

CODE MODIFICATION PROPOSAL No 0282
Introduction of a process to manage Long Term Vacant Sites
Version 1.0

Date: 26/01/2010

Proposed Implementation Date:

Urgency: Non Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/11700_Urgency_Criteria.pdf)

1 Nature and Purpose of Proposal (including consequence of non implementation)

Background

Within the current economic climate there are a large number of domestic and commercial properties that have become vacant. In England alone it is estimated that there are approximately 700,000 homes unoccupied, of which over 300,000 have been vacant for more than six months¹. However despite this fact gas Shippers are unable to effectively reduce their settlement and transportation cost exposure to these sites, as:

- An AQ for a site can only be amended by obtaining meter readings
- A Shipper/Supplier cannot obtain access to the site to obtain meter readings
- The Shipper has no redress to change the AQ of the site to reduce costs

This problem was considered in great detail in relation to the electricity market in 2005 under Issue 14² of the Balancing and Settlement Code and subsequently resulted in the successful introduction of MOD196³ ("Treatment of Long Term Vacant Sites in Settlement"). Modification 196 was introduced in February 2007 and since introduction 50,000 sites have gone through the electricity Long Term Vacant process.

The basis of MOD196 is that where a Supplier's receives two "notification of failure to obtain reading" flows, with the "site visit check code" noted as "not occupied", of more than 3 months and no more than seven months apart, they can apply for the site to have the Estimated Annual Quantity (EAC) set to zero. Exclusions apply and there are monitoring and ongoing

¹ Study by Empty Homes for the 2008 period – www.emptyhomes.com and details outlined on the Parliament website www.uk-parliament.co.uk

² [http://www.elexon.co.uk/documents/modifications/196/P196_attachment_1_\(issue14_report_v1.0\).pdf](http://www.elexon.co.uk/documents/modifications/196/P196_attachment_1_(issue14_report_v1.0).pdf)

³ <http://www.elexon.co.uk/documents/modifications/196/p196.pdf>

management requirements for sites assigned Long Term Vacant status and rules to outline when a site no longer qualifies:

At the present time in the gas market the AQ for a site can only be brought down, where metering readings suggest that there has been a reduction in the gas consumed at a site. However, with a vacant site a Shipper/Supplier cannot gain access to the site to determine that there has been no consumption. It is therefore the case that the Shipper is left with no re-address in respect of changing the AQ of the site or reducing transportation costs to the site.

Proposal

It is proposed that a new process be established under the UNC, where a Shipper can reduce their cost exposure to vacant sites, through a process similar to what exists in the electricity market.

For comparison the electricity process is set out in detail below:

MOD196 allows a site to become a Long Term Vacant site where a Supplier's receives two "notification of failure to obtain reading" flows, with the "site visit check code" noted as "not occupied", of more than 3 months and no more than seven months apart. This in effect allows the Supplier to have the Estimated Annual Quantity (EAC) set to zero for these sites.

Exclusions apply; where any other check code, other than site not occupied is received or where the Supplier receives any other valid flows containing register reading data or there is any indication of consumption at the site.

In addition there are monitoring and ongoing management requirements for sites assigned Long Term Vacant status and rules to outline when a site no longer qualifies:

Ongoing management and monitoring requires:

- *The Supplier must proactively attempt to obtain meter readings and retain a record of these attempts:*
 - *Extra attempts to contact the owner e.g. telephone, post, e-mail*
 - *Attempting to contact the local estate agent or Local Authority*
 - *Where dual fuel is supplied by checking for a similar pattern with gas consumption*
- *The site must remain energised according to the Supplier Meter Registration Service to quality as an LTV*

A site no longer qualifies as a Long Term Vacant site where one of the

following is applicable:

- *One of the exclusions are met:*
 - *Any other “site visit check code” is received between “site not occupied” notices*
 - *The Supplier receives any other valid flows containing register reading data*
 - *There is any indication of consumption at the site*
- *The Supplier has not registered a “notification of failure to obtain reading” within a seven month period*
- *The Supplier believes that energy consumption has re-started*

In meeting any of the above criteria the Supplier must instruct the Data Collector to enter a non-zero EAC into the Settlement process.

The principle of this proposal is that the same process would be introduced in the gas market as that already established for the electricity market – to allow a Shipper/Supplier to classify a site as Long Term Vacant, with xoserve setting the Annual Quantity to 1 for settlement.

To qualify it is proposed that a Shipper/Supplier must receive two metering flows that flag the site as “vacant premises” and these must be more than three calendar months, but less than seven months, apart. The Shipper/Supplier would have the ability to flag both of these flows to xoserve. xoserve would then revise the AQ of the vacant site to 1kWh.

It would be proposed that the site should not be classified as LTV, if:

- Any other validation code is received between “vacant premises” notices
- The Shipper receives any other valid flows containing register reading data, which indicates consumption at the site

In the event that either or these reasons are fulfilled, the AQ for the LTV would revert to the value that was in place before the AQ for the site was set to 1 kWh (the non-vacant value).

For the ongoing management of the Long Term Vacant sites it is proposed that Shipper/Supplier would have to proactively attempt to obtain meter readings and retain a record of these attempts. Such attempts would include:

- Extra attempts to contact the owner e.g. telephone, post, e-mail
- Attempting to contact the local estate agent or local authority
- Where dual fuel by checking for a similar pattern with electricity consumption

It is proposed that xoserve should monitor the use of the LTV process and

report usage through [the Billing Operations meetings].

2 Classification of the Proposal as User Pays or not and justification for classification

a) Classification of the Proposal as User Pays or not and justification for classification

This proposal is a User Pays code service and as such costs should be attributed to those who would benefit from its' implementation.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

100% of costs to eligible Shippers, 0% of costs to Transporters

c) Proposed charge(s) for application of Users Pays charges to Shippers

Annual charge per eligible Supply point

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xserve

To be determined.

3 Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 and 2 of the Gas Transporters Licence

This modification proposal would better facilitate the following Relevant Objectives:

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.

This proposal would ensure more accurate allocation of costs, with AQs being set that are more reflective of customer usage. This would have the benefit of meeting the Relevant Objectives outlined above.

4 Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

It is proposed that this functionality be introduced by 1st April 2010 to mitigate the costs faced by Shippers/Suppliers in relation to vacant sites.

5 Code Concerned, sections and paragraphs

- a) Uniform Network Code
- b) Transportation Principal Document

Section(s) E, G, M, S

Section(s)

Proposer's Representative

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Proposer

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