

REPORT for Issue 14

Long Term Vacant Sites and Shut Down Meters

Prepared by: Volume Allocation Standing Modification Group

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¹ The current version of the Balancing and Settlement Code (the 'Code') can be found at <http://www.elexon.co.uk/bscrelateddocs/BSC/default.aspx>

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1 DESCRIPTION OF ISSUE

1.1 Issue 14

Issue 14 considers the Settlement treatment of unoccupied sites and "shut down" Meters.

If a site is long term unoccupied and the Metering System has not been de-energised, the volume of energy allocated to the Supplier will be calculated using the latest Estimated Annual Consumption (EAC). When the Non Half Hourly Data Collector (NHHDC) gains access to the site and records a Meter reading, an Annualised Advance (AA) can be calculated which will reflect the true consumption on site.

However, in many cases NHHDCs are unable to gain access to unoccupied sites. Additionally, the EAC associated with the site is unlikely to be zero which is the most probable actual consumption value. This results in the energy volumes attributable to the Supplier in Settlement being overstated and inequitable.

This view is substantiated by the review of Annual Demand Ratios analysis undertaken by ELEXON (see section 1.3.6), suggesting that there is an overstatement of energy at Metering System level. It is a fair conclusion that some long term vacant sites settled on non-zero EACs are contributing to the general over-accounting of energy.

Prepayment Meters can be placed in a shut down mode by Meter Operator Agents (MOAs) when the site is considered to be vacant and not consuming energy but de-energising the Meter from source is not preferred. Shutting down a Meter involves opening a contact within the Meter to prevent the flow of energy through it to the premises. EACs are still submitted into Settlement for the site even though the consumption is zero. It was considered that a similar solution to that for long term vacant sites may be appropriate for shut down Meters.

Powergen Retail raised issue 14 to request that a Working/Issue Group be established to consider the potential solutions with a view to recommending a solution resulting in greater equitability of Settlement. The Issue 14 Group was then convened.

1.2 Background

This issue was originally raised in a paper presented to the Supplier Volume Allocation Group (SVG) committee by Powergen Retail (SVG/34/470, [Reference 1](#)) that provided background information and a proposed solution.

The Volume Allocation Standing Modification Group (VASMG) briefly considered the issue in the context of Modification P176 "Clarification of the Requirements for Estimation/Deeming of Meter Readings/Advances in Certain Circumstances to Facilitate Correction of Anomalies in Settlement Consumption" (P176), but agreed to exclude this from the P176 package on the basis that the issue and solution options (not necessarily involving deeming) required further discussion, were being considered by ELEXON, and could be raised as a separate BSC Standing Issue. The solution proposed by Powergen entailed deeming by Suppliers; an alternative approach could be deeming by the NHHDC based on attempts to gain access and intelligence gained from the Supplier.

ELEXON therefore presented a discussion paper to the SVG in March 2005 (SVG/49/007a, [Reference 2](#)). This paper contained further information about the overstatement of energy in Settlements caused by this issue, the differences in the scale of the problem experienced by Suppliers in the market prior to 1998 and those that have entered the market since 1998 and identified the following solutions:

- Supplier Deemed Reads;
- Adjustment to EACs; and

- Flagging long term vacant premises as de-energised.

1.3 Subjects Raised

The SVG papers and subsequent discussions by the Group raised the following subjects:

- Problems caused by long term vacant sites
- Current process for dealing with long term vacant sites
- Warrant process and costs
- Cost of long term vacant sites - analysis
- Possible ways to resolve the issue of long term vacant sites
- Size of problem – indirect
- Size of problem - direct
- Solution
 - Identifying a site as long term vacant
 - Applying suitable consumption
 - Reoccupation
- Alternative Solutions
- Shut down Meters

These subjects are considered further in the remainder of this paper.

1.3.1 Problems Caused by Long Term Vacant Sites

The Group considered the reasons why sites might be long term vacant and cause problems to the Supplier and three basic reasons were identified:

- Tenant leaves without notification;
- Local authority owned housing boarded up or ready for demolition; and
- One tenant leaves and no-one else moves in.

The Group also noted the problems long term vacant sites can cause Suppliers:

- The Supplier will have to pay for the cost of energy in Settlement – although returns on the Grid Supply Point (GSP) Group Correction Factor (GCF) ameliorates the impact. One Group member noted that after fourteen months, Settlement becomes crystallised and any over payments can then not be reclaimed;
- Bills are not being paid meaning that the Supplier does not get any revenue, whilst erroneously paying for energy usage in Settlement;
- The Supplier still has to pay Distribution use of System (DUoS) / Transmission Network use of System (TNuoS) bills;
- Data Collectors repeatedly visit sites; and
- One Group member noted that there is inequity in Settlement, as Suppliers with greater numbers of long term vacant sites (ex-host Public Electricity Suppliers (PESs)) are at a disadvantage to those with fewer such sites (new entrants).

Some members of the Group believed that the primary driver for any Supplier with respect to wanting to resolve issues with long term vacant sites is billing/debt. These members believed that long term vacant sites is more of a cashflow issue than a loss of revenue since Parties should recover the money lost at the time when the Meter is eventually read e.g. on demolition. However although Parties will not have lost money - it is accounted for in the wrong place at the wrong time and can become crystallised in Settlement after 14 months.

Some members of the Group believed that Settlement is inequitable to Suppliers owning large numbers of a long term vacant sites, since it is extremely difficult to gain access to the long term vacant site without a warrant, and although the Supplier knows the site is long term vacant the EAC still has to be entered into Settlement and DUoS charges paid. In addition they believed that the Settlement process should not be dependent on gaining warrants to obtain Meter readings (the costs of obtaining warrants are detailed below). Other members of the Group believed that Supplier processes can be enhanced to increase the success of obtaining Meter readings through use of local knowledge.

Some members of the Group noted that Suppliers who were in the market prior to 1998 may have more long term vacant sites than those who have entered the market after 1998 as long term vacant sites tend not to go through the change of Supplier process.

1.3.2 Current Process for Dealing with Long Term Vacant Sites

The Group investigated the different processes currently used by different Suppliers to deal with long term vacant sites. Four examples of Supplier processes are detailed below:

Process 1

- Transfer vacant sites into the name of "The Occupier" and allow the accounts to continue billing.
- Identify as debts once they reach a certain threshold if the accounts are not paid.
- Follow up process which includes obtaining a warrant for Domestic Premises.

Process 2

Vacant site acquired as part of a change of Supplier (CoS) portfolio:

- Contact the contracted Customer and request that they provide full details of the party that the site has been sold to.
- Make contact with this party and attempt to negotiate access to the premises, either for the purpose of obtaining a Meter reading, or to de-energise the Meter if immediate future use is not identified.

Process 3

Do not attempt to obtain warrants for sites that are known to be vacant but do follow processes before deciding a site is vacant (these processes are included in annex 2 in diagrammatical form). Much of the process (i.e. obtaining Customer details) is similar for both vacant sites and for Customer debt management.

Process 4

- Day 1 Site identified as vacant on the Supplier Billing System
- Day 15 1st letter sent to premises requesting new tenant details
- Day 29 2nd letter sent to premises - further request for tenant details

- Day 43 Field agent requested to complete special site visit to establish status of property and details of tenant or owner/responsible party.
- Day 60 External tracing agency instructed to carry out search for property owner details. Agency will use a broad range of on-line database sources, including land registry, electoral roll and many others, in their efforts to establish responsible party. Agency also sends a further communication to the property.
- Day 90 Vacants team engage with identified responsible parties (private and public sector) to confirm status and ownership of property and to agree future course of action, e.g. Meter to be removed, supply to continue, standing charges only etc.

As a rule, the external trace agency has a 70% success rate in identifying the responsible party.

The Group discussed briefly the different processes associated with long term vacant site identification in the different companies. The Group recognised that different companies had different approaches. Currently these Supplier processes are not within the scope of the BSC, however the Group agreed that if a solution to the long term vacant sites issues was developed it would be likely to contain instruction as to what lengths a Supplier would have to go to before a site could be considered to be long term vacant and this would be included in the BSC or Subsidiary Documents. Fulfilling these criteria would be optional but compulsory for those Suppliers who wanted to benefit from any agreed long term vacant sites solution. One Group member noted that although the criteria would need to be included in the BSC, the criteria should be reasonable and should not impact a Supplier's commercial freedom.

1.3.3 Warrant Process and Costs

The Group discussed the use of and cost of obtaining warrants to read Meters in long term vacant sites. It became apparent that in Scotland it was almost impossible to obtain warrants for sites in order to read the electricity Meter unless there is a safety issue or a Meter change is required. There was also a recognised subjectivity to the decision made by individual magistrates as to whether a warrant should be granted or not. It was noted that obtaining a warrant in order to read a gas Meter was easier on safety grounds.

The Group members considered the cost to their respective companies of obtaining warrants. One member after detailed investigations found that warrant costs can vary wildly, depending on whether it is a single job or a batch job. However an indicative cost of at least £100 per service was presented. This may include the following:

- £15.00 per basic warrant visit; and
- £45.00 if you use Transco/ 3rd Party; and
- £65.00 if you use a locksmith.

The group stated that the current charges for Transco and the locksmith are average costs and there is a wide variance in costs. For example, Transco charges could be £80 per job, £170 for a half day and £320 for a full day (not including VAT). Costs can also vary considerably due to the scheduling of jobs i.e. if you can arrange jobs all in one area the costs can be significantly reduced. Locksmith costs vary but currently seem to be averaging £65, although if appropriate schedules are arranged, costs can be reduced.

Another Group member considered that the cost of obtaining a warrant was around £80 whilst yet another outlined a basic warrant cost of £20.

Another set of charges outlined were:

Statutory Visit No Read Charge - £6.00

Statutory Visit Read Charge - £27.50

Warrant Application Charge - £18.50

Warrant Execution Charge (including Locksmith) - £95.71

Warrant Execution Charge (excluding Locksmith) - £50.71

Land Registry costs - £4.00 per query

On the basis of being able to obtain warrants for the 40,000+ long term unoccupied sites for one Supplier, this would cost in excess of £4 million.

If an average cost of £100 per warrant is used, from the long term vacant site data obtained from Group members, the cost of warrants and the corresponding percentage of long term vacant sites for that Supplier's portfolio are given below:

| | Supplier 1 | Supplier 2 | Supplier 3 | Supplier 4 | Supplier 5 | Supplier 6 | Supplier 7 | Supplier 8 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Proportion long term vacant Sites Cost Warrants (£000) | 0.3% | 0.3% | 0.7% | 1.5% | 1.5% | 1.6% | 1.7% | 2.1% |
| | £1,568 | £226 | £1,254 | £1,760 | £1,476 | £2,147 | £1,322 | £2,102 |

| | |
|---|---------|
| Proportion long term vacant Sites Cost Warrants (£000) | OVERALL |
| | 0.9% |
| | £11,856 |

In a market of approximately 28 million Non-Half Hourly Metering Systems with an estimated 1% of these being long term vacant then the cost to industry to provide warrants would be £28 million, however it should be noted that obtaining a warrant would be the extreme solution to the problem and so this cost would not be applicable in all cases.

One Group member believed that if this was the cost, the benefit of obtaining warrants had to be questioned for sites that can be identified as being long term vacant.

With regard to obtaining warrants, Justices of the Peace (JPs) particularly in Scotland, are opposed to issuing warrants for access unless there is a safety issue or for a Statutory Meter exchange. They appear reluctant to issue a warrant just to obtain a reading.

There is also no consistency throughout the country with regard to magistrates / JPs and what they will sign as each case has to be assessed on its own merits by the JP.

All magistrates / JPs look for:

- An audit trail detailing actions taken in an effort to make contact with the owner; and
- Attempts made to get access prior to requesting a warrant.

A possible way forward suggested is maybe submitting an industry backed case to the JP Forum or possibly further up the tree to the Scottish Office with Ofgem backing. This will of course differ in England and Wales where all warrants are signed in court by the local magistrate.

One member of the Group stated that there was a greater chance of success in both avoiding having to obtain a warrant and if necessary obtaining one, if there is a high degree of familiarity with, and knowledge of the local area. This member considered that effort should be put into improving the relationship of the industry with magistrates and the enhancement of both the resolution of ownership of long term vacant sites and the warrants process rather than implementing a Settlement related solution.

One member commented that new entrants were in a different position from host Suppliers and were able to stop the problem before it has properly started by having appropriate processes in place.

This member noted that if the warrants were required to merely read the Meter then the cost would be an annual cost. If however the warrant was acquired and the Meter was de-energised, this solution would not be annual and the cost would be a one off cost and thus would be advantageous. However, a Supplier does not necessarily know when a site would be re-occupied and also expressed concern about who would foot the bill for the de-energisation and subsequent energisation. This would make Suppliers reluctant to de-energise unless they are sure that the site would not be re-occupied.

One Group member stated that it would be entitled to apply for a warrant under the Schedule 6 of the Electricity Act 1989. Paragraph 5 (1) (B), "for the purpose of ascertaining the register of any electricity meter". However, being entitled to apply for a warrant and actually being granted a warrant are two entirely separate matters. This Group member has worked long and hard with the District Courts Association in Scotland, to ensure that the new Human Rights act is taken into consideration when the application for a warrant is made. Most of the Courts are meticulous in ensuring that correct procedures have been followed. Even where due process has been followed, some Courts still refuse to sign on the basis that it would not be "in the interests of justice" to grant a warrant.

Based on experience, this member thought that he would face extreme difficulty in obtaining a warrant to enter for the purposes of reading a Meter in an empty house. The Courts would suggest that he should attempt to contact the owners of the premises and arrange a timed visit to read the Meter before such a request could be entertained. He would argue that he has been trying this route, but encountering severe difficulty in eliciting the requisite response from public sector owners.

1.3.4 Cost of Long Term Vacant Sites - Analysis

Data was obtained from several Suppliers to assist in the approximation of the annual costs of long term vacant sites that Suppliers currently face.

The analysis considered the number of long term vacant sites in the data provided by Suppliers. From this the energy attributed to the long term vacant site (i.e. the energy that is (wrongly) attributed to the site in Settlement) was calculated (if it had not been given). The energy was calculated by applying an average consumption to the sites worked out using data from the Performance Assurance Reporting and Monitoring System (PARMS).

The cost of the long term vacant premises to the Supplier (non fixed costs) was calculated (from data provided by the Group) by:

- Using the average energy cost, average DUoS cost and average transmission cost and multiplying this by the energy in the long term vacant sites; and
- Using the average cost of NHHDC and Non Half Hourly Data Aggregator (NHHDA) per site per year and multiplying this by the number of long term vacant sites

Cost of long term vacant Sites

$$= (\text{energy} * ((\text{£ average energy cost}) + (\text{£ average DUoS/unit}) + (\text{£ average transmission/unit}))) + (\text{number} * \text{average NHHDC/NHHDA cost})$$

| | |
|---|-------------|
| Average energy cost sourced from Parties £/KWh | 2.77 |
| Average DUoS/unit cost sourced from Parties £/KWh | 1.08 |
| Average transmission/unit cost sourced from Parties £/KWh | 0.31 |
| <i>Total £/KWh</i> | <i>4.15</i> |
| average NHHDC/NHHDA cost sourced from Parties £/yr | 5.51 |

Account was taken of the cost of energy returned to the Supplier via the GSP Group Correction Factor. This was calculated by assuming the Supplier would receive their market shares proportion of the energy back and applying the average energy cost to this.

Energy Rebate due to GSP GCF

= energy * £ average energy cost * market share in GSP
market share in GSP sourced from PARMS

The cost of the long term vacant sites was calculated as the total cost minus the rebate from the GSP Group Correction Factor.

The cost is an overestimate due to data and modelling limitations – a Supplier would receive more rebate than has been assumed, 50+% of cost is certain. Cost of warrants is shown as a comparison.

| | Supplier 1 | Supplier 2 | Supplier 3 | Supplier 4 | Supplier 5 | Supplier 6 | Supplier 7 | Supplier 8 |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
| Proportion long term vacant Sites | 0.3% | 0.3% | 0.7% | 1.5% | 1.5% | 1.6% | 1.7% | 2.1% |
| Cost long term vacant sites (£000) | £3,682 | £391 | £2,263 | £3,197 | £2,873 | £3,383 | £2,399 | £4,217 |
| Cost Warrants (£000) | £1,568 | £226 | £1,254 | £1,760 | £1,476 | £2,147 | £1,322 | £2,102 |
| | OVERALL | | | | | | | |
| Proportion long term vacant Sites | 0.9% | | | | | | | |
| Cost long term vacant sites (£000) | £22,405 | | | | | | | |
| Cost Warrants (£000) | £11,856 | | | | | | | |

It should also be noted that the cost of obtaining a warrant is a one off cost if the site is de-energised when access using the warrant is obtained, whereas the costs highlighted above are annual costs.

1.3.5 Possible Ways to Resolve the Issue of Long Term Vacant Sites

The Group discussed solutions that can be taken forward with the BSC. These are detailed in section 1.3.8. The Group also discussed other ways that the issue of long term vacant sites could be resolved. Examples given are included below:

- Resolving the warrants process – this is a particular issue in Scotland where JPs refuse to give warrants to read the electricity Meters;

- Ensuring Licensed Distribution System Operators (LDSOs) disconnect supply when requested – currently LDSOs are reluctant to disconnect supply if they consider the site likely to be used again. Some members believed that LDSOS may also be reluctant to disconnect Supply as they would experience a loss of revenue from the disconnection;
- Improving the relationship between Suppliers, local information, councils, estate agents, landlords etc could assist resolution of the issue, however one Group member noted that this also adds further costs to the Supplier;
- Consider the overlap with gas i.e. the same sites will be long term vacant for both gas and electricity Meter access. A review of the processes across electricity and gas could be carried out to exploit the synergies. One Group member noted that this is outside the jurisdiction of the BSC and would either require a joint industry project or a similar gas specific exercise to deal with such sites. Any Party is welcome to do so, but it should not detract any progression of this issue via a Modification to the BSC;
- There is a Supplier Licence condition to attempt to gain access to the Meter for safety reasons once every two years. Therefore a Meter reading should be available once every two years; and
- There is a potential overlap with sites that are apparently long term vacant but are actually exacerbating the theft issue. This issue is a risk for any Settlement impacting long term vacant sites solution.

Most of these solutions are currently outside of scope of the BSC and are therefore not considered further in this document. If a Modification is raised to address this issue, the Modification Group may need to give consideration to the above issues but may not be able to address them within the BSC.

1.3.6 Size of Problem – Indirect

Annual Demand Ratios (ADR)

An ADR is calculated as the demand-weighted average over a year of the ratio of corrected (i.e. including GSP Group Correction Factor) to uncorrected (i.e. not including GSP Group Correction Factor) Non Half Hourly (NHH) consumption totals for a given GSP Group. It provides an impression of underlying trends in the GSP Group Correction Factor. Currently, ADR values for the twelve England and Wales GSP Groups are below unity in ten GSP Groups and just above unity in the remaining two. Thus in a significant majority of GSP Groups, there appears to be an overstatement of the energy metered (or estimated) at Metering System level compared to that actually supplied through the GSP (given the unlikelihood of a significant and widespread understatement of GSP Group Takes).

Analysis was undertaken for Settlement Dates 9 March 04 to 8 March 05:

| | |
|-----------|----|
| 09-Mar-04 | R3 |
| 27-Aug-04 | R2 |
| 06-Dec-04 | R1 |
| 10-Feb-05 | SF |

| | Corrected NHH | Uncorrected NHH | ADR | "error" |
|---------------|---------------|-----------------|-------|---------|
| Eastern | 23,977,546 | 24,803,984 | 0.967 | 826,438 |
| M & N Wales | 9,657,833 | 9,990,204 | 0.967 | 332,370 |
| North Western | 14,804,907 | 15,189,994 | 0.975 | 385,087 |
| Southern | 20,017,325 | 20,516,401 | 0.976 | 499,076 |
| Northern | 9,457,154 | 9,688,789 | 0.976 | 231,634 |
| London | 14,653,683 | 15,009,054 | 0.976 | 355,371 |
| East Midlands | 16,818,394 | 17,181,117 | 0.979 | 362,723 |
| Midlands | 15,931,463 | 16,170,023 | 0.985 | 238,559 |

| | | | | |
|---------------|--------------------|--------------------|--------------|------------------|
| South Western | 10,393,706 | 10,469,080 | 0.993 | 75,374 |
| Yorkshire | 13,663,074 | 13,719,356 | 0.996 | 56,283 |
| South Eastern | 14,918,559 | 14,870,056 | 1.003 | -48,504 |
| South Wales | 6,114,541 | 6,094,262 | 1.003 | -20,279 |
| Total | 170,408,186 | 173,702,319 | 0.981 | 3,294,133 |

There are a number of factors that could lead to the general over-accounting of energy including the calculation of Line Loss Factors, however the over-accounting of energy could also in part be due to long term vacant sites energised but not consuming any electricity, being settled on non-zero EACs. The difficulty arises in estimating the extent to which long term vacant sites are contributing to the overstatement of energy evident in the ADR values. Other factors such as erroneously large EACs and AAs will also contribute however.

Empty/Long Term Vacant Homes

The Group investigated the numbers of empty homes that would likely be classified as long term vacant sites through two sets of figures included below:

Raw data Regional and England grossed totals - Total vacant dwellings at 1 April 2004

Ownership of Empty Homes

| Classification ² | Total Number of Empty Homes | Local Authority | RSL | Other public | Other private |
|-----------------------------|-----------------------------|-----------------|---------------|--------------|----------------|
| North East | 39,957 | 6,803 | 3,091 | 410 | 29,293 |
| Yorkshire & Humberside | 84,224 | 9,814 | 3,822 | 219 | 70,369 |
| East Midlands | 58,192 | 4,966 | 2,125 | 1,053 | 50,048 |
| Eastern Region | 59,467 | 4,209 | 1,898 | 1,036 | 52,324 |
| London | 99,047 | 8,952 | 5,960 | 924 | 83,211 |
| South East | 83,371 | 3,035 | 3,480 | 1,577 | 75,279 |
| South Wes | 62,475 | 2,259 | 2,032 | 536 | 57,648 |
| West Midlands | 75,829 | 6,880 | 5,900 | 170 | 62,879 |
| North West | 127,473 | 10,618 | 10,887 | 1,450 | 104,518 |
| ENGLAND TOTAL | 689,675 | 57,536 | 39,195 | 7,375 | 585,569 |

Source: <http://www.emptyhomes.com/resources/statistics/statistics.htm#2004>

Table: Long Term Private Sector Empty Homes – England

| Local Authority | Region | % of Total Private Sector Dwellings Empty > than 6 months |
|--|--------|---|
| Manchester | NW | 5.7% |
| Pendle | NW | 5.1% |
| Burnley | NW | 5.1% |
| Hyndburn | NW | 4.8% |
| Thanet | SE | 4.8% |
| LA Areas with more than 5% of the dwelling stock empty | | 3.4% |
| England | | 1.8% |

Source: Office of the Deputy Prime Minister (ODPM)

² 'Local authority' is the local authority, eg borough council, district council, metropolitan borough council; 'RSLs' are organisations which provide social housing; 'other public' refers to Government departments and organisations such as the NHS, Highways Agency, Ministry of Defence, etc; 'other private' refers to private landlords who may be individuals or private developers

An empty home is classified as a dwelling, which is long term vacant either because it is between occupants, undergoing modernisation, in disrepair or awaiting demolition. Second homes and holiday homes are not included as empty homes.

The Group believed that the 1.8% of private homes that were considered long term vacant in this analysis would contain a mix of energised and de-energised Metering Systems. There are also lots of long term vacant sites in the non domestic sector.

Whilst the Group acknowledged that both these sources implied that there was a Settlement issue with long term vacant sites, they did not confirm it nor did they approximate the materiality.

1.3.7 Size of Problem – Direct

The Group issued the following data request to Suppliers to enable it to estimate the size of the problem:

- The percentage of portfolio that is long term vacant sites by Profile Class group 1-4 and 5-8;
- The number of sites and total energy in portfolio by Profile Class group 1-4 and 5-8; and
- The estimate of the uncorrected volume of overstated energy for sites in MWh per year by Profile Class group 1-4 and 5-8.

A long term vacant site for the analysis was defined as:

- A site for which there has been a minimum of two D0004 "Notification of Failure to Obtain Reading" flows received, at least 3 months apart, that have Code 02 'Site Not Occupied' in the Site Visit Check Code (J0024) data item; and
- A site that is energised according to the Supplier Meter Registration System (SMRS).

The materiality of the problem can be ascertained in two ways:

- Using actual EAC values that the long term vacant site is settling on; or
- Using default EAC values applicable to the particular site, (i.e. Profile Class Average EAC).

The D0004 data flow is a flow used by NHHDCs when they visit a site and the data item J0024, is a code identifying either nature of checks made/to be made on Metering Equipment during a site visit or identifying reason for failure to obtain readings.

The results of the data request are shown in the table below:

| | Profile Class | Supplier 1 | Supplier 2 | Supplier 3 | Supplier 4 | Supplier 5 | Supplier 6 |
|--|----------------------|------------|------------|------------|------------|------------|------------|
| % sites long term vacant (MSID) | PC 1-8 | 0.3% | | | | | |
| | PC 1-4 | | 0.3% | 0.8% | 1.3% | 2.2% | 2.3% |
| | PC 5-8 | | 2.0% | 2.3% | 2.6% | 3.80% | |
| % sites long term vacant (energy) | PC 1-4 | | 0.1% | 1.2% | 1.6% | | |
| | PC 5-8 | | 1.80% | 2.50% | | | |

Based on this analysis, the Group concluded that at least 1% of sites are classified as long term vacant (according to the criteria above). Some Group members have indicated that they believe that this figure of 1% is a very conservative figure, as it is based on the narrow criteria defined by the Issue 14 Group. They believe that they have many other sites which can be deemed as long term vacant that fall outside this criteria. There are approximately 28 million NHH Metering Systems (this includes Scotland) and the data received was from a total of approximately 16m. The Group unanimously agreed that this was a significant issue that should be addressed.

1.3.8 Solution

The Group agreed that any solution would contain the following three aspects:

1. Identification of site as long term vacant (definition of long term vacant sites);
2. Application of suitable (zero) consumption to it; and
3. Subsequent reoccupation and correction of consumption values in Settlement.

The Group were keen that these solutions would be judged against the following criteria:

- As few system changes as possible (aggregation processing, instruction processing);
- Compatibility with other Settlement processes (CoS deeming, Final Reconciliation Run (RF) deeming); and
- Auditability so there is no misuse of the process.

1.3.8.1 Identification of Vacancy

The Group agreed that the following criteria would identify a site as long term vacant:

- Receipt of two D0004 "Notification of Failure to Obtain Reading" flows at least [3] months apart, that have Code 02 'Site Not Occupied' in the Site Visit Check Code data item (J0024); and
- A site for which bills issued are not being paid; and
- A site for which there have been proactive attempts to determine if long term vacant or not e.g. letters; and
- A site that is energised according to SMRS.

The Group discussed the need to firm up the use of Codes on the D0004. Currently there are no fixed rules by which a Data Collector assigns Site Visit Check Codes. The Group judged it essential to set such rules in order that these codes would be used by different Data Collectors in the same manner. Without this there would be little certainty that sites were correctly being assigned long term vacant status.

The Group also discussed how far apart two D0004 Code 02 flows should be for the site to count as long term vacant. There were those who considered that in their analysis 80 days seemed long enough time to discover if a site is long term vacant or not. However others considered that since the main desire is to see Settlement correct by RF and since several Suppliers do not have a 3 month read cycle but a 6 month read cycle, 6 months should be used. It was suggested that 3 months might be a disadvantage to small Suppliers who would not have such frequent readings taken. Some believed that the time, whether 3 or 6 or other, used here should be reflected in the solution if appropriate. For example if as part of the solution there is assigned a deadline relating to how long a site remains labelled as long term vacant this should be 3/6/other months.

The Group recommended that between the two D0004s there should be no less than 3 months and no more than 6 months and that the exact number of months could be assessed fully as part of the Assessment Procedure in any Modification Proposal raised.

The Group considered that once a long term vacant site has been identified there would have to be a date set and a corresponding reading for the start of the site being long term vacant. The start of the site being long term vacant could be either the date of the first or second D0004 with Code 02 or a Change of Tenancy (CoT) agreement date. The latter is where there is a CoT reading, and also an absence of a new occupier details.

The Group recommended that that start date for the vacancy should be the date of the initial D0004 or the CoT agreement date.

The Group considered that the specific proactive attempts undertaken by Suppliers should be defined steps that a Supplier must follow in order to benefit from the solution. Since these are commercial decisions a Supplier could choose not to follow these steps but then would not receive the benefit.

1.3.8.2 Application of Suitable Consumption

The Group considered four options for this part of the solution. These were:

- (1) Add a long term vacant site indicator to the NHHDC flow D0019 "Metering System EAC/AA data" such that the NHHDA ignores any EACs when vacancy is indicated as this would be considered as a third energisation status;
- (2) Leave the EAC as positive, but apply a different Measurement Class such that the EAC would be excluded from Settlement and DUoS charging;
- (3) Set a zero AA for the duration of the long term vacant period; and
- (4) Set the EAC to zero for the duration of the vacancy.

Solution (1) was considered by the Group but it would require aggregation and instruction processing to be amended as well as requiring complex changes to the NHHDA software to cover the case where several NHHDCs are providing data and have inconsistent views of whether the site is long term vacant. It would also be difficult to deem appropriately in order that the long term vacant period would have zero consumption applied. The Group felt that the Energisation Status refers to the actual state of the Metering System and so a new Energisation Status of 'vacant with no consumption expected' would cloud the lines for Energisation Status and may exacerbate the Energisation Status audit issue. This solution was therefore not followed up.

Solution (2) would involve leaving the EAC as positive, but applying a different Measurement Class. The EAC could then be excluded from Settlement by the NHHDA (since Measurement Class is a field in the D0019). The EAC would then be excluded from both the PARMS and DUoS reports.

Therefore, the Supplier would not pay for the energy, nor would they be charged DUoS charges.

This solution would involve the Supplier sending the Change of Measurement Class to SMRS on a D0205 "Update Registration Details" for retrospective implementation i.e. to the relevant start date of the long term vacant site. If the premises then become re-occupied, the Measurement Class is changed back so that the positive EAC re-applies and the Supplier pays DUoS once more. The relevant end date of the long term vacant site could be used as the change of Measurement Class date.

This process would be auditable since Measurement Class is included in D0052 "Affirmation of Metering System Settlement Details" from Supplier to NHHDC, so this could be used by Suppliers to notify NHHDCs.

Potential system changes associated with new Measurement Class:

- MDD would need to be changed;
- Systems that use Measurement Class field in any flows would require changing e.g. SMRS, NHHDCs, DAs, Supplier and Licensed Distribution System Operator (LDSO) etc

It should also be pointed out that a new Measurement Class, Measurement Class E, has an Effective From Date of 29/10/1999 – this was implemented after Measurement Classes A to D (01/04/1996).

The Group considered that this solution looked suitable but were concerned about potential costs both to amend central systems and internal Supplier systems.

Solution (3) was discussed. Once a site had been confirmed as long term vacant, the Supplier would submit a D0010 "Meter Readings" to the NHHDC showing no advance and with the Reading Type flag (J0171) set to D for deemed, to indicate a Supplier deemed reading. If such a process was repeated every 12 months period, it would have the effect of creating a zero AA. This would mean that there would be no Settlement impacts until the site is re-occupied. Upon receipt of a D0010 flow that showed an advance on the Meter, it would be apparent that the site was occupied. The Supplier would stop submitting its own deemed reading, and would update its Customer records to show that the site was re-occupied. The process would be auditable

The Group considered that it was preferable to use a zero EAC as the solution rather than a zero AA since a zero AA would have feed to be smoothed over time, it would artificially shorten the Effective From Date of the next EAC.

Solution (4), to set the EAC to zero for the duration of the vacancy the process below was considered.

Once a long term vacant site has been identified, there would have to be a date set and a corresponding reading for:

- the start of the site being long term vacant; and
- the end of the site being long term vacant.

The start of the site being long term vacant could be either the date of the first or second D0004 with Code 02 or a Change of Tenancy (CoT). The latter is where there is a CoT reading, and also an absence of a new occupier details.

The Supplier would have to contact the NHHDC to notify them of a long term vacant site start date.

The NHHDC would then deem a reading on the start date using the previous reading and corresponding EAC (D1).

The NHHDC would then apply zero EAC to the site from this date.

There could/would be rules relating to any site classified as long term vacant. For example the site would have to be on a 3/6/other month Meter reading cycle and if any site visit did not return a D0004 Code 02, the site would no longer be considered long term vacant.

Upon reoccupation, the NHHDC would either

- i) have an actual reading D2 and hence would generate an AA and forward EAC in the usual manner; or
- ii) calculate a reading D2 where $D2 = D1$. The forward EAC would be the initial [class average] EAC

For the reoccupation triggers and date to be used see section 1.3.8.3 below.

This solution would not require any amendment to aggregation processing.

This would be auditable since the Supplier would notify the NHHDC of the site's long term vacant status and there could be rules relating to the sites and their treatment.

This would fit with deeming rules e.g. RF deeming could still take place. This deeming ensures that crystallised data is not changed post RF. When a Meter has been read and the Final Reconciliation Run for the date of the previous Meter register reading has taken place, a Meter reading is deemed for the earliest practical Settlement Day for which the RF has not yet taken place over the Deemed Meter Advance Period.

The NHHDC then calculates a Meter Advance Period for the period after the Deemed Meter Reading and calculates an associated AA and EAC for the period after.

The Group considered the date at which zero EAC should be stopped and felt that there were two options:

- When reoccupation occurs (see 1.3.8.3 below);
- [x] months from start of the zero EAC.

The latter was considered to be key to any solution developed.

1.3.8.3 Reoccupation

The Group considered several triggers that would represent reoccupation and therefore an end to long term vacant site status:

- D0010 – stops zero EAC and the value on the D0010 “ Meter Readings” is entered into Settlement
- D0004 with code other than 02 in the J0024 data item – stops zero EAC and initial / class average EAC entered into Settlement
- New tenancy agreement - stops zero EAC and initial / class average EAC should be used if no initial reading obtained
- Stops automatically unless reconfirmed after 3 or 6 months (by a D0004 with an 02 Code in the J0024 data item. When stopped, an initial / class average EAC used in Settlement
- A CoS scenario would act as a trigger for subsequent reoccupation rules to kick in – stops zero EAC and an initial / class average EAC entered into Settlement

There would be a new obligation to check long term vacant sites every 3 or 6 months.

The Group were concerned that upon reoccupation there would be no incentive to Suppliers to remove the zero EAC and replace it with the actual consumption i.e. how the new reading and consumption would make its way back onto Settlement. It agreed there would have to be rules by which this could not occur. One option considered was having a zero EAC with an Effective To Date in 3 or 6 months time. However there was a concern that this might have too large an impact on the EAC/AA calculator & NHHDA systems and therefore not fulfil one of the criteria.

The Group considered that an incentive on the Supplier to find out the actual date of reoccupation might be achieved by setting the reoccupation date as the day after the last confirmation of vacancy - i.e. the date of the last D0004 Code 02.

1.3.9 Shut Down Meters

The Group discussed shut down Meters and whether they should be included in any Modification Proposal raised subsequent to Issue 14.

Key Meters have the capability to be 'shut down'. In a 'shut down' state, these prepayment Meters have their output isolated from the Distribution network and will not deliver electricity to the consumer.

Shutting down can be used where a Supplier wishes to prevent consumption on Meters that it knows will be temporarily out of use, e.g. at university halls of residence during the summer break. Carrying out a full de-energisation, which involves the removal of a cut-out fuse by an on-site MOA, would be inefficient, as the Meter will be used again shortly.

A Meter that has been shut down in this way will not be able to consume electricity, however a non zero EAC will be entered into Settlement and hence there will be an over accounting of energy. A solution similar to part of that for long term vacant sites could be used to solve this problem.

The Group considered that this issue is not directly related to that of long term vacant sites. The Group also noted that this is not a significant issue. At the moment, only prepayment Meters can adopt this 'shut down' state. The Master Registration Agreement (MRA) Working Practice 99 stated that shut down Meters could be considered as de-energised, however this definition of de-energised is inconsistent with the definition in the Code. The MRA Issues Resolution Expert Group (IREG) have therefore recommended that a change proposal is raised to remove this working practice from the product set. In the future, Automatic Meter Reading (AMR) Meters may also be able to adopt this 'shut down' state, however it will be possible for NHHDCs to communicate with these Meters, so Meter readings will be obtained which will show that no energy has been used and hence zero AAs will enter into Settlement. The Group therefore concluded that whilst non zero EACs are likely to enter Settlements for shut down prepayment Meters, the amount of energy associated with these Meters is too small for this to be an issue and including this in any Modification Proposal would cloud the long term vacant site issue.

1.4 Way forwards

A number of views were expressed by the Group on the way forwards for this issue, some members of the Group believed that a Modification should be raised, and one member stated that solution 4 should be progressed in any Modification. Other members of the Group believed that a Modification should not be raised and that existing processes should be enhanced. Another member believed that whilst there is scope for process improvements, residual problems related to the Settlement Process also need to be resolved. One member of the Group stated that no obligations can be placed on customers.

1.5 Conclusions

The Group concluded that:

- There are a large number of long term vacant sites in the market leading to an over accounting of energy in Settlement – approximately 1% of the NHH market is long term vacant (unanimous);
- A Modification Proposal regarding the issue of long term vacant sites should be raised (a majority);
- Any Modification Proposal should not consider the issue of shut down Meters (unanimous);
- The current processes dealing with long term vacant sites including the warrants process should be enhanced before a Settlement solution is considered (a minority).

2 DOCUMENT CONTROL

2.1 Authorities

| Version | Date | Author | Reviewer | Change Reference |
|---------|---------|-------------|----------------|-----------------------------|
| 0.1 | 21/7/05 | Dena Harris | Issue 14 Group | For development of solution |
| 0.2 | 28/7/05 | Dena Harris | Issue 14 Group | For development of solution |

| | | | | |
|-----|---------|----------------------------|-----------------|--|
| 0.3 | 6/9/05 | Dena Harris / Katie Key | Issue 14 Group | For Issue 14 Group review |
| 0.4 | 6/9/05 | Katie Key | Issue 14 Group | Issue 14 Group comments incorporated |
| 0.5 | 28/9/05 | Katie Key | Change Delivery | Final Issue 14 Group comments included |
| 0.6 | 6/10/05 | Katie Key | | Peer review comments included |
| 1.0 | 7/10/05 | Katie Key | | Final version for Panel |

2.2 References

| Reference | Document |
|-------------|---|
| Reference 1 | SVG paper SVG/34/470 http://www.elexon.co.uk/documents/BSC_Panel_and_Panel_Committees/SVG_Meeting_2003_-_034_-_Papers/034_470.pdf |
| Reference 2 | SVG paper attachment SVG/49/007a http://www.elexon.co.uk/documents/issues/14/049_007a.pdf |

ANNEX 1 MODIFICATION GROUP DETAILS

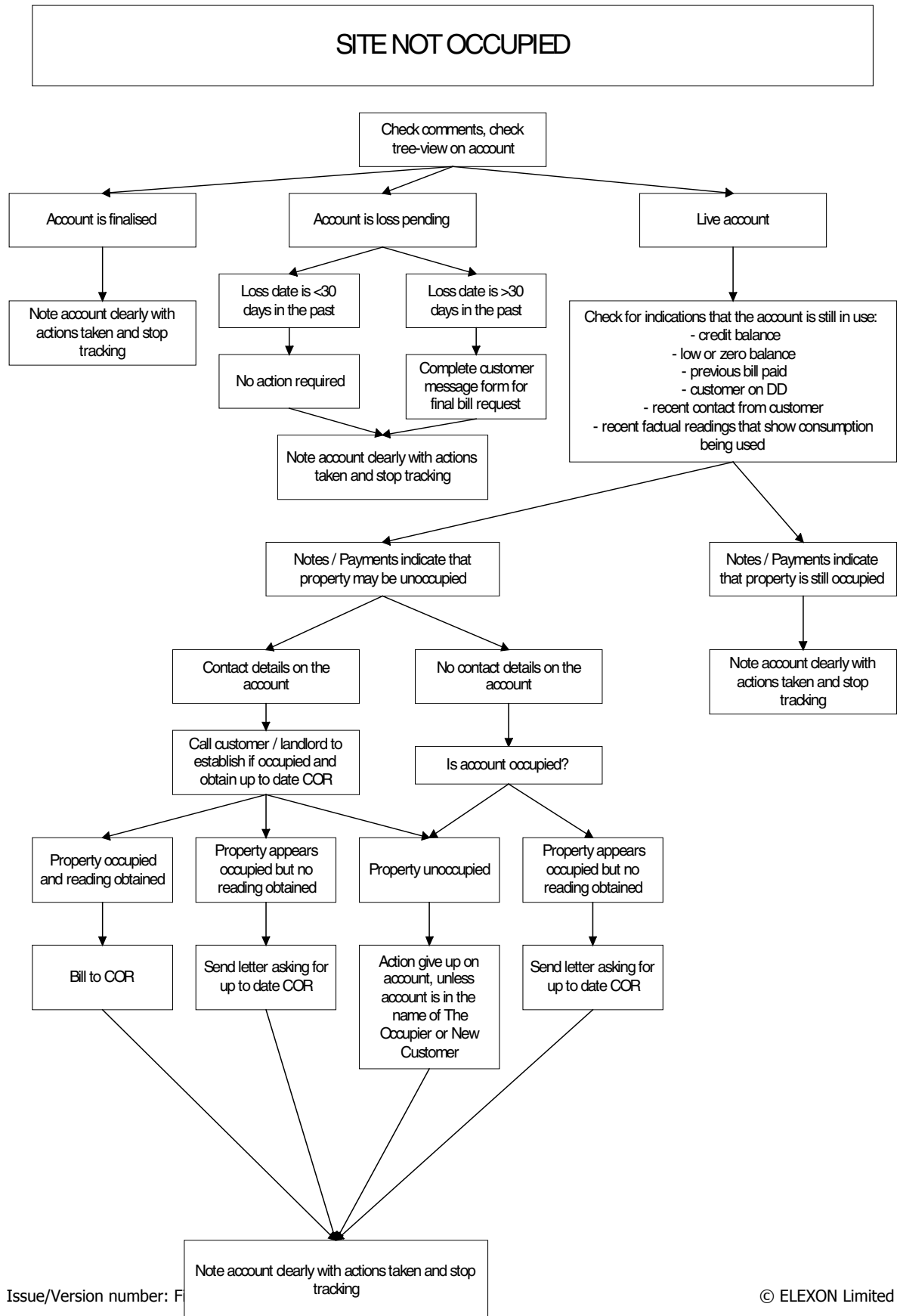
| Member | Organisation | Email | 15/04 | 23/05 | 05/07 | 30/08 |
|--------------------|-----------------------|--------------------------------------|-------|-------|-------|-------|
| Sarah Jones | ELEXON (Chairman) | | Y | Y | Y | Y |
| Dena Harris | ELEXON (Lead Analyst) | | Y | Y | Y | Y |
| Jon Spence | ELEXON | | Y | Y | Y | Y |
| Kevin Oxbury | (Proposer) | Kevin.Oxbury@powergen.co.uk | N | N | N | N |
| Claire Walsh | BGT | Claire.Walsh@centrica.co.uk | Y | Y | Y | Y |
| Afroze Miah | Powergen | afroze.miah@powergen.co.uk | Y | Y | Y | Y |
| Christopher Pooley | Campbell Carr | c_pooley@campbellcarr.co.uk | Y | N | N | N |
| Tim Roberts | Scottish Power | Tim.roberts@manweb.co.uk | Y | Y | Y | Y |
| Richard Harrison | NPower | richard.harrison@npower.com | Y | Y | N | Y |
| Jonathan Perks | British Energy | Jonathan-Perks@british-energy.com | N | Y | Y | Y |
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| Attendee | Organisation | Email | 15/04 | 23/05 | 05/07 | 30/08 |
|----------------|--------------|------------------------------|-------|-------|-------|-------|
| Nicholas Rubin | Ofgem | Nicholas.Rubin@ofgem.gov.uk | Y | Y | Y | Y |
| Anup Pancholi | BGT | Anup.Pancholi@centrica.co.uk | Y | N | N | N |

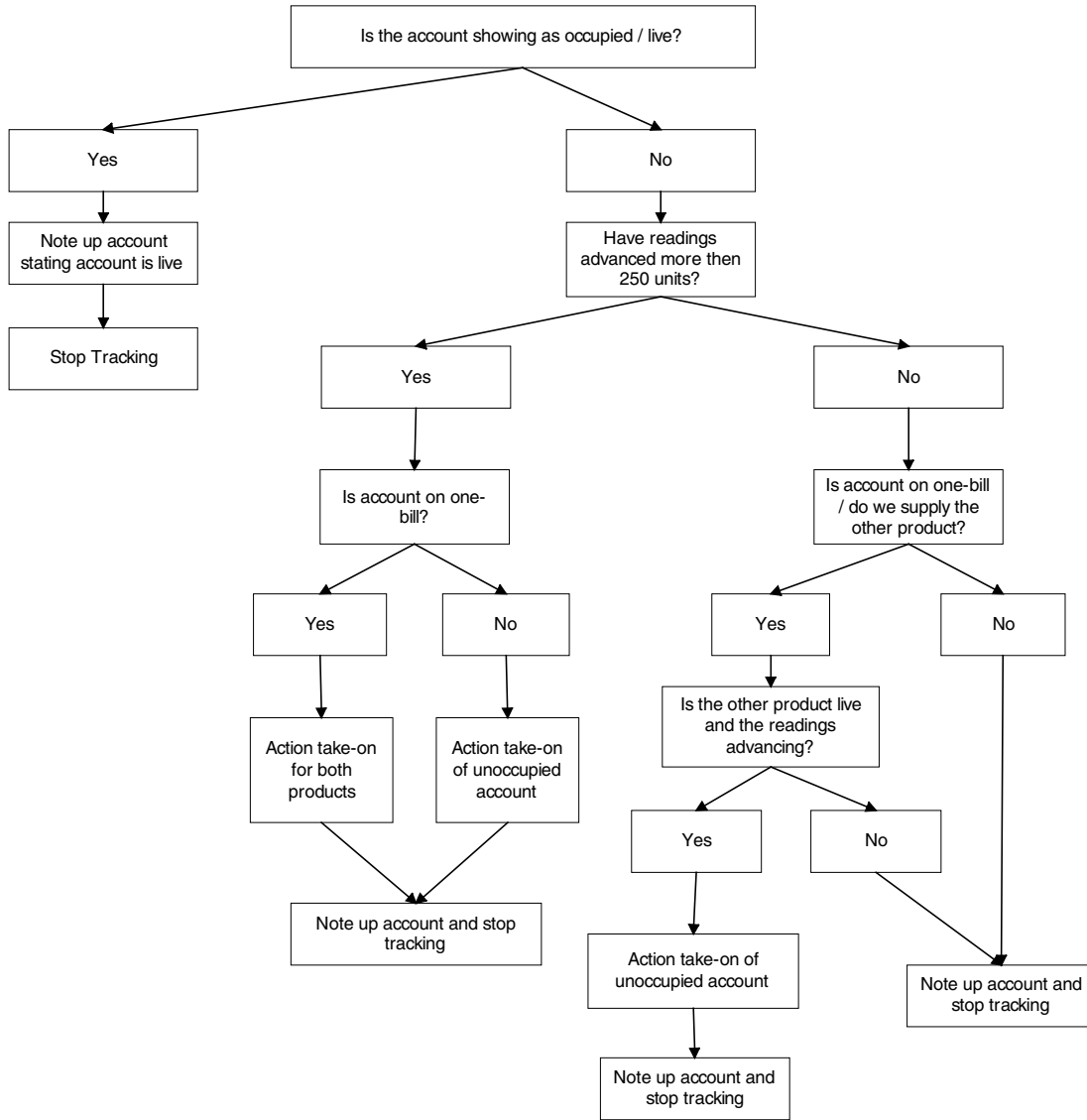
| | | | | | | |
|---------------|---------|---------------------------|---|---|---|---|
| Steve Francis | ELEXON | | N | N | N | Y |
| Gary Morris | Gemserv | gary.morris@gemserv.co.uk | N | N | N | Y |

ANNEX 2 CURRENT PROCESSES FOR DEALING WITH LONG TERM VACANT SITES:

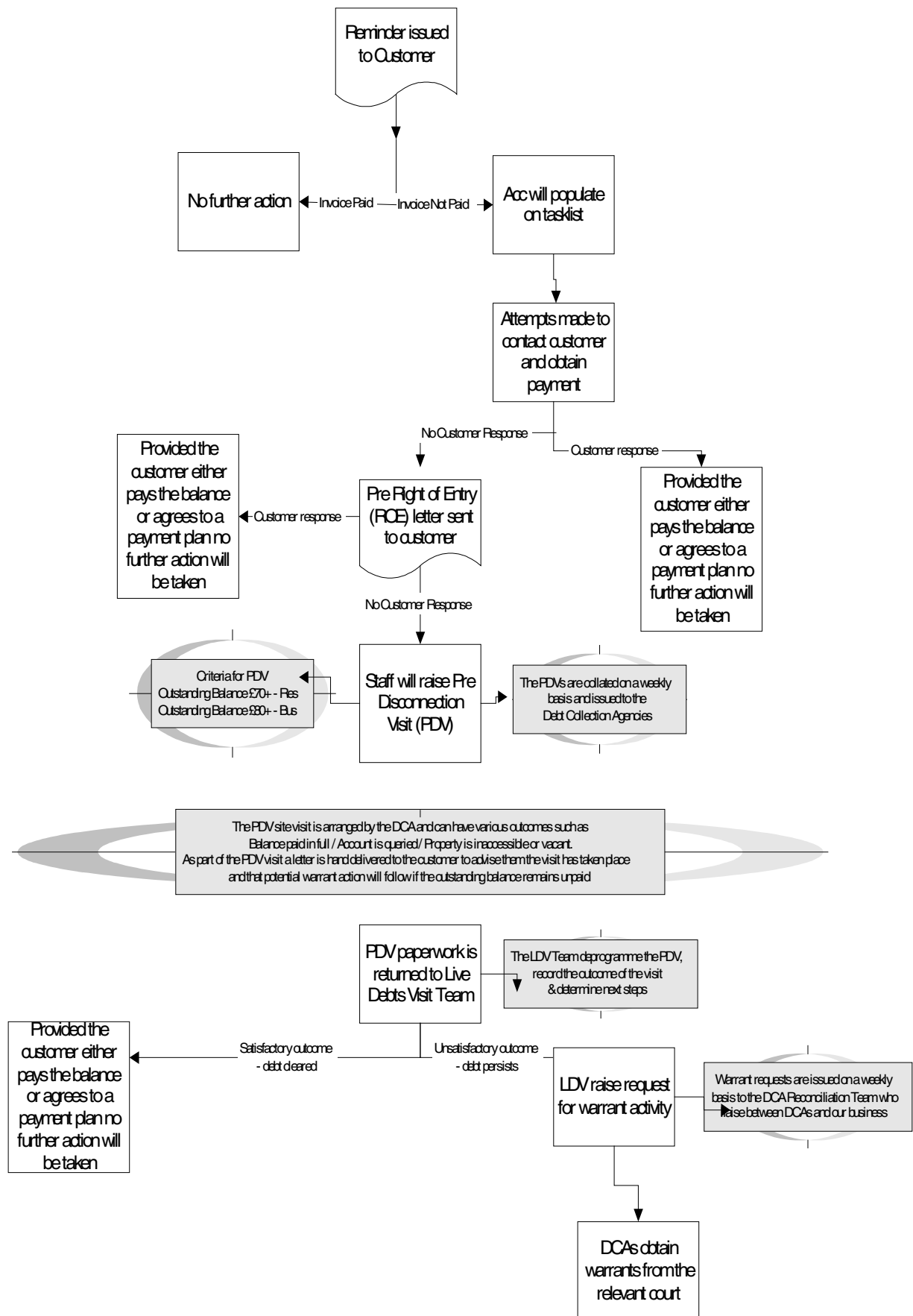
Process 3 Diagrams



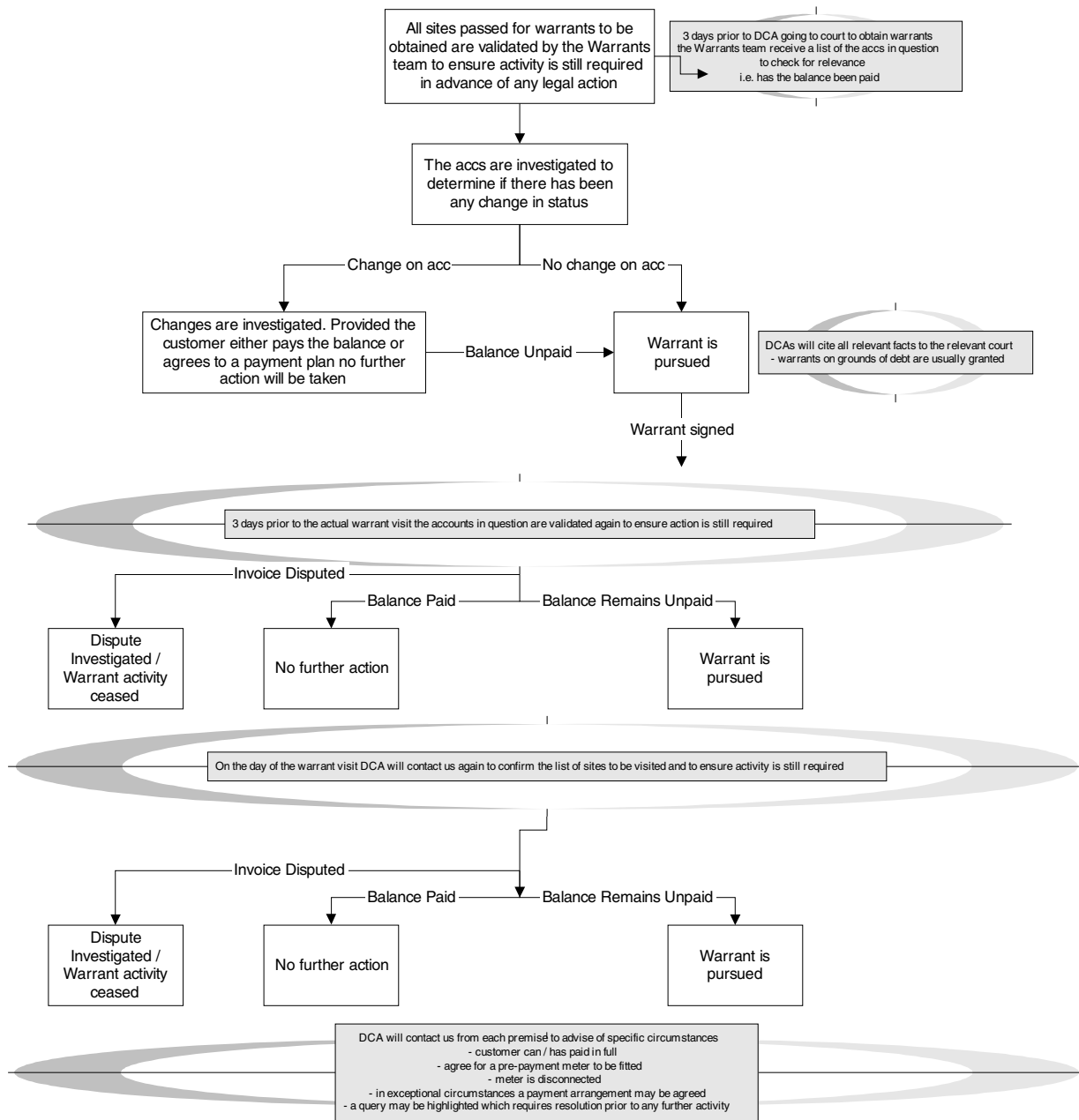
Consumption On Unoccupied Premise



Warrants Process pt 1 (v1.0)



Warrants Process pt 2 (v1.0)



At the time of the actual warrant site visit taking place the DCA will be accompanied by a locksmith in the case of gas visits a Transco engineer will also be present to ensure any meter work is carried out correctly / safely

Supplies which are disconnected are tracked to ensure any registration concerns are addressed
 - new occupiers
 - vulnerable customers