

Modification Report
Improving the availability of meter read history and asset information
Modification Reference Number 0279
Version 1.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

Background

This issue has been discussed as a topic at previous Distribution Workstreams and it is requested that this proposal goes to Distribution Workstream for development.

Difficulties have been identified by a number of shippers in relation to the Annual AQ Review process whereby there is insufficient meter read and meter asset information available to enable a successful AQ appeal in cases where a supply point has recently changed shipper/supplier. In such cases the new shipper is expected to produce at least 6 months of meter read history to support an amendment to the AQ. The read history and meter asset details from the previous supplier are not currently visible to the new shipper/supplier in such circumstances. This Modification Proposal is aimed at making the required information available to the incoming shipper in order to accurately amend the AQ and other relevant information in its portfolio.

Analysis based on the 2009 Annual AQ process has shown that ~30% of potential revisions to AQs were not able to be progressed due to this issue.

Access to this information should help to ensure better data quality by the industry overall and reduce the number of associated queries. The release of this information is expected to improve the following processes; Annual AQ Review, Change of Supplier AQ appeal and the USRV (Filter Failure).

Nature and Purpose of the proposal

This proposal relates to Smaller Supply Points (SSP), Larger Supply Points (LSP) (including Daily Metered (DM) Supply Points), but excludes Supply Points directly connected to the NTS.

This Modification Proposal aims to make meter read history and asset information (i.e Meter Information) available to shippers for supply points restricted to their current supply point portfolio at that time. This Modification Proposal seeks to:

- a) Give permission for the relevant Transporter to release the information; and
- b) require a report to be available on request to each shipper (as a User Pays Service).

It is proposed that the information is provided to shippers in a report on an annual basis, just ahead of the Annual AQ Review. Initially if the report cannot be produced ahead of the AQ Review it will be valuable to have the report during the AQ Review process. It is envisaged that the report be provided via the Information Exchange (IX).

The report will include the information stated below for a shipper's full portfolio when it is produced for the first time. Subsequent reports will only list changes to the previous report and will not replicate information already provided.

The information provided within the report may include but not be limited to:

- a) All meter read and meter asset information held by the transporter for a 3 year period.
- b) Closing/Latest reading from the outgoing shipper including date of read. This should include both meter and corrector reads.
- c) Clockover (TTZ) count – with supporting readings and read dates.
- d) Meter/Converter Exchange Details – Where there has been a meter exchange in the 3 year period, the closing read of the old meter and opening read of the new meter should be included along with the date of the meter exchange.
- e) Meter Asset details – the following meter asset details should be provided for current meter in place and any preceding meter assets within the 3 year period:
 - i. Serial Number
 - ii. Number of Dials
 - iii. Imperial/Metric Indicator or read factor
 - iv. Read Units
 - v. Correction Factor
 - vi. Model Name e.g. U65 (i.e. rotary, synthetic diaphragm, ultrasonic and indication of capacity etc.)
- f) Reads which have been submitted and charges suspended – this will allow shippers sight of which reads were held as invalid and thus cannot be used for AQ Appeal.

Consequences of non-implementation

Should this Modification Proposal not be implemented incoming shippers will continue to be disadvantaged in that they will not be able to validate the proposed AQ provided by xoserve in the Annual AQ Review.

Also, incoming shippers will not be disadvantaged relative to incumbent shippers when estimating customer usage. Providing the meter read history will enable a better forecast of their customers' usage and subsequent reduction in risk which should benefit customers.

Additionally, if this proposal was implemented it is envisaged that the number of operational invoice queries from shippers to xoserve would be reduced, as the availability of read and meter asset history should enable shippers to pre-validate to a greater extent than at present.

2

User Pays

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

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

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

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

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

1. Development costs should be recovered via a one-off charge to shippers based upon their portfolio size by the number of meter points.

The solution will cost at least £28k, but probably not more than £53k.

2. Ongoing costs should be recovered via a charge per report (on a annual basis as a User Pays Charge).

On-going annual costs for producing the report will cost at least £800, but probably not more than £1200 per shipper short code report.

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

The development charge will be the cost of the solution divided by the number of meter points. This charge will apply at the time of implementation.

On-going annual costs for producing the report will cost at least £800, but probably not more than £1200 per shipper short code report.

3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the 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;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

In respect of GT Standard Special Licence Condition A5.5 (cost reflective charging), EDF Energy noted that the charging methodology currently

employed by the DNs recovers 96.5% of revenues from a capacity charge. Currently capacity charges are levied on the registered SOQ, which is derived from the AQ. Implementation would benefit Shippers by helping to ensure that an accurate AQ was registered to the Supply Point. This in turn would result in a more accurate SOQ and so more accurate charges. Therefore, implementation would further this relevant objective.

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition:

- (i) between relevant shippers;***
- (ii) between relevant suppliers; and/or***
- (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;***

Incoming shippers would have access to meter read history and meter asset information to enable a more thorough AQ review process than is currently the case. The current inequity would be removed in that there would be a level playing field for incoming shippers relative to incumbent shippers such that all shippers have access to relevant information on which to base their customers AQ.

All shippers would benefit from increased information on which to validate charges; particularly mod 640 charges, such charges cannot be validated by shippers currently where a change of shipper has occurred.

This proposal would also benefit new market entrants.

British Gas Trading did not believe implementation would facilitate any relevant objective. It believed that contrary to ensuring “a more thorough AQ review process” and removing “the current inequity” from the process, implementation would enable shippers to be selective about which read pairs they use to appeal an AQ, reducing their share of gas allocation and making AQs less accurate. This would have the effect of *distorting* competition between shippers, thus acting against the UNC relevant objective it claims to facilitate. Furthermore this modification proposal will reduce the ability of suppliers to gain a competitive edge through investment in meter read collection, distorting the market in favour of those shippers who do little to secure meter readings.

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the 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;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and

administration of the network code and/or the uniform network code;

EDF Energy believed implementation would prove to be beneficial to improving the quality of data on the Transporters' systems as Shippers would be able to identify any historical errors/discrepancies in this data and correct it. Data quality causes numerous issues to Shippers and Transporters and so improving data quality should improve the administration of the UNC.

Further UNC TPD G1.6.6 places a requirement on Shippers to ensure that an accurate AQ is registered. Implementation of this proposal would help to ensure that an accurate AQ is registered by increasing the data that is available to Shippers and so facilitate UNC TPD G1.6.6.

4 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

No implications for operation of the system have been identified.

b) Development and capital cost and operating cost implications:

As included in the proposal detailed above.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

User Pays proposal.

d) Analysis of the consequences (if any) this proposal would have on price regulation:

No such consequence is anticipated.

6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

No such consequence is anticipated.

7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

Scripting of a report and the development of an IX file format.

8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Administrative and operational implications (including impact upon manual processes and procedures)

There may be impacts for those Users who choose to take the service.

Development and capital cost and operating cost implications

There may be impacts and costs for those Users who choose to take the service. Users should be able to make savings by taking the service and these will offset the cost of taking the service.

Consequence for the level of contractual risk of Users

No such consequence has been identified.

9 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

No such implications have been identified.

10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No such consequences have been identified.

11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

- Increased information on which to validate MOD 0640 charges
- Improve Shipper's ability to more accurately complete the AQ Review
- Improved accuracy of energy allocation as a result of improved AQs
- May help Shippers to resolve USRV queries
- May help Shippers with data cleansing
- Provides benefits for acquiring Shippers including new market entrants

Disadvantages

- Some felt implementation might allow parties to choose more advantageous read pairs and therefore allow system gaming for the detriment of others. Others felt that this risk already existed with incumbent Shippers.

12 **Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)**

Representations were received from the following parties:

Organisation	Position
BOC Limited	Supports
British Gas Trading	Not in Support
EDF Energy	Supports
Gazprom Marketing and Trading-Retail	Supports
GDF Suez Energy UK	Supports
National Grid Distribution	Supports
RWE npower	Supports
Scotia Gas Networks	Supports
Scottish and Southern Energy	Supports
Scottish Power	Supports
Total Gas & Power	Supports
Wales & West Utilities	Supports

Of the twelve representations received, eleven respondents were in support of implementation and one was not in support.

BOC as a consumer supported the modification, however it wished to be satisfied that the detail of the process adequately protected the commercial confidentiality of individual users from their competitors, other suppliers or potential. GDF Suez provided reassurance that the information provided under the modification should not prejudice the commercial confidentiality of the end consumer. The proposal is structured in such a way as to only release information by way of a discrete report to the incumbent shipper only. Information would not be accessible to competitors or made available more widely on any enquiry system or routine.

British Gas Trading did not support this modification proposal and believes that implementation would:

- Increase the scope for manipulation of Annual Quantity (AQ) values by shippers during the AQ Review Process,
- Provide a disincentive on shippers to invest in collecting reads on their portfolio,
- Give valuable data held by shippers without recompense,
- Use of data retrospectively without regard for the fact that the data was not collected with this use in mind, and
- Penalise shippers not able or willing to take up the new process by exposing them to the costs of developing the new service.

In addition, it questioned the rationale behind the need for three years worth of

read history, and did not believe this has been substantiated during the development process.

Scottish Power believed that the provision of this information would have additional benefits, such as assisting with RGMA read issues, Shipper Agreed Reads, metric/imperial queries, as well as Shipperless sites and missing meters, and believed some of these measures will be a benefit not only to the Suppliers, but also to xoserve, since it would reduce the number of queries they currently receive.

SSE noted that implementation would give the relevant Transporter permission to release meter read history and meter asset information to the current shipper in general. Although this Proposal had highlighted the benefits of this for AQ management, SSE recognised that the history could be utilised to identify and remedy data discrepancies at a much earlier stage. This would ultimately bring cost and service benefits to transporters, shippers, suppliers and consumers through improved data accuracy, identified earlier than has previously been possible.

Wales & West Utilities believed the Proposal was not limited to the creation of an annual report and would introduce general permission for Transporters to release meter read history and asset information to the Registered User. These permission changes would allow for future value added services to be offered by xoserve to Shippers via the Non-Code User Pays mechanism or on a bilateral basis.

13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

15 Programme for works required as a consequence of implementing the Modification Proposal

Scripting of a report and the development of an IX file format.

16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

As soon as possible.

The ROM indicates implementation would not be possible prior to September 2010 with a lead 16 to 24 weeks.

17 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

19 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

20 Text

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters