


Stage 02: Workgroup Report


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
Workgroup Report

16 May 2012

Version 0.2

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About this document:

The purpose of this report is make a recommendation to the Panel, to be held on 21 June 2012, on whether Modification 0410 is sufficiently developed to proceed to consultation and to submit any further recommendations in respect of the definition and assessment of this modification.



3 Any questions?

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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.

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

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 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 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 December 2013 implementation should occur for the following 1 April that is at least 4 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 consequences of any gas abstracted from a supply point prior to a Shipper confirming ownership.

Recommendations

The Workgroup considers that the modification is sufficiently developed and should now proceed to consultation.

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 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.

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.*

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 in good time. 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 were responsible for the sitework activity. We propose for this to continue and to apply to all cases where the shipper has created the MPRN.

It is also proposed that where Transporters as part of the process undertake a site investigation, as part of this process they will attempt to verify the proposed AQ of the Unregistered site and where found to be inaccurate the Transporter will take appropriate steps to record correctly on their systems.

We are mindful of the possibility that a site has remained unregistered owing to the failure of a Shipper to properly register the site on the network. In the case where the customer has clearly demonstrated that it has a valid contract with a Supplier for that MPRN, then we would expect the Transporter to contact the Supplier with a request to register the site via a Shipper. If the Supplier fails to arrange for a Shipper to do so within a reasonable timeframe, then the Transporter should conclude that the site is shipperless and continue their escalation process. For the avoidance of doubt, an intention expressed by the consumer at the site to enter into a supplier contract would be insufficient to trigger a request from the Transporter to the Supplier to register.

Business Rules

1. Scope of Process

- 1.1. The process described below applies when a consumer premise is assigned an MPRN and offtakes gas, without a Shipper being assigned to that site.
- 1.2. It does not apply when:
 - 1.2.1. A premise 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 premise that has connected to the network and has been assigned an MPRN and gas been offtaken but has not had a meter fitted to 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 offtaken any gas as determined under section 3 of this document (site is currently adhering to the UNC provisions, specifically TPD G7.3.3).

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 a MPRN and:

- 2.1.1. is registered to a Shipper from the Supply Point Confirmation date and the Transporters do not backdate to the meter fix date in accordance with TPD G7.3.7
- 2.1.2. is registered to a Shipper and no Meter Fix date has been provided for that site ie the site is supplied from the confirmation date forward.
- 2.1.3. a Shipper indicates that a site which they have registered, has been offtaking gas prior to the confirmation date but that site has not been registered to a Shipper for that period.
- 2.1.4. is disconnected from the network, has had a meter fitted to appropriate safety standards prior to the disconnection and has never been registered with a Shipper.
- 2.1.5. 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.
- 2.1.6. A site falls under the process detailed in section 7 below.

3. Site visits

3.1. The relevant Transporter will be required to visit every site within 12 months of the MPRN being created, where the site has not been registered with a Shipper or has not been disconnected from the system, unless informed by a Shipper under 2.1.3. 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.
- 3.2.3. Attempt, where possible, to ascertain from the customer whether it believes it had a supplier for the period of unregistered gas, and if so, determine who that supplier is.

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.

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 under any other form of agreement between the Transporter and the Siteworks Applicant.

4. Estimation of Gas Use

4.1. Xoserve² 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).

4.2. 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

² Note. In order to maintain clarity, these business rules refer to Xoserve, but we appreciate that the UNC convention is not to refer to Xoserve by name. When the legal drafting is completed we anticipate it will follow convention and will reference the Transporters as appropriate.

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

- 4.3. Xoserve will attempt to calculate the Unregistered Gas within 30 calendar days where the process has been triggered. Where a site visit has been requested in accordance with section 3.2, the process trigger will be taken from the date of the site visit.
- 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 as set out in section 4.3. 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 site for the period
- 4.7. If it is determined that the site has not consumer 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 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 the site by the annual SAP for the financial year prior to the calculation of the gas estimation being undertaken. For example if an Unregistered Site's use is calculated in June 2012, then the average SAP for the financial year 2011-2012 will be utilised.

6. Unregistered Gas Charges

- 6.1. Xoserve will notify the responsible party of the intention to invoice at least 30 calendar days prior to the invoice being issued to a Shipper or advise the Transporter of their costs.
- 6.2. The Unregistered Gas Cost will be recovered from the organisation that created the MPRN (the Shipper or the relevant Transporter) at the next available opportunity by Xoserve, subject to section 6.1.

7. Repeat process

- 7.1. If, 12 months after Xoserve has raised an invoice regarding a Unregistered Site's gas consumption in accordance with section 6, that site is still classified as an Unregistered Site (so has not be registered with a Shipper or disconnected from the network), then this shall be treated as a trigger of the process in accordance with section 2.
- 7.2. The date of the trigger (and so the commencement of the process described above) shall be taken as the date that the invoice was raised by Xoserve.

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

- 8.1. 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.
- 8.2. If a Shipper created the MPRN and receives an Unregistered Gas invoice for that site, then it may either submit a Supply Point Confirmation for that site (and so have the gas use for that site assigned to them back to the Meter Fix Date) or pay the invoice in accordance with usual timescales.

- 8.3. Where the Shipper has paid the Unregistered Gas invoice for a site and subsequently registers that site's gas consumption back to the Meter Fix Date, then the Shipper may claim back the invoiced amount.
- 8.4. If section 7.3 applies then no payment will be made by Xoserve to the Shipper until sufficient Unregistered Gas charge payments have been received to cover the repayment.

9. Unregistered Gas Charges Redistribution

- 9.1. Unregistered Gas Charges will be redistributed on a monthly basis, at the same time as AUGE charges are levied on Shippers.
- 9.2. 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)
- 9.3. Xoserve will use reasonable endeavours to include any Unregistered Gas payments received in the next monthly invoice.

10. Changes to the AUGE process

- 10.1. The AUGE will take into account the amount of Unregistered Gas that is charged for through this process when compiling the AUGE Statement.
- 10.2. To allow this Xoserve will in good time provide to the AUGE details for each site that has been identified under this process:
- 10.2.1. The location of each site.
 - 10.2.2. The estimated Unregistered Gas used by that site.
 - 10.2.3. Where possible, the nature of that site.
 - 10.2.4. Whether the site has been registered with a Shipper, disconnected or otherwise resolved.
 - 10.2.5. Whether a charge has been levied for that site and whether that charge has been paid.
- 10.3. The AUGE will subtract any Unregistered Gas for that site has been charged from the final Unidentified Gas volumes included in the AUGE table.

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 [by.....]. 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.

[Other Workgroup members were concerned that energy costs recovered by the Transporter would not be sufficient to fund the cost of the process and therefore they would need to recover the additional costs from Shippers and this would not further this relevant objective.]

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
This modification is not proposed to be User Pays. 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
TBC
Proposed charge(s) for application of Users Pays charges to Shippers
TBC
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	None
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



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

Impact on Code	
Code section	Potential impact
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 December 2013 implementation should occur for the following 1 April that is at least 4 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 Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.