

Stage 01: Modification

0466: Daily Meter Reading Simplification

At what stage is this document in the process?

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

It is proposed that that the provisions of UNC TPD Section M4 be modified to reflect a number of changes to the requirements incumbent on Transporters to procure and process Daily Meter Readings.



The Proposer recommends that this modification should be assessed by a workgroup



Medium Impact:
Shippers and Consumers

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04 June 2014

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that Self-Governance was not appropriate as the modification may have a material impact on competition.

Why Change?

The UNC identifies the terms under which Supply Meter Points are required to be Daily Read¹. The UNC further sets out the Transporters obligations for installing and maintaining Daily Read Equipment and procuring Daily Reads for provision to Users².

The majority of Non Daily Metered (NDM) Supply Meter Points registered on the Supply Point Register are subject to so called 'unbundled' Meter Reading arrangements. This means that for the purposes of UNC, Users are obliged to obtain Meter Readings at predetermined intervals and provide these to the relevant Transporter. This can be distinguished from 'bundled' arrangements which apply to Daily Metered (DM) Supply Points which reflect that the Transporter is obliged to obtain Meter Readings and subsequently provide these to the User. Under a bundled regime, choice in Meter Reading services is not available. The User is required to use the services of the relevant Transporter and pay charges as appropriate. Similarly, as the sole provider of read services, the Transporter is incentivised financially to meet required performance standards.

National Grid Distribution (NGD) believes the current UNC DM regime, which is largely unchanged from the implementation of the Transco Network Code in 1996 to be outdated and no longer 'fit for purpose'. This is particularly the case given the advent of new read procurement technologies. Furthermore NGD's opinion is that the present provisions are unduly restrictive and inconsistent with the need for Transporters to provide an efficient and cost effective service to Users and consumers.

Consequently modification of the UNC is required to reflect present day and anticipated future requirements.

Solution

Modification of the UNC is proposed to facilitate the 'simplification' of Daily Meter Reading procurement and provision by the Transporter as set out in Section 3 below.

Relevant Objectives

This modification would enable Transporters to provide a significantly more efficient and cost effective Meter Reading service for DM Supply Points subjected to the Daily Read Requirement. The range of measures in this modification can therefore be expected to facilitate GT Licence 'relevant objective' (f) the promotion of efficiency in the implementation and administration of the Code.

Implementation

No implementation date has been proposed. Any implementation timetable would be contingent on system and process development timescales and would be subject to scrutiny by the UNC Committee.

¹ [UNC TPD Section G1.5](#)

² [UNC TPD Section M4.1](#)

2 Why Change?

Meter Reading arrangements for the vast majority of Supply Meter Points under the UNC are ‘unbundled’. This means that Users (Shippers) are able to appoint their Meter Reading agent of choice and provide Meter Readings to the Transporter in accordance with pre-determined frequencies as set out in the UNC. However, at present choice is not available to Users in provision of a Daily Read service with respect to ‘mandatory’ and ‘voluntary’ DM Supply Meter Points (including those subject to the Daily Read Requirement set out in TPD Section G1.5). Consequently the UNC features extensive obligations on Transporters to provide a ‘bundled’ Meter Reading service and therefore the costs incurred by Transporters in respect of obtaining such and the charges levied to Users cannot be avoided.

The current regime is virtually unchanged since inception of the Transco Network Code in 1996. The framework was designed around an original DM ‘mandatory threshold’ >75,000 TPA and encompassed approximately 25,000 Supply Meter Points nationally.

The existing population of DM Supply Points is sub divided into mandatory read (DMM) and voluntarily read (DMV) categories. DMV Supply Points will cease to exist from 1st October 2015.

Given recent developments in Meter Reading automated technologies and advances in communications infrastructure together with changes in the Transporters daily read data requirements, NGD believes it is timely that the ‘bundled’ activities being those arrangements reflecting that the Transporter is the sole Meter Reading provider should be revisited and amended to reflect present day and anticipated future requirements.

The overall population of DMM and DMV Supply Meter Points has and continues to decline significantly. The following statistics are relevant;

- Interruption reform – for NGD the population has reduced to 4 DM Supply Points in two networks, reducing further to one (NW) network for the 2013 interruption auction.
- The current NGD population consists of 694 DM Supply Meter Points
- DMV is due to be eliminated (under UNC Modifications 0345 and 0441³) by 1st October 2015 enabling a further reduction to 190 DM Supply Meter Points
- The implementation of Modification 0428⁴ (as part of Project Nexus) is expected to further reduce the number of DMM Supply Meter Points.

The criticality of daily data availability for Transportation purposes has also reduced significantly. The data procured at DMM sites is now of only marginal benefit to Transporters:

- 4 sites subject to Interruptible contract on NGD’s networks
- Limited number of ‘sensitive’ sites requiring ‘within day’ monitoring

The receipt of DMV data is of little or no benefit to Transporters.

However, a complex systems and process infrastructure is required to ensure current UNC obligations can be met by the Transporter. NGD has identified that these ‘legacy’ systems are life expired and inefficient and are therefore costly to operate and maintain. Transporters are further constrained by the existing price control mechanisms with regard to the extent to which ‘cost reflective’ charges are able to be levied for DM Supply Meter Points⁵.

³ [Modification 0345](#) & [Modification 0441](#)

⁴ [Modification 0428](#)

⁵ [RDN Licence. Special Condition 4D. Restriction of prices in respect of Tariff Capped Metering Activities](#)

NGD believes it is essential that the present outdated UNC provisions are simplified to maintain sustainable, 'fit for purpose' arrangements for the limited population of DMM and DMV Supply Meter Points which:

- Reduces costs for consumers
- Addresses present cost constraints
- Facilitates an opportunity for Transporters and Users to tailor future services
- Is consistent with the proposed UNC regime under the Project Nexus programme

3 Solution

Modification of the UNC is required to facilitate the 'simplification' of Daily Reading procurement and provision. This requires the following measures:

- Relaxation of the Transporters obligations to obtain Daily Meter Readings and provide these to Users from 11:00 am on D+1 to 12:00 pm on D+1. Also the provision would be subject to a 'reasonable endeavours' test
- Amendment to the 'Performance Relevant' standards of service (liabilities) associated with Daily Read provision as follows:
 - D+1 liability to apply to 14:00 ("liability cut-off time") on D+1.
 - D+1 Liability charge to reduce from £30 to £3
 - Remove the 97.5% performance standard in its entirety - that is, all failed reads will receive compensation
- **Periods of Outage**

A "Period of Outage" is recorded against a device when reads are not submitted to the user for a period of 4 consecutive days in a calendar month.

Where a Period of Outage occurs, the transporter will make the appropriate daily payment, by reference to the Level of Liability applicable for the month in which the Period of Outage occurred.

The payment will be made for each day, starting on the 5th day of failure, until a read is successfully submitted to the shipper by the liability cut-off time.

The liability payment associated with Periods of Outage will be a variable amount based on a transporters performance and will incentivise transporters to keep Periods of Outage to a minimum.

The "Period of Outage Failure Rate" ("POFR") for a transporter in any month will be calculated as follows:

$$\text{POFR} = (X / Y) * 100$$

- X = number of devices that have had one or more Periods of Outage in that month
- Y = number of devices that are installed on the last day of a month and that have successfully submitted at least one read to the user in that month

There will be four Levels of Liability associated with the Period of Outage standard.

- Level 4 = £75 (represents the current and initial value that will be applied in respect of this standard);
- Level 3 = £50 (represents the maximum value that can be incurred in respect of this standard, once this level has been attained);
- Level 2 = £30;
- Level 1 = £10 (which represents the minimum value that can be incurred in respect of this standard).
- If the POFR is 2.5% or less for 3 consecutive months, then in subsequent months the liability payment will reduce by a level. If the POFR is greater

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than 2.5% in any a month, then the liability payment applied in the subsequent months will increase by a level.

- Removal of the provisions in TPD M4.6. which require Transporters to make available ‘within day’ data to Users. Note, it is proposed that the Transporter undertakes, where it is feasible to do so, to provide either:
 - “within day” data to the registered User, or;
 - an electrical access point to the daily read equipment in order to permit the User to collect its own “within day” data.

Such arrangements would not be part of the regulated DM mandatory service and would be made available outside the UNC on discrete commercial terms, (to be developed as demand dictates).

For the avoidance of doubt no changes are proposed concerning the eligibility criteria for DM set out in TPD Section G1.5 including those concerning the Daily Read Requirement.

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

It is envisaged that changes to Transporters computer systems may be required. However, this Modification Proposal is not classified as User Pays.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.

Not applicable

Proposed charge(s) for application of User Pays charges to Shippers.

Not applicable

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

Not applicable

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. | None |
| 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. | Positive |
| 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 |

This Modification Proposal would enable Transporters to provide a significantly more efficient and cost effective Meter Reading service for Daily Metered Supply Points subjected to the Daily Read Requirement. The range of measures in this Proposal can therefore be expected to facilitate the promotion of efficiency in the implementation and administration of the Code.

5 Implementation

No implementation date has been proposed. Any implementation timetable would be contingent on any system and process development timescales and would be subject to scrutiny by the UNC Committee.

6 Legal Text

Legal text will be produced once development and assessment of this Modification Proposal has been completed.

7 Recommendation

The Proposer invites the Workgroup to:

- AGREE that this modification should progress to consultation.