted Supplier so that they may arrange for a shipper to register the site.

As the related siteworks contracts are outside of the remit of the UNC, this solution will leave it to the discretion of the Transporters, individually or collectively, to decide on the best control measures to put in place to prevent the flow of gas prior to shipper confirmation. We envisage that these could be similar to controls that exist in the electricity industry (where new connections must have a registered supplier prior to work commencing) or bespoke Gas industry processes could be developed.

Where a Shipper requests the creation of an MPRN from the Transporter, that shipper then has the ability to limit loss and recover costs through the contract it has with the siteworks provider, and therefore that Shipper should be responsible and accountable for the consequences of any gas off-taken prior to shipper confirmation at a new connection to the network.

This modification does not propose to resolve current outstanding backlog of Unregistered Sites, only those that relate to new connections after the implementation of the modification.

Impacts & Costs

This modification would minimise the amount of gas attributed to Unregistered Sites following siteworks. The party empowered to manage the controls around new connections and the party with rights to remedy where no shipper confirms ownership is the Transporter where the transporter has issued the MPRN and the Shipper where the Shipper has requested the creation of the MPRN from the Transporter. The costs would therefore be borne by the correct party.

Where this is the Transporter this would be in line with their responsibilities for providing a safe network, managing new connections processes, preventing and rectifying theft in conveyance and responsibility for gas taken in the course of conveyance. The costs to the industry and therefore end consumers will be less because gas consumed at Unregistered Sites would be minimised and it would reduce the amount of gas that is socialised across all customers. Also, Transporters would protect their transportation revenue for sites newly connected to the Network

Where the Shipper requests the creation of an MPRN from the Transporter, that shipper then has the ability to limit loss and recover costs through a contractual relationship with the end consumer.

Implementation

- 01 April 2013 if a decision is received prior to 01 January 2013
- 01 April 2014 if a decision is received after 01 January 2013 and prior to 01 December 2013

If a decision is received after 01 October 2013 implementation should occur for the following 1 April that is at least 6 months after the decision date.

The Case for Change

This modification will give the party who is in control of the industry processes and the remedies (ie investigating, escalating and ultimately disconnecting where end consumers do not find a shipper within an agreed timescale) the responsibility for the

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consequences of any gas abstracted from a supply point prior to a Shipper confirming ownership.

Recommendations

The Proposer invites the Workgroup to recommend that Modification 0410 should be issued to consultation.

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2 Why Change?

At present, where the Transporter creates the MPRN, neither Suppliers nor Shippers have any direct control of the processes that relate to the new connection and nor do they have the authority to invoice for gas or disconnect a customer that they have not confirmed ownership of. Often Suppliers / Shippers are not involved at all and are unaware that a connection or meter installation has taken place. Shippers are therefore powerless to prevent the unauthorised and unpaid for abstraction of gas prior to a Supplier obtaining a supply contract with the end consumer and the Shipper confirming ownership of the supply point through SPA processes. The cost for any gas that is abstracted by these Unregistered Sites is inequitably borne by Shippers through the RbD and Unidentified Gas processes.

By contrast, Transporters have responsibility for MPRN creation and issue MPRNs to any party wishing to make future connections to their network (note this modification proposal excludes assigning Transporter responsibility for unregistered gas assigned to those MPRN's that are requested by Shippers/Suppliers). A connections company will then install the pipe-work and connection and label the connection with the MPRN that they have assigned to that connection. The network is then informed and the MPRN is recorded on their system. Following the installation of a meter, from which point the Supply point is capable of flowing gas, the network is informed and this is also recorded. The Transporter is also aware at the point that a Shipper confirms the site. As the party with oversight and control of this process therefore, any solution should look to require the Transporters to ensure that the number of Unregistered Sites is minimised and where no shipper confirmation follows the connection the site is investigated by Transporters and steps taken to limit loss to the industry.

Where a shipper requests an MPRN from a Transporter and the MPRN is effectively created by the Shipper, then this Shipper has the ability to ensure that they contractually able to control the future registration of that supply point. In this case it is appropriate for the requesting shipper should be responsible for any future unregistered gas associated with this MPRN until its first registration point.

3 Solution

This modification seeks to assign responsibility to the accountable party for gas consumed at a site following its connection to the network if it is not subsequently confirmed with a Shipper and all gas used by that site subsequently allocated. Where the Transporter creates the MPRN and issues it to any party other than a Shipper, then the Transporter shall be the responsible party. Where a Shipper requests an MPRN from a Transporter, then the Shipper shall become the responsible party. It is not intended that this proposal is retrospective in nature but should apply to connections to the Gas Transportation Network after the implementation date – it does not attempt to clear the backlog of Unregistered Sites that currently exist, which we believe should be resolved through a separate process.

There are currently provisions in the UNC which allow a site's consumption to be backdated to a Shipper if they provide the reading as at Meter Fix. We propose for this to continue and to apply to all cases where the Shipper has created the MPRN.

Changes to the AUGE process

This process will quantify the amount of Unidentified Gas being used by unregistered sites that connect to the network after the modification is implemented. It therefore will have an impact on the AUGE process.

Once this modification has been approved, we will be looking to modify the AUGE guideline document to specifically require the AUGE to take into account the information collated by Xoserve when dealing with Unregistered sites.

Business Rules

1. Scope of Process

- 1.1. The process described below will be initiated to determine whether a consumer premises that is assigned an MPRN is capable of offtaking gas (i.e. has a meter fitted) without a Shipper being assigned to that site. If found to have off-taken gas then the organisation that requested creation of the MPRN will be charged for Unregistered Gas used, as estimated by Xoserve.
- 1.2. It does not apply when:
 - 1.2.1. A premises has been connected to the network without being assigned an MPRN (this is covered by processes dealing with theft in conveyance).
 - 1.2.2. A premises that has connected to the network and has been assigned an MPRN and gas has been off-taken but has not had a meter fitted to an appropriate standard when investigated (this is covered by processes dealing with theft in conveyance).
 - 1.2.3. A site has connected to the network and has been assigned an MPRN, but has not off-taken any gas as determined under section 3 of this document (site is currently adhering to the UNC provisions, specifically TPD G7.3.3).
 - 1.2.4. A site has been connected to the network, assigned an MPRN, has initially off-taken gas without a Shipper registered, but all of the site's consumption is backdated in accordance with G7.3.7 or a registering Shipper has been allocated all of the unregistered consumption for that site.

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- 1.3. This process will only apply to sites where an MPRN has been issued after the Modification has been implemented following an Authority decision.

2. Process Trigger

- 2.1. The process is triggered when a site that has been assigned an MPRN and:
 - 2.1.1. Is registered to a Shipper from the Supply Point Confirmation date and Xoserve cannot allocate all of the energy consumed to a particular Shipper and/or
 - 2.1.2. Is visited in accordance with section 3.1 and, as a result of this visit, it is believed that the site falls under the classification detailed in section 1.1. The invoicing process as defined in section 6 will only be triggered once the criteria in 2.1.1 is met.
- 2.2. It is not expected that Xoserve should scrutinise each Shipper confirmation to ascertain that whether that site has flowed gas whilst Unregistered.

3. Site visits

- 3.1. The relevant Transporter will be required to visit every site in 12 months of the MPRN being created, where the site has not been registered with a Shipper or has not had the service discontinued, unless informed by a Shipper of the status of the site prior to the visit. This will ensure that all Unregistered sites consuming gas are identified and safety and integrity of the network is maintained
- 3.2. As part of any site visit, the relevant Transporter will be expected to:
 - 3.2.1. Determine whether the site falls under the scope of this process, as described in section 1.1 and so should be classified as an Unregistered Site.
 - 3.2.2. Where it believes that the site has been offtaking gas, obtain all relevant information to enable it to estimate the consumption of the site.
- 3.3. The Transporter must provide the information referred in section 3.2 to Xoserve within 10 business days of the visit so that they may determine the amount of Unregistered Gas when the site is confirmed.
- 3.4. Where the organisation who created the MPRN is a Shipper, then the Transporter may seek to recover any reasonable costs incurred in visiting the site.
- 3.5. This process does not preclude the relevant Transporter from recovering its costs incurred under any part of this process from any third party.

4. Estimation of Gas Use

- 4.1. Xoserve will attempt to determine the gas used by the Unregistered Site ("Unregistered Gas") from the information available to it, as well through discussions with the Shipper or relevant Transporter (as applicable). In the absence of any supporting information, Xoserve may utilise recognised standards to determine gas consumption, such as the CSEP NEXA table for domestic properties, where possible. For the avoidance of doubt, Xoserve is expected to utilise its experience and judgement to make the best estimate of gas utilised – it is not expected to be 100% accurate in all cases.
- 4.2. Once Xoserve has been made aware that a site may have flowed gas whilst Unregistered, if Xoserve believes it has insufficient information to adequately determine the level of Unidentified Gas, then it may request a site visit, which

may be charged for under section 3 by the Transporters, which will be undertaken as soon as possible.

- 4.3 Xoserve will calculate the Unregistered Gas within 40 business days where confirmation has occurred.
- 4.4 The Shipper or the Transporter may provide at any time an estimate of Unidentified Gas at the site, prior to the deadline for calculating the site's consumption. Xoserve will have sole discretion on whether to accept the estimate provided.
- 4.5 Unidentified Gas will be determined using the following mechanisms:
 - 4.5.1 Where possible, from Meter Readings obtained through any site visit or from the customer (with appropriate CVs or other conversion measurements applied).
 - 4.5.2 Where sufficient Meter Readings are not available the estimate will be determined from any information available through investigation all relevant industry parties, including meter asset manager. The investigation should also consider other relevant factors such as the size of the property, meter installation date, nature of gas use etc.
- 4.6 In all cases, the organisation providing the Unidentified Gas estimation will use all reasonable endeavours to estimate the total consumption at the site applicable to this process.
- 4.7 If it is determined that the site has not consumed any gas during the period it was an Unregistered Site, then Xoserve will not be expected to undertake any further activity with regard to that site.

5. Calculation of Gas Cost

- 5.1 The Gas Cost calculation process for the purposes of attributing the Unregistered Gas will only seek to determine the costs for Energy and will not be extended to Transportation charges.
- 5.2 The total cost of the Unregistered Gas ("Unregistered Gas Cost") will be determined by multiplying the Unregistered Gas for that each day for the site by the applicable daily SAP rate as determined by the period of unallocated gas.

6. Unregistered Gas Charges

- 6.1 Xoserve will generate an adhoc invoice to recover the cost identified in section 5 at M+2 following calculation referenced in 4.3 above.
- 6.2 The Unregistered Gas Cost will be recovered from the organisation that prompted the creation of the MPRN (the Shipper or the relevant Transporter) at the next available opportunity by Xoserve, subject to section 6.1.
- 6.3 All payments will be paid into a neutrality pot ("The Unregistered Site neutrality pot"), which will be managed by National Grid NTS.

7. Process for when a Shipper has provided the meter fix date

- 7.1 G7.3.7 currently allows for a Shipper to be assigned a site's consumption back to the Meter Fix Date, where the same Shipper supplies the Meter Fix Date as well as the Supply Point Confirmation.
- 7.2 For LSP MP where:
 - 7.2.1 The Shipper did not provide the Meter Fix Date, it may use the process detailed in G7.3.7 to have a site's consumption backdated to the Meter Fix Date, providing that suitable meter readings (which may be an estimate) are provided to reflect the site's consumption over that period.

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- 7.2.2. The Shipper did not provide the Meter Fix Date, then the confirming Shipper may choose the day after the MPRN creation date to be a "virtual meter fix date" to which gas consumption will be backdated to, again providing suitable meter readings (which may be an estimate) to reflect the site's consumption over that period.
- 7.3 For SSP Meter Points where:
 - 7.3.1 The Shipper may provide the Meter Fix Date in order to have a site's consumption allocated to the Meter Fix Date (i.e. use the process detailed in G7.3.7), using the MP AQ defined at MP Creation to allocate the site's consumption over that period.
 - 7.3.2. Where the Shipper is not responsible at the Meter Fix Date, then the confirming Shipper may define the day after the MPRN creation date to be a "virtual meter fix date" to which gas consumption will be allocated to, using the MP AQ defined at MP Creation to allocate the site's consumption over that period.
- 7.4 A Shipper must use all reasonable endeavours to notify Xoserve of the Meter Fix Date along with the associated Meter Fix Reading if it is available to them.

8. Unregistered Gas Charges Redistribution

- 8.1. All monies contained within the Unregistered Site neutrality pot will be distributed on a monthly basis, at the same time as AUGER charges are levied on Shippers.
- 8.2. The Unregistered Gas Charges will be distributed amongst Shippers in accordance with their User SPC Aggregate AQ Proportion for the Smaller SPC class (as determined in accordance with TPD E10.5).

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.	Yes, see below.
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

Relevant Objective (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.

This modification identifies measures, which serve to mitigate the likelihood of Unregistered Sites. The impact of this is to promote cost targeting on those organisations that may resolve these issues and mitigate the risks of such costs being otherwise shared by the industry via the RbD and Unidentified Gas processes.

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5 Impacts and Costs

Consideration of Wider Industry Impacts

No impacts on other industry developments is anticipated as a result of implementing this modification.

Costs

Indicative industry costs – User Pays	
Classification of the modification as User Pays or not and justification for classification	
Any costs should be targeted on the responsible party. For example if the Transporter created the MPRN, then the costs associated with change should be borne by Transporters and the same for Shippers.	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
Xoserve has previously indicated that for the period October 2011 to September 2012 approximately 80% of new MPRNs were created by Transporters, with the remainder by Shippers. We are therefore proposing a similar split of costs i.e. of 80:20 transporter: shipper costs.	
Proposed charge(s) for application of Users Pays charges to Shippers	
The charging basis for Shippers will be an allocation of the development costs to each Shipper based upon each Shipper's number of supply points in proportion to the total number of all Shippers supply points as measured on the date of the implementation of the modification, excluding Unique Sites.	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
TBC	

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	There will be some system changes to accommodate the new process.
Operational Processes	Some changes to Transporter operational processes will be required.
User Pays implications	To be confirmed – see above

Impact on Users	
Area of Users' business	Potential impact

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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	
Administrative and operational	The industry will need to find a mechanism whereby the Shippers and Transporters are assigned costs associated with gas consumed at Unregistered Sites following new connections
Development, capital and operating costs	None
Contractual risks	None
Legislative, regulatory and contractual obligations and relationships	None

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	None
Development, capital and operating costs	It is expected that Transporters will undertake more site inspections to avoid incurrence of costs.
Recovery of costs	None
Price regulation	None
Contractual risks	We would expect that the Transporters will need to adjust their siteworks contract to avoid incurring costs through this process.
Legislative, regulatory and contractual obligations and relationships	None
Standards of service	None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	None
UNC Committees	None
General administration	None

Impact on Code	
Code section	Potential impact

Impact on Code	
Section G 3.8	Disablement of supply – can be expanded to cover the investigation and disconnection process
Section G 7.2.2 and 7.3.3	Expand to give Transporters responsibility for gas off-taken following a siteworks new connection where no shipper is in place

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
	None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	None
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

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

Other Impacts	
Item impacted	Potential impact
Security of Supply	None
Operation of the Total System	None

Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	None

6 Implementation

- 01 April 2013 if a decision is received prior to 01 December 2012
- 01 April 2014 if a decision is received after 01 December 2012 and prior to 01 December 2013
- If a decision is received after 01 October 2013 implementation should occur for the following 1 April that is at least 6 months after the decision date.

7 The Case for Change

Advantages

The proposed process will provide accountability to the party that has control of the processes and the ability to disconnect unauthorised supplies relating to new connections to Gas Networks

Disadvantages

None identified

8 Legal Text

The Transporters are requested to provide legal text in support of this modification.

9 Recommendation

The Proposer invites the Workgroup to:

- recommend that Modification 0410 should be issued to consultation.