

9 September 2013

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Dear Maxine

**GDN Response to Ofgem's Open letter to Gas Distribution Networks on Tackling Unregistered Sites**

Further to your letter dated 9<sup>th</sup> August 2013 with regard to Ofgem's expectations for GDNs to address the industry issue of unregistered sites, please find below the collective Gas Distribution Networks (GDNs) formal response. This letter has been jointly collated, representing the collective views of the GDNs. The GDNs are happy for this to be published alongside the letter on your website.

As you are aware, GDNs have invested a large amount of time and resource into the resolution of unregistered sites and we wish to give you assurance that these efforts will continue. GDN actions alone will not deliver suitable resolutions to the issues and it is our collective view that actions from other industry participants will be required. We recommend further industry wide discussions to explore this further.

Although we intend to meet, as far as reasonably possible, Ofgem's expectations, it should be recognised by Ofgem that while the unregistered sites are identified through the GDNs supply point administration processes, the causes and resolutions to root causes are a collective industry responsibility. It is acknowledged that Shippers, Suppliers, Independent Connection Providers (ICPs) and others, including those individuals taking gas without a contract, all contribute to the remaining portfolio of unregistered sites.

GDNs believe that the current Standard Licence Condition 7 (SLC7) could be further developed to not only clarify the recovery process for theft of gas investigations but also to enable GDNs to recover any material costs incurred by all relevant investigative activities. This could include any one-off costs incurred as a result of an unanticipated peak in workload from tackling a defined portfolio of unregistered sites. In addition we would request that Ofgem gives consideration to development of a potential incentive mechanism to ensure that the work undertaken by GDNs on behalf of the industry is adequately rewarded. We would like to discuss this with Ofgem as part of developing any solutions to the remaining portfolio of unregistered sites.

We note Ofgem's reference to the Gas Act and our duty to facilitate competition in the supply of gas which is primarily discharged by ensuring that the Supply Point Register contains all sites that are available for the offtake of gas. We are aware of our duty to under SLC7 to investigate reported allegations of theft and processes are in place to resolve any consequential misallocation of costs accruing in the market. Any remaining unregistered meter points capable of flowing gas are listed on the Supply Point Register and capable of being registered by a Shipper with the corresponding Supply Contract. Therefore, we believe we are compliant with duties and obligations as specified in the referenced Section of the Gas Act.

### **New Connections**

To date the GDNs' focus has mainly been on preventing the creation of new unregistered sites as once the root causes are resolved efforts can be properly dedicated to the existing portfolio of unregistered of sites.

In December 2012, the GDNs issued an industry wide consultation on a suggested approach for MPRN creation, where services would only be connected if a supply contract was in place. Unfortunately responses to the consultation showed that this may have a significant negative impact on various industry parties including concerns over impairment of competition in provision of connections and so we did not feel that it was appropriate to proceed with this approach.

Since the consultation we have revised our approach and are now in the process of implementing a package of measures which balances the views of ICPs with appropriate targeting of the creation of new unregistered sites. The solutions have been shared with the industry and currently include amendments to the MPRN batches, a joint GDN customer communication leaflet and proposed modification(s) to MAMCoP which seek to ensure that meters are only installed where a supply contract is in place.

Further action has also been taken in regards to UNC Modifications. Details of the full list of measures can be found in Appendix I.

The GDNs feel that the measures identified in Appendix I will be effective in preventing unregistered sites and will compliment the UNC0410A solution. GDNs will monitor implementation of each solution over the next 12 months and report on their relative impact as far as is possible.

To ensure that all areas of potential root causes have been identified, GDNs have also carried out a full review of the Shipperless and Unregistered Working Group (SUWG) Root Cause Summary Document produced by the industry and a summary of this and the measures implemented to date can be found in Appendix II.

Many of your specific measures suggested within the letter are already being addressed through industry work and within this section we provide comments on each of your suggested measures:

### The specific Ofgem expectations regarding New Connections within the letter

- ***Improved controls on the Meter Point Reference Number (MPRN) creation process so that gas transporters better manage their allocation and use by connections companies*** – This has been implemented as part of the reduced batches and will continue to be monitored by GDNs. GDNs are also developing a formal MPRN Allocation document which will apply to ICPs and GDNs and will set out the MPRN allocation and cancellation processes in place.
- ***A review of the messages that appear on labels at new connections so that parties are aware of what should be done before fitting a meter or taking a supply*** – This is currently being considered by GDNs but may involve a customer communication leaflet rather than an amendment to the existing label
- ***Agreed measures for the treatment of vulnerable customers identified at unregistered sites (we note that discussions are currently taking place on this under the SPAA)*** – GDNs will adhere to the obligations around the treatment of vulnerable customers in cases of theft and unregistered sites in accordance with the SPAA Theft Code of Practice.
- ***The introduction of a risk based approach to inspecting newly connected sites to identify whether they are, or are capable of, flowing gas prior to registration*** – With the introduction of UNC0410A, the GDNs consider a risk-based approach has already been adopted as these new arrangements will monitor for meters fitted, which is the key factor in allowing gas to be offtaken.
- ***Requirements for new connections to be locked so that gas cannot flow, without the lock being removed by an authorised person, if the site is not intended to be used in the near future*** – This is an engineering solution that requires agreement across the broader industry and we would support any initiatives to take this proposal forward, perhaps with support from the Institute of Gas Managers and Engineers (IGEM). Given that there are a number of parties that provide new connections, any changes requiring an engineering solution would also need to be adopted and operated by ICPs and Meter Asset Managers.

### Existing Unregistered Sites

The Shipperless & Unregistered Working Group (SUWG) is working to prioritise the remaining portfolio of unregistered sites, including two trials, the second of which is currently in progress. These initiatives will provide industry with further information as to how to best proceed to efficiently reduce the remaining portfolio of unregistered sites and which sites to target for maximum industry benefit in reducing unregistered gas. The current trial is focused on unregistered sites where there has been some previous shipper activity and where we have reason to believe that meters are fitted. Focus was intentionally given to these particular sites as gas is more likely to have been illegally offtaken.

1,000 Meter Point Reference Numbers (MPRNs) were initially identified and sent to GDNs and Shippers for review. Of these about 15% were removed from the trial by various Shippers as we understand they may have had ongoing interactions/investigations with the site. Xoserve sent the first letters to the remaining sites at the start of August and results are now awaited. Once a complete picture is



gained from the sample we believe it will assist with accurate targeting for resolution of the remaining portfolio of unregistered sites.

We would like to highlight that from the 16,901 MPRNs (as per the July statistics including Orphaned, Shipper Activity and No Activity pots) likely to be flowing gas only 1,488 showed no shipper activity (around 8%) and these are likely to be legitimately unregistered. The remaining 15,413 has had some shipper interaction (MPRN creation, failed registrations etc) including the 6,437 which indicate meters are fitted for which suppliers are most likely involved. Evidence strongly indicates that shippers, suppliers, meter workers and other parties should be held at least partially accountable for the existing portfolio of unregistered sites and a suitable solution will require the cooperation of all relevant parties.

### **The Specific Ofgem expectations regarding Existing Connections within the letter**

- ***Draw up and implement a robust plan to reduce the number and materiality of existing unregistered sites that are taking, or are capable of taking, a supply of gas*** – GDNs accept that we have a significant part to play in the resolution of the remaining portfolio of unregistered sites and would welcome the opportunity to lead the industry through this work and will be drafting a plan of action which will be submitted to Ofgem and industry for review and agreement. This plan will set out responsibilities incumbent on all relevant industry parties over the coming 12 months to enable a material reduction in the numbers and impact of unregistered sites. The GDNs will of course schedule regular reporting into the plan to ensure timely progress updates are provided to Ofgem.

### **Summary**

We hope that the above provides Ofgem with confidence of the GDNs' commitment to the implementation of the root cause measures as well as the timely resolution of the existing sites and welcome any feedback or questions that you may have. The GDNs would welcome early discussions with Ofgem/industry with regard to reviewing SLC7 and the potential introduction of incentives for addressing the remaining portfolio of unregistered sites as well as clarifying the role of Shippers and other relevant parties.

Yours sincerely



David Smith  
**Chief Executive**

## **Appendix I – Implemented Root Cause Measures**

### **MPRN Batches**

Xoserve have now implemented this root cause measure which reduced the number of MPRNs which are issued out in batches to connection providers in order to prevent potential frivolous use of MPRNs and to promote MPRNs being set to Extinct where jobs have been cancelled.

### **Joint GDN Customer Communications**

GDNs are currently in the process of creating a joint GDN customer leaflet which outlines the process of getting a supplier and the implications if gas is taken without a supply contract in place. These leaflets would be provided to every premise receiving a gas connection. The draft text for the leaflet is currently going through internal review within GDNs and will be passed to internal communication teams shortly for development.

### **Modification(s) to MAMCoP**

SGN Metering has raised the MAMCoP change which proposes to only allow meters to be fitted where there is a supply contract in place. This has so far been well received by the MAMs and is due to be voted on in September and hopefully implemented in November. As MAMs will be audited on this it should mean that each MPRN with a meter fitted will have a valid supply contract and shipper registration. This solution works perfectly together with UNC Modification 0410A which places the responsibility on the shipper whose supplier requested the meter fit.

A further MAMCoP change is also being explored regarding access to MAM portfolios in order for meter details to be detected early which would also greatly increase the efficiency of UNC410A as GDNs would be made aware of more meters fitted.

### **UNC Modifications**

National Grid raised Modification 0410A which looks to address unregistered sites where there is evidence of a meter being fitted. This modification was raised to target sites with meters fitted as these are the ones which could pose a risk to industry in terms of unallocated gas and transportation costs. It should be noted that other “legitimately” unregistered sites consisting of a gas connection but no meter will not be offtaking gas and so do not pose the same threat. This modification has now been implemented from 1<sup>st</sup> September 2013.

Scotia Gas Networks have raised Modification 0431S which is looking to carry out reconciliation between the information held on suppliers’ systems and that held by Xoserve in order to resolve sites which could potentially be offtaking gas and being invoiced by a supplier but where the shipper registration has not been successful. This modification has been raised in order to alleviate any impacts on customers who are paying for their gas in good faith in which case they should not have to receive GDN communication in an attempt to resolve the matter. If implemented, GDNs will carry out the first such reconciliation in February 2014.

Modification 0455 has also been raised by National Grid and although it is not directly impacting unregistered sites it is vital in order to complete the registration

in certain cases where the shipper does not update the meter asset details as it allows for GDNs to undertake this activity.

### **Shipper Created MPRNs**

Xoserve and GDNs are currently carrying out work around the Code 12 (Shipper created MPRN process) in order to establish if further validation could be done. These MPRNs created by shippers could potentially cause duplicate MPRNs on the system or essentially validate illegal network connections without the knowledge of the GDN. Once this work is completed we will update industry on measures to be taken to address any potential issues with this process.

### **Internal GDN Processes**

In addition to the above, all GDNs are currently looking at internal processes in order to reduce the number of erroneously created MPRNs amongst other things and any further measures which may be identified will be shared with Ofgem and industry in a timely manner.

### **Shipperless & Unregistered Working Group Root Cause Summary**

To ensure that all possible major root causes have been considered and actioned GDNs have undertaken a review of the Root Cause Summary document published in 2011 following work carried out in the SUWG. Appendix II shows a table of the root causes identified and work undertaken to date in each area. We have also identified measures where some further work may be required. On the whole however, it is clear that a large amount of work has been carried out and a majority of the root cause measures have already been implemented. Work will continue in the area with further review of root causes and possible solutions necessary to ensure that any as yet unidentified aspects are not overlooked.

## Appendix II – Root Cause Summary Table

Root Cause	Detail/Suggestion	Actions taken to date	Potential scope for additional measures
<p><b>1</b></p> <p><b>Timescales for MPRN Creation</b></p>	<p>Proposal 1: Create MPRN at quotation acceptance stage (Current Process)</p> <p>Proposal 2: Create the MPRN at service planned date stage</p> <p>Proposal 3: Create the MPRN post service laid</p> <p>Proposal 4: Create MPRN at a fixed date prior to service in the ground and meter fix stage (e.g. 5 days)</p> <p>Proposal 5: Create the MPRN with a PL (Planned) status and change to LI when service laid (Set to EX if PL status remains unregistered &gt;2yrs)</p>	<p>Options all reviewed and discounted for various reasons to ensure the process works best for all parties and consumers. This process needs to remain as it is</p>	

<p><b>2</b></p> <p><b>Xoserve is not informed of new service job cancellations or deferments from UIPs</b></p>	<p>Proposal 1: New/improved governance procedures around entire process of requesting and cancelling MPRN creations.          Proposal 2: Educate participants (Utility Infrastructure Providers).          Proposal 3: Networks to provide details of completed services – Those not reported on &gt;12 months since creation are set to EX (extinct) on Sites and Meters.</p>	<p>GDN processes are robust and cancellations are now reported to Xoserve</p>	<p>More could potentially be done in regards to ICP cancellations to ensure that these are adequately actioned. GDNs to consider</p>
<p><b>3</b></p> <p><b>Service laid but no MPRN provided</b></p>	<p>Where a service has been laid but the details have not been provided by a UIP to Xoserve they will manifest themselves through either the Fast Track or MNC process.          Proposal 1: Networks to accept that upon receipt of a UIP completion file, steps are taken to ensure the MPRN does exist on Sites &amp; Meters prior to acceptance          Proposal 2: A review of the business rules associated as to what constitutes the</p>	<p>Both proposals have been implemented</p>	<p>Further suggestions for improvements may come out of Xoserve's review of the MNC/Code 12 process</p>



		creation of a new MPRN and the use of the existing MPRN		
<b>4</b>	<b>Inaccurate Tagging of Services</b>	<p>Proposal 1: To review the available governance procedures around entire process of labelling services</p> <p>Proposal 2: Educate participants (UIP's)</p>	GDN processes are now robust	GDNs will amend and update the MPRN allocation document applicable to all connection providers
<b>5</b>	<b>MPRNs created for IGT/LPG sites on Sites &amp; Meters</b>	Very small issue re duplicates	GDNs reviewing if further action is required in this area	

6	<p><b>MNC queries</b></p>	<p>Proposal 1: Shippers carry out review of script and systems being used where end consumers contact call/sales centres and educate participants          Proposal 2: To review the available governance procedures around entire process of labelling services (Linked to proposal 1)          Proposal 3: Improved shipper departmental communications from point of sales then MPRN creation through to site confirmation</p>	<p>Proposal 1: Shippers carry out review of script and systems being used where end consumers contact call/sales centres and educate participants          Proposal 2: To review the available governance procedures around entire process of labelling services (Linked to proposal 1)          Proposal 3: Improved shipper departmental communications from point of sales then MPRN creation through to site confirmation</p>	<p>Xoserve currently carrying out a review of Code 12s to find out what more can be done in regards to validation</p>	<p>TBC following Xoserve review</p>
7	<p><b>Existing services not set to DE</b></p>	<p>Following physical removal of an existing service, when a new service has been laid and new MPRN requested, it is clear from operational meetings between Xoserve and UIP's that there is unclear guidance and appropriate procedures to follow in ensuring the accuracy of the supply Point Register</p>	<p>Processes all reviewed and updated as per the MPRN Creation Working Group, now completed and all GDNs/ICPs using new processes</p>	<p>Processes all reviewed and updated as per the MPRN Creation Working Group, now completed and all GDNs/ICPs using new processes</p>	

<p><b>8</b></p>	<p><b>Existing services set to DE in error or legitimately</b></p>	<p>Proposal 1: To provide details to project Nexus to look at options of being able to re-open a site from a DE Meter point Status without creating any downstream system complications. (Details provided)          Proposal 2: All Networks to reinforce quality controls to ensure that sites are not set to "DE" in error          Proposal 3: All Shippers to regularly review their unregistered meter points against the DEAD portfolio          Proposal 4: A review of the business rules associated to what constitutes the creation of a new MPRN and the use of the existing MPRN (Also linked to root cause 3 proposal 2)</p>	<p>Proposals 2, 3 and 4 all implemented. Shippers now reviewing Set to DE pot and providing examples back to GDNs</p>	<p>All Shippers must take more action in this area and review the reports. Often the shipper keeps using the old MPRN from alterations - this is a problem</p>
<p><b>9</b></p>	<p><b>Address Clarity</b></p>	<p>Proposal 1: Only UIP's to have the ability to submit address amendments (UNC) prior to Shipper ownership          Proposal 2: Set an MPRN with a plot address to "EX" if</p>	<p>Much work has gone into this area and this is being further considered through SUWG</p>	

		site remains unregistered for >5 years		
10	<b>Legitimately Unregistered</b>	<p>Proposal 1: Agreement from all MAM's to provide Xoserve with meter details and supplier information against "No Activity"</p> <p>Proposal 2: Agreement that all UIP's to provide Xoserve with job status details against "No Activity" report</p> <p>Proposal 3: Agreement on the processes and categorisation that currently form the legitimately unregistered sites.</p> <p>Proposal 4: Disconnection of service</p>	<p>Xoserve did carry out analysis on activity in this pot and only found a very small percentage with activity so this does indicate that a majority of the MPRNs in this pot are not in fact using gas. Modification 0410A is now implemented introducing a risk based methodology for monitoring of these sites.</p>	<p>The potential second MAM CoP change where Xoserve would receive further information regarding meters fitted by MAMs would greatly help with this.</p>
11	<b>Meters fitted on site but not confirmed on Sites and Meters</b>	<p>Proposal 1: Review of C&amp;D obligations</p> <p>Proposal 2: Meter Asset Managers to provide Supplier details to Xoserve</p> <p>Proposal 3: Meter Asset Managers to provide direct updates to the C&amp;D store</p> <p>Proposal 4: Suppliers not to</p>	<p>MAMCoP change raised - due for implementation in November and states that no meter to be fitted without live supply contract.</p> <p>UNC0455 in development for Xoserve to be able to amend asset details which will help if</p>	<p>Await implementation of MAMCoP and UNC0455 change and review effectiveness</p>

		have meters fitted without securing a valid end consumer contract	implemented	
<b>12</b>	<b>MPRN Allocation</b>	Various actions were implemented in 2010 to help this process.	Now the batches have also been further limited to a maximum of 5,000 per Connection Provider	
<b>13</b>	<b>No response to shipper activity, MAM &amp; UIP reports</b>	Proposal 1: Agreement from all MAM's to provide Xoserve with Supplier details against "No Activity" report Proposal 2: Agreement from all UIP's to provide Xoserve with Job status details against "No Activity" report Proposal 3: Shippers to manage and respond to the Bi monthly reports issued	All GDNs respond to the No Activity reports. Unsure if all Shippers do the same	More action is required by Shippers, ICPs and MAMs to provide helpful information to Xoserve when each report is circulated



14	<b>Shipperless Sites (PTS and SSP Reports)</b>	<p>Proposal 1: Xoserve to auto confirm PTS sites where the networks are reporting the same meter is on site to that which was removed from Sites and Meters.</p> <p>Proposal 2: Shippers to review their own procedures &amp; governance regarding isolating and withdrawing from sites.</p> <p>Proposal 3: Xoserve to review adding additional measures to the duplicate process (DUP) to avoid sites dropping into the GSR process unnecessarily</p>	Addressed through UNC0424/0425
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