

## Representation

### Draft Modification Report

#### **0335: Offtake Metering Error – Payment Timescales**

*and*

#### **0335A: Significant Offtake Metering Error – Small Shipper Payment Timescales**

**Consultation close out date:** 02 December 2011  
**Respond to:** enquiries@gasgovernance.co.uk  
**Organisation:** **National Grid NTS**  
**Representative:** Beverley Viney  
**Date of Representation:** 02 December 2011

#### **Do you support or oppose implementation?**

**0335** - Not in Support

**0335A** - Not in Support

#### **If either 0335 or 0335A were to be implemented, which would be your preference?**

Prefer 0335

#### **Please summarise (in one paragraph) the key reason(s) for your support/opposition.**

National Grid NTS note that throughout the development of Modification Proposal 0335, the Proposer has sought to limit the impact on NTS connected parties, and National Grid Transmission in its role as the Transmission system operator and we appreciate that our concerns have been considered by the proposer at every stage.

The alternative Modification Proposal 0335A was raised under the old Modification Rules (i.e. within the 5 day window for raising an alternative proposal) following 0335 being sent for consultation, and has therefore not been subject to industry debate/development. As a result we do not believe that all the impacts of this proposal have been identified and considered by industry participants, and therefore there is a risk that implementation of this proposal may lead to unintended consequences. We have contacted Xoserve for initial views on 0335A and they have indicated that it would be more complicated to implement and administer than 0335 and therefore initial and ongoing costs would be greater than the £45-85k estimated for the original proposal.

We do not support either proposal and the reasons for this are as follows;

Both proposals would have a fundamental impact on existing invoicing processes. These existing invoicing arrangements are currently robust and have served the industry well, and we do not believe that either proposal makes a convincing cost/benefits case to introduce a fundamental change that would only apply to one type of reconciliation event. The proposals would add additional complexity by effectively requiring the running of two reconciliation invoice processes and we do not believe that the benefits described in the proposals outweigh the additional costs that would be incurred in administering the additional invoices.

Modification Proposal 0335 also aims to apply the revised rules retrospectively to two Significant LDZ Offtake Meter Errors (Aberdeen and Horndon). We consider that such retrospective application is contrary to precedents set with regards to previous changes to the UNC and if agreed would add a new and significant risk element into the commercial regime described under the UNC.

We note that Modification Proposal 0335A does not include the same retrospective elements as 0335, however we are particularly concerned about the invoice arrangements for 0335A which would involve NTS restricting its invoice to only contain values for "Qualifying Shippers". This proposed arrangement adds a further layer of complexity and indeed maybe considered as unduly discriminatory in favour of smaller shippers and arbitrary in nature.

Whilst the amended invoicing process would increase the administration burden for gas transporters, we do not consider that either proposal contains sufficient quantitative justification of the adverse impacts caused by the current process of invoicing "significant LDZ metering errors" to support the costs of the change. In particular there is little quantified evidence of the adverse impact on small shippers, which is the justification for the different approach proposed by Modification Proposal 0335A.

Even if an appropriate financial impact were to be demonstrated, we believe that there are better means of incentivising Distribution Network Operators (DNO) to limit the possibility of a significant LDZ meter error occurring, than introducing the invoice complexity proposed. We suggest that imposing an arbitrary financial cashflow impact on DNOs is not the optimal solution. We also note that the Proposer of 0335A has already sought to improve their current offtake metering processes and sought funding, via the "RIIO GD1" price control process, to enable it to increase investment in this area.

We are also concerned as to the affect of these proposals in relation to other industry developments:

- Recent changes have been made to the LDZ meter error guidelines, at the request of shippers, to include the appointment of two independent technical experts rather than the original one. This change has lengthened the timescales involved in processing a Significant LDZ Metering Offtake Error and the timescale of any corrective invoicing (and payment).
- We are also aware that two other Modifications (0395 & 0398), have also been raised to change invoicing arrangements. Whilst these Modifications are still under development, we would suggest that any decision in regard to Modification Proposals 0335/0335A should also be mindful of these associated modifications.

Modification Proposal 0335 is considered by its proposer as a User Pays Modification and the alternative Modification Proposal 0335A is considered by its Proposer as not User Pays. No reference is made as to why the Proposer of Modification 0335A considers that it is not User Pays compared to the original, and we would like to understand why this is the case. To be clear, we believe that both Modifications would require changes to services and systems provided by Xoserve and would incur costs both in implementing the proposal and on-going through the calculation, and administration, of the additional invoices. Therefore we consider that both Modifications should be classified as User Pays.

In summary we do not support either Modification Proposal 0335 or 0335A as both proposals would have a fundamental impact on existing invoicing processes and we do not consider that either proposal contains sufficient quantitative justification of the adverse impacts caused by the current processes to warrant the costs involved in implementing and administering the proposed changes. The retrospective nature of Modification Proposal 0335 is also a key concern.

### **Are there any new or additional issues that you believe should be recorded in the Modification Report?**

No

## Relevant Objectives:

*How would implementation of these modifications impact the relevant objectives?*

The benefits suggested under Relevant Objective (a) of the Workgroup Report will only materialise if an implemented proposal leads to beneficial changes in the accuracy and consistency of the measurement equipment installed by meter asset providers. We support the intent of the proposals in this regard but we do not believe that either of the proposals are likely to achieve this objective but they will never-the-less increase invoicing costs and complexity.

Likewise, as we do not believe that that the proposals will deliver a material reduction in the number and or size of significant LDZ meter errors. Therefore we do not believe that there would be a material impact on NTS shrinkage or the charging calculations performed by National Grid NTS, which could be directly attributable to these proposals.

As a result we believe that the proposals would not improve the efficient and economic operation of the pipeline system.

We do not believe that Modification Proposals 0335 or 0335A would better facilitate Relevant Objective (d), securing of effective competition, as only certain shippers would have the option to pay their reconciliation invoices (for Significant Meter offtake errors) in the manner as described by the respective proposals. In addition Modification Proposal 0335A may create further undue discrimination as only "Qualified" shippers would be applicable.

We do not believe that Modification Proposals 0335 or 0335A would better facilitate Relevant Objective (f), administration of the code, as the benefits quantified in either of the proposals do not, in our opinion, outweigh the added complexity introduced to the invoicing process.

## Impacts and Costs:

*What analysis, development and ongoing costs would you face if these modifications were implemented?*

## Implementation:

*What lead-time would you wish to see prior to these modifications being implemented, and why?*

Sufficient time would be required to allow for the invoice changes required in line with the ROM/DCA provided by xoserve

## Legal Text:

*Are you satisfied that the legal text will deliver the intent of each modification?*

No, Xoserve have identified that the date for assessing the Qualifying User is different in the Business Rules of page 4 of Modification Proposal 0335A when compared to the legal text for 0335A. The differences are highlighted below

Legal Text;

(f) “**Qualifying User**” means, in relation to DNO Qualifying LDZ Reconciliation or DNO Qualifying Aggregate NDM Reconciliation a User which on the date of publication of the relevant Significant Measurement Error Report (produced pursuant to OAD Section D):

The business rules on page 4 of Modification Proposal 0335A states;

d. A qualifying Shipper in respect of rule 1 (c) is a Shipper with a national portfolio of less than or equal to 100,000 Small Supply Points and whose combined organisational Shipper Code Credit limit is less than or equal to £500,000 with the relevant Downstream Transporter at the date the Downstream Transporter is invoiced for the relevant amount by National Grid Transmission.

**Is there anything further you wish to be taken into account?**

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*

No