Stage 01: Modification

0410A:

Responsibility for gas off-taken at Unregistered Sites following New Network Connections (alternative) At what stage is this document in the process?



The purpose of this modification is to implement solutions within the UNC which reduce the likelihood of gas flowing at a New Supply Meter Point in the absence of a registered User.



The Proposer recommends that this modification should be assessed by the Workgroup

High Impact: Transporters and Shippers

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Workgroup on 22 November 2012.



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1 Summary

Is this a Self-Governance Modification

The Modification Panel determined that this is not a self-governance modification.

Why Change?

Presently the UNC establishes that "no person shall be entitled to offtake gas from the Total System at a New Supply Meter Point at any time before the First Supply Point Registration Date". However there is evidence that an increasing number of Supply Meters are being installed, rendering the Supply Meter Point capable of flowing gas in the absence of a supply contract and associated User registration. Gas offtaken by consumers in these circumstances has a significant adverse financial consequence on the User community with the energy costs being borne by Users having Smaller Supply Points (SSPs) though the Reconciliation by Difference (RbD) mechanism and by Shippers having Larger Supply Points (LSPs) where a reallocation of energy is made by the Allocation of Unidentified gas Expert (AUGE).

Solution

It is proposed to introduce provisions to the UNC which require Users to ensure their Suppliers have valid supply contracts in place before commissioning the installation of a Supply Meter at a New Supply Meter Point. This will be accompanied by measures to secure that a New Supply Meter Point is either registered to a User or disconnected. Obligations on Transporters to investigate unregistered sites also feature.

Impacts & Costs

Implementation of the proposed terms would reduce the overall population of 'unregistered 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.

Implementation

Systems changes are likely to be necessary to facilitate implementation of this modification. As part of its development, consideration will need to be given to identifying an optimum timetable for implementation. Consequently an implementation date is not identified at this point.

The Case for Change

Total Gas & Power Limited has raised UNC Modification 0410 'Responsibility for gas off-taken at Unregistered Sites following New Network Connections' which includes a requirement that where a Meter Point Reference ('M') Number is created, where a site is subsequently not registered the Transporter or Shipper who requested the 'M' number would be liable for the energy costs of gas which has flowed.

National Grid Distribution (NGD) believes the modification to be significantly flawed in a number of areas and has raised this alternative modification as being a more appropriate, and balanced contractual remedy to the enduring issue of 'unregistered sites'.



New Supply Meter Points

UNC TPD Section G7.3 sets out the existing provisions concerning the establishment of a New Supply Meter Point

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Recommendations

The Proposer recommends that the Workgroup assess this modification.

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2 Why Change?

There is evidence that Supply Meters are installed at New Supply Meter Points in the absence of a supply contract between the consumer and Supplier.

The UNC TPD Section G establishes that:

7.3.3 Subject to paragraph 7.3.7, no person shall be entitled to offtake gas from the Total System at a New Supply Meter Point at any time before the First Supply Point Registration Date.

7.3.4 For the purposes of the Code, the "First Supply Point Registration Date" is the Supply Point Registration Date of the first Supply Point Registration to be made for a Supply Point comprising the New Supply Meter Point.

Therefore the UNC clearly contemplates that gas cannot be permitted to be offtaken at a Supply Point which is not registered to a User. However 'unregistered sites' are known to exist. Some sites can be legitimately unregistered, i.e. that a Supply Meter is installed but is not capable of flowing gas i.e. that a physical device is fitted preventing flow of gas. However, in other cases a Supply Meter may have been installed and offtake of gas enabled but through process failure the consumer is offtaking gas in the absence of a Supplier and registered User. Alternatively a consumer may be contracting with a Supplier in good faith but the relevant User has not registered the Supply Point through process failure.

Only where a Supply Meter is installed can gas flow. Offtake of gas could not otherwise occur (other than in the case of an illegal connection to the service pipe). Modification 0410 seeks to place a responsibility on the party requesting the creation of an 'M' number to bear liability for a Supply Point where gas has flowed in the absence of User Registration. The Modification disregards the significance of the presence of the Supply Meter or a supply contract and focuses instead on the existence of a 'live' service pipe to a property. Thus a Transporter or User who requested the 'M' number could bear financial responsibility for energy flowing at an unregistered New Supply Meter Point even if a supply contract is in place and a Supply Meter has been installed at the request of a Supplier but where that Supplier's User has failed to register the Supply Point.

NGD takes the presence of 'unregistered sites' where gas is capable of flowing very seriously. However, we believe Modification 0410 does not address the root cause. Our view is that it attempts to re-direct liability where industry processes have failed. Notwithstanding this we believe that measures are required to mitigate the likelihood of 'unregistered sites' occurring but where this happens addresses the consequences effectively.



Unregistered sites

An unregistered site is a New Supply Meter Point which has never been registered to a User on the Supply Point Register.



Supply Meter Point Reference Numbers

A Supply Meter Point Reference ('M') Number is defined in UNC TPD Section G1.9.2(a). TPD Section G7.3.1. sets out the circumstances in which the 'M' number is recorded on the Supply Point Register

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3 Solution

Modification of the UNC is required as follows:

- Users will be obliged to ensure that Suppliers contracted to them do not commission or procure the installation of a Supply Meter at a New Supply Meter Point in the absence of a supply contract (to be in force on and from the date of installation of the Supply Meter) with the relevant consumer.
 - The User will warrant such to the Transporter.
- The Transporter will take measures to identify New Supply Meter Points where a Meter Point Reference Number (MPRN) has been created (whether by the Transporter/UIP or a User) but which have been unregistered for a period of >12 months after the date of implementation of this Modification Proposal.
 - For such New Supply Meter Points the Transporter will check industry data sources for evidence of activity which may indicate that gas is capable of flowing. These will include checking connections records, attempted confirmation/registration, RGMA data flows and Connection & Disconnection regulations notifications.
- 3. Where the Transporter identifies or becomes aware that a Supply Meter has been installed at a New Supply Meter Point at the request of a Supplier (this may be through site visits by emergency or maintenance engineers, attempted confirmations, RGMA data and Connection & Disconnection regulations notifications) and the corresponding Supply Point has not been registered by the relevant User within a period of 3 months;
 - The Transporter will undertake proactive measures which may include checking industry data sources or contact with the consumer to establish the source of the request to install the Supply Meter.
 - The Transporter will notify the relevant User of the absence of a Supply Point registration.
 - In the event the relevant User warrants that their Supplier did not request installation of the Supply Meter, the Transporter will proceed in accordance with (11)
 - In the event that the relevant User cannot be identified, the Transporter will contact the Supplier to ascertain the identity of the preferred User.
 - Where it has been necessary to undertake a site visit for the purposes of validating the presence of a Supply Meter or for any reason which may be associated with the Supplier's request made under (3) any reasonable costs incurred may be levied to the relevant User.
- 4. The relevant User will be required within 1 calendar month to confirm or otherwise to the Transporter that a supply contract is in place between their Supplier and the relevant consumer.
- 5. Where the User confirms to the Transporter that a supply contract exists or a response is not received by the Transporters in accordance with (4) the relevant User will be required to register the relevant Supply Point within 1 calendar month of being notified by the Transporter that a Supply Meter has been installed at the request of the User's Supplier.
- 6. In the event that such registration does not occur in accordance with (5) the Transporter will within 1 calendar month register the relevant Supply Point on the Users' behalf.

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- 7. Relevant Transportation and Energy charges will be retrospectively charged to the relevant User to the point of Supply Meter installation (the Meter Fix Date).
 - The Meter Fix Date may be identified by interrogating RGMA data and Connection & Disconnection regulations notifications.
 - For the avoidance of doubt, Transportation and Energy charges will only be retrospectively charged to the relevant User if their supplier instigated the Supply Meter installation (the Meter Fix Date).
- 8. In the event that a breach of the UNC has occurred contrary to (1) and the relevant User has notified the Transporter in accordance with (4) above that a supply contract does not exist between its Supplier and the consumer, the relevant User will either:
 - ensure that within 1 calendar month its Supplier procures a supply contract with the consumer and register the relevant Supply Meter Point. Note: the relevant User must advise the Transporter of this intended action as part of the above notification.
 - \circ take steps to seek removal of the Supply Meter within 1 calendar month.
- 9. In the event that a Supplier procures a supply contract, but registration in accordance with (8) does not occur, the Transporter will register the relevant New Supply Meter Point on the Users' behalf within 1 calendar month.
- 10. In the event the relevant User is unable to ensure its Supplier procures a supply contract or secure such Supply Meter removal the User will notify the Transporter providing a full explanation of the circumstances under which a Supply Meter was provided and installed in the absence of a supply contract.
 - The Transporter will record all relevant details and provide a report biannuallytwice yearly to the Authority.
 - The Transporter will also provide a non-anonymised bi-monthlytwice yearly report detailing breaches of the UNC contrary to (1) covering instances where a relevant User has not registered the Supply Meter Point in which a Supply Meter was fitted by its Supplier; the report will be issued to the Authority and all Users.
- 11. Where the Transporter identifies or becomes aware that a Supply Meter has been installed at a New 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 User within a period of 3 calendar months the Transporter will within 3 calendar months:
 - \circ Investigate whether the consumer has sought or procured a supply contract.
 - Where such a contract does not exist, advise the consumer to obtain a supply contract as soon as possible.
 - Where a 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. Transporters will undertake actions pertaining to treatment of unregistered and shipperless sites in a manner consistent with the relevant prevailing Codes of Practice.
 - Where the consumer confirms they have obtained a supply contract, the Transporter will contact the relevant User for confirmation that a supply contract is in place.
 - If the User confirms a supply contract is in place they will be required to register the relevant New Supply Point within 1 calendar month of notification by the Transporter.

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- In the event that such registration does not occur, the Transporter will within 1 calendar month register the relevant New Supply Meter Point on the Users' behalf.
- In the event that the relevant User 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.
- In the event that the relevant User cannot be identified, the Transporter will contact the Supplier to ascertain the identity of the preferred User.
- 12. Where a 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. Transporters will undertake actions pertaining to treatment of unregistered and shipperless sites in a manner consistent with the relevant prevailing Codes of Practice.
- 13. Where the Transporter has received a notification in accordance with (10) it will perform the activities in (11 and 12) and will levy its reasonable costs incurred to the relevant User.
- 14. Where gas is found to be capable of flowing the Transporter will within 1 calendar month take steps (which may include contact with the relevant consumer) to identify whether the consumer has procured a supply contract with a Supplier.
- 15. Where the consumer confirms they have obtained a supply contract, the Transporter will contact the relevant User for confirmation that a supply contract is in place.
 - If the User confirms a supply contract is in place they will be required to register the relevant New Supply Point within 1 calendar month of notification by the Transporter.
- In the event that such registration does not occur in accordance with (15) the Transporter will within 1 calendar month register the relevant New Supply Meter Point on the Users' behalf.
- 17. Relevant Transportation and Energy charges will be retrospectively charged to the relevant User to the point of Supply Meter installation (the Meter Fix Date).
- 18. Where the point of Supply Meter installation (the Meter Fix Date) is unknown, relevant Transportation and Energy charges will be retrospectively charged to the relevant User from the date the Transporter first became aware that a Supply Meter had been installed in accordance with (3)
- 19. In the event that the Transporter has made a site visit for the purposes of (14) and a Supplier is found to be present, any reasonable costs incurred may be levied to the relevant User.
- 20. Where the Transporter identifies that a service pipe has been or is planned to be installed but a Supply Meter is not present and capable of flowing gas the Transporter will continue to monitor the position.

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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. 	Positive
 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	Positive
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

NGD's opinion is that this modification 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 identifies measures which serve to mitigate the likelihood of unregistered sites occurring and proposed remedies where such instances are identified. 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;

0410A <u>Modification</u> 12 November 2012 Version 7.0 Page 9 of 20 © 2012 all rights reserved The measures identified within this Modification are likely to bring about a reduction in the overall number of unregistered sites. User Registration of Supply Points capable of flowing gas is fundamental to the efficient operation of the UNC.

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5 Impacts and Costs

Wider Industry Impacts

None identified.

Costs

Indicative industry costs – User Pays
Classification of the modification as User Pays or not and justification for classification
This Modification is not classified as User Pays
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

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	Changes to Transporters systems will be required
Operational Processes	Changes will be required
User Pays implications	No implications have been identified

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	Changes are likely to be necessary
Development, capital and operating costs	• Unknown
Contractual risks	NGD does not believe these to be significant

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Impact on Users	
Legislative, regulatory and contractual	Unknown
obligations and relationships	

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	• No impact has been identified
Development, capital and operating costs	• Medium level implementation costs would be incurred by Transporters as a consequence of implementing this modification
Recovery of costs	No exceptional method of cost recovery is envisaged
Price regulation	• No impact has been identified
Contractual risks	• No significant risks have been identified
Legislative, regulatory and contractual obligations and relationships	No significant impact has been identified
Standards of service	No impact has been identified

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	No impact has been identified
UNC Committees	• No impact has been identified
General administration	No impact has been identified

Impact on Code	
Code section	Potential impact
TPD Section G	See suggested legal text

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	No impact has been identified
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)No impact has been identified	

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Impact on UNC Related Documents and Other Referenced Documents	
Storage Connection Agreement (TPD R1.3.1)	No impact has been identified
UK Link Manual (TPD U1.4)	No impact has been identified
Network Code Operations Reporting Manual (TPD V12)	No impact has been identified
Network Code Validation Rules (TPD V12)	• No impact has been identified
ECQ Methodology (TPD V12)	• No impact has been identified
Measurement Error Notification Guidelines (TPD V12)	No impact has been identified
Energy Balancing Credit Rules (TPD X2.1)	No impact has been identified
Uniform Network Code Standards of Service (Various)	No impact has been identified

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	No impact has been identified
Gas Transporter Licence	No impact has been identified

Other Impacts	
Item impacted	Potential impact
Security of Supply	No impact has been identified
Operation of the Total System	No impact has been identified
Industry fragmentation	No impact has been identified
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	No impact has been identified

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6 Implementation

Systems changes are likely to be necessary to facilitate implementation of this modification. As part of its development, consideration will need to be given to identifying an optimum timetable for implementation. Consequently an implementation date is not identified at this point.

The proposed changes would have a prospective effect only and would not apply to any 'backlog' of unregistered sites, which currently exists. 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 Supply Point be required in respect of any period prior to the implementation date.

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7 The Case for Change

Advantages

No advantages are identified which are not otherwise set out within this modification.

Disadvantages

No disadvantages are identified.

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8 Legal Text

Text

TPD Section G Supply Points

Insert paragraph 2.12 as follows:

2.12 Unregistered New Supply Meter Points

- 2.12.1 Each User warrants to the Transporter that it will not (and where the User will not be the supplier) its supplier will not install or procure the installation of a Supply Meter at a New Supply Meter Point without first having a Supply Contract in place with the consumer. *[BR1]*
- 2.12.2 Each Transporter will from time to time identify any new Supply Meter Point Reference Numbers for which there has been no First Supply Point Registration Date in accordance with paragraph G7.3.4 for a period greater than 12 calendar months since the Supply Meter Point Reference Number was created and where the Transporter has evidence of a Supply Meter being in place which is capable of flowing gas the Transporter will take steps to establish who requested installation of the Supply Meter which may include making enquiries of the consumer. [*BR2*]
- 2.12.3 Pursuant to paragraph 2.12.2 where the Transporter obtains information that a supplier requested the installation of the Supply Meter and the User subsequently confirms this the Transporter will notify the relevant User that no Supply Point Registration is in place at the New Supply Meter Point and:
 - (a) where the User confirms that a Supply Contract is in place between the supplier and consumer or does not respond within 1 calendar month of being notified by the Transporter the relevant User will register such New Supply Meter Point in accordance with paragraph 2 or take steps to remove the Supply Meter within 1 calendar month, failing which the provisions of paragraph 2.12.4 shall apply; or
 - (b) where the User confirms within 1 calendar month that no Supply Contract exists between the supplier and consumer the User shall ensure the supplier procures a supply contract with the consumer and will register such New Supply Meter Point in accordance with paragraph 2 or procure removal of the Supply Meter within 1 calendar month. [BR3/4/5]
- 2.12.4 Where the User does not comply with the obligation to register such New Supply Meter Point in accordance with paragraph 2.12.3 (a) or (b) or 2.12.9 (a) the User shall be deemed to have granted the Transporter authority to register such New Supply Meter Point on its behalf and:
 - (a) the First Supply Point Registration Date shall be deemed to be the Meter Fix Date or if this is not known the date the Transporter first became aware that a Supply Meter had been installed; and
 - (b) 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 Supply Meter is physically connected to a System such that gas is capable of being offtaken (without further action being taken) from the Total System. [*BR6/8/9/11*]

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2.12.5 The Registered User pursuant to 2.12.3, 2.12.4 or 2.12.9 (a) 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 for reasons including validating the presence of a Supply Meter or to carry out a disconnection in accordance with the Gas Safety (Installation and Use) Regulations 1998 and where the Supply Meter remains 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 reasonable costs incurred by the relevant Transporter in discharging its obligations under paragraph 2.12; and
- (c) all charges (including without limitation Transportation Charges_and Energy Balancing Charges) associated with such New Supply Meter Point from the Meter Fix Date or if this is not known the date the Transporter first became aware that the Supply Meter had been installed.
- (d) Where the Registered User is liable for any charges in accordance with (c) above:
 - (i) 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
 - (ii) 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.

[BR7]

- 2.12.6 In the event that the User does not comply with the obligation to register such New Supply Meter Point in accordance with paragraph 2.12.3(b) because it is unable to ensure its supplier procures a Supply Contract or the removal of the Supply Meter, the User shall submit a report to the Transporter detailing the circumstances in which a Supply Meter was installed without a Supply Contract being in place and any subsequent action the User has taken to try to rectify this. [*BR10/13*]
- 2.12.7 Each Transporter will keep a record of any reports it receives under paragraph 2.12.6 and submit a report twice yearly:
 - (a) to the Authority giving details of the reports received from each User (on an attributable basis); and
 - (b) to the Authority and all Users of the number of incidences where a User has not complied with paragraph 2.12.1 (on an attributable basis). [*BR10*]
- 2.12.8 Further to paragraph 12.2.2, in the event that either:
 - (a) the User confirms that the supplier did not request installation of the Supply Meter and the relevant New Supply Meter Point has not been registered by a User within 3 calendar months of the Transporter becoming aware that a Supply Meter has been installed at a New Supply Meter Point; or
 - (b) the User confirms that the supplier did request installation of the Supply Meter and the User has taken steps in accordance with paragraph 2.12.3 (b) to try and ensure the supplier procures a Supply Contract with the consumer but no Supply Contract is in place and the User has been unable to procure removal of the Supply Meter,

then the provisions of paragraph 2.12.9 shall apply.

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- 2.12.9 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 2.12.4 shall apply; or
 - (b) if the consumer does not enter into a Supply Contract 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 Code of Practice.

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9 Recommendation

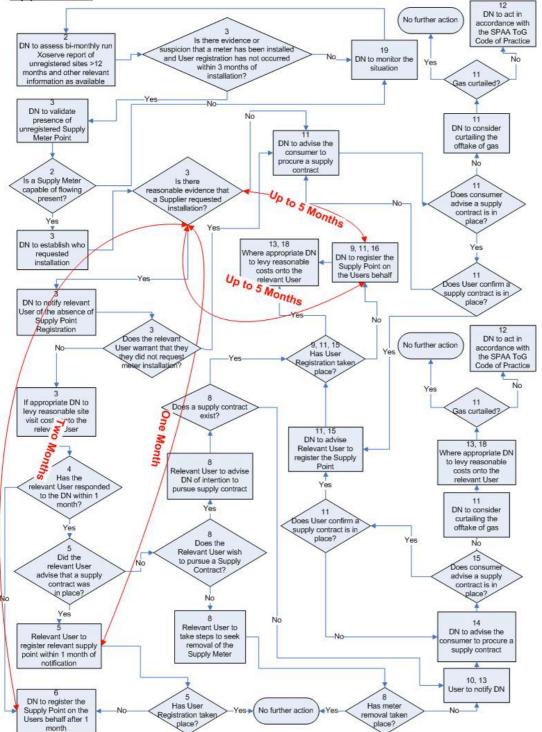
The Proposer invites the Workgroup to:

• Assess Modification 0410A and agree it should proceed to consultation.

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10 Appendix 1

Appendix 1



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