

| UNC Modification | At what stage is this document in the process? |
|---|---|
| <h1>UNC 0710:</h1> <h2>CDSP provision of Class 1 read service</h2> | <div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 2px solid green; border-radius: 10px; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 2px solid blue; border-radius: 10px; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 2px solid purple; border-radius: 10px; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 2px solid orange; border-radius: 10px; padding: 5px;">04 Final Modification Report</div> </div> |
| <p>Purpose of Modification:</p> <p>This Modification proposes that the Central Data Service Provider (CDSP) provides the Class 1 Supply Meter Point read service. It will remove the Transporter obligation to provide a Daily Read service to Shippers for non-telemetered Class 1 Supply Meter Points. This does not affect arrangements for directly connected telemetered Supply Meter Points on Distribution Network Operators (DNOs) or National Transmission System networks.</p> | |
|  | <p>The Proposer recommends that this Modification should:</p> <ul style="list-style-type: none"> • be considered a material change and not subject to self-governance; • assessed by a Workgroup. <p>This Modification will be presented by the Proposer to the Panel on 21 November 2019. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p> |
|  | <p>High Impact: None</p> |
|  | <p>Medium Impact: Shippers, NTS, DNOs, IGTs, CDSP</p> |
|  | <p>Low Impact: Suppliers, Consumers</p> |

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| 9 | Legal Text | 10 |  07812 973337 or 029 2027 8552 |
| 10 | Recommendations | 10 | Systems Provider: Xoserve |
| Timetable | | |  commercial.enquiries@xoserve.com |
| The Proposer recommends the following timetable: | | | |
| Pre-Modification Discussion | 24 October 2019 | | |
| Modification consideration by Panel | 21 November 2019 | | |
| Initial consideration by Workgroup | 28 November 2019 | | |
| Workgroup Report presented to Panel | 20 February 2020 | | |
| Draft Modification Report issued for consultation | 20 February 2020 | | |
| Consultation Close-out for representations | 12 March 2020 | | |
| Final Modification Report available for Panel | 16 March 2020 | | |
| Modification Panel decision (at Short Notice) | 19 March 2020 | | |

1 Summary

Following work on the withdrawn Modification 0647 *Opening Class 1 reads to Competition* and by the Workgroup for Request 0694R - *CDSP provision of Class 1 Read service*, this Modification proposes that the Class 1 daily meter read service will be provided centrally by the CDSP. Modification 0647 proposed making this a Shipper obligation in line with other meter read obligations, but this is not commercially viable. Equally, provision by individual Transporters is also potentially not viable in the long term due to declining numbers of eligible sites. Although the number of eligible sites are likely to increase due to implementation of Modification 0665 - *Changes to Ratchet Regime*, this will not offset the long-term decline which for WWU has been from 215 eligible sites in 2005 to 45 (plus 2 IGT) in 2019. The Proposal is to not materially change the services, but rather who provides the services. For the avoidance of doubt, this Proposal does not affect arrangements for DNO and NTS connected sites that are telemetered; however, it does affect IGT Class 1 Supply Meter Points and the only NTS Class 1 Supply Meter Point that is not telemetered.

What

The primary reason that a Supply Meter Point is required to be Class 1 is if it has an AQ of over 58.6 GWh; however, there are other reasons including that related to the recent changes to the ratchet charging regime for Class 2 which was introduced by Modification 0665 *Changes to Ratchet Regime*. Class 1 reads are currently a monopoly Transporter obligation and this Modification seeks to remove this restriction (except for NTS directly connected sites and those DNO sites with telemetry) and transfer the obligation to the CDSP, with the CDSP charging Shippers for services provided. This change will also impact IGTs as, under the terms of Independent Gas Transporters Arrangements Document Section E, DNOs provide a daily read service for IGT Daily Metered (DM) Connected System Exit Points (CSEPs).

Why

This change will give Shippers more control over the service as well as providing a centrally procured service for a low volume but vital activity. Maintaining the existing arrangements is not a viable long-term option because the number of Class 1 sites has been declining since 2005 (notwithstanding that there is likely to be an increase due to Modification 0665) and retaining the service as a Transporter obligation runs the risk of it becoming uneconomic in the future. Transferring the obligation to Shippers is not viable as Shippers would need to have some in house functions and this may discourage competition between Shippers in this market segment. Central provision is a reasonable compromise as it will secure the service and give Shippers, collectively, control over the service. Shippers will gain some control over the service immediately and on re-procurement, Shippers can define all aspects of the service. This could include changing the read delivery deadline, requiring changes to read intervals for reads in addition to the UNC mandated end of Gas Day read, liabilities and KPIs.

How

The Modification will achieve its objective by making the CDSP responsible for providing the Class 1 daily read service and charging Shippers for the services provided. Other than the change to CDSP provision the services will be unchanged except that the definition of the delivery time and date for reads will be defined in the DSC rather than the UNC. Liabilities are currently paid by DNOs for failures of the equipment or their Daily Metered Service Provider (DMSP) but not for any failures once the data has arrived at the CDSP. This is consistent with other processes done by the CDSP. These liabilities are

only capped by the general limit on liabilities of £5M for compensation Group A¹. The current liability regime on Transporters will cease, the CDSP will not pay liabilities but will pass on any liability payments they receive in accordance with the terms of the contract with their service providers.

As a result, the charges for Daily Metered (DM) assets and DM read charges will be removed from Transporter Metering Charging statements and will no longer be included in the invoices sent by the CDSP on behalf of Transporters. They will be replaced by DSC charges.

The Proposer envisages a that the change over from the current Transporter provision to CDSP provision will occur on a day to be agreed outside the winter period. As the proposal is for the existing contracts to be novated and there is no change in the service provision, we do not envisage this having a noticeable impact on Shippers that use the service.

2 Governance

Justification for Authority Direction

The removal of the Transporter monopoly meter reading obligation in respect of Class 1 Supply Meter Points affects competition between Suppliers and Shippers and given that this service is provided for the largest customers, Authority Direction is appropriate.

Requested Next Steps

This Modification should be:

- considered a material change and not subject to self-governance;
- assessed by a Workgroup.

3 Why Change?

Continued provision of the Class 1 Daily Meter Read service by DNOs runs the risk of the service becoming uneconomic and inefficient and the feedback from previous discussions is that provision of the service by individual Shippers is not attractive and may restrict competition in this market segment. Although moving to CDSP provision does not provide each Shipper individual control, it allows Shippers to collectively define the service. The Proposal is to transfer the service provision to the CDSP by novating the Transporters' contracts with the existing DMSPs from the Transporters to the CDSP. Xoserve will then lead a procurement event at an appropriate time, taking into account when the novated contracts terminate, which will allow Shippers to input into the scope of the service for the next contractual period.

¹ DM metering liabilities fall under TPD V10.1.1, which is set at £5M for compensation Group A in TPD M7.2.5.

4 Code Specific Matters

Reference Documents

UNC TPD Section M Supply Point Metering,

[https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2018-05/TPD Section M - Supply Point Metering.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2018-05/TPD%20Section%20M%20-%20Supply%20Point%20Metering.pdf);

IGTAD Section E, DM CSEPs

[https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2017-07/IGTAD Section E - DM CSEP Supply Points 2.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2017-07/IGTAD%20Section%20E%20-%20DM%20CSEP%20Supply%20Points%202.pdf).

Transporters Metering Charges Statements?

Knowledge/Skills

Not relevant.

5 Solution

The solution is to transfer the existing Class 1 daily read obligations from DNOs to a service provided by the CDSP.

UNC Text

The current processes and timescales will continue as currently. The CDSP will provide the read to the Shipper within the required timescale. The date and time by which the reads have to be delivered to Shippers by the CDSP will be defined in the new DSC service line and the prescriptive time on D+1 will be removed from the UNC text. This should enable any future change to this to be made by a DSC change rather than a Modification subject to materiality. In the UNC this will be replaced by a requirement that the read for Day 'D' is provided on or before the Exit Close-out Date which is D+5; however, the date and time in the new DSC service line, which is part of the solution in this Modification, will be the same as that currently in the UNC.

TPD Section M 6.2.5 and 6.3.4 will be amended to remove the references to Transporter's metering charging statements in relation to the DM asset and DM read charges. Consequently, DNOs will cease to charge Shippers. New DSC service lines will be created by this Modification (see below).²

The existing obligation for Transporters to:

- 1) pay liabilities for failure to provide the reads (TPD M 7)

will cease and will be replaced by an obligation on the CDSP to pass on any liability payments for service failures that it may recover from its service providers under the terms of its contracts with them

The following existing UNC obligations for Transporters will cease and pass to the CDSP :

² The DM read charge is capped by Transporter licence condition 4D and repeated in Transporter's metering charging statements. The DM asset charge is not capped.

- 1) Submit reads to Shippers by a given time on D+1 (TPD M 5.6)
- 2) Perform annual check reads and resynchronisation (TPD M 5.12)
- 3) Make consumption adjustments (TPD M 1.9.2)
- 4) Provide within-Day reads obtained from Class 1 Supply Meter Points to Shippers on request (TPD M 6.5)

In addition, the CDSP will also acquire a new obligation to:

- 1) Provide within-Day reads obtained from Class 1 Supply Meter Points to Transporters on request (equivalent of TPD M 6.5)

TPD M 7.1.4 relating to Special Supply Metering Points may need to be amended (and not deleted) and will not be replaced.

DNO and NTS Supply Meter Points where telemetry equipment is fitted are excluded from the provision of this Proposal, so the UNC text needs to ensure that provisions remain for telemetered Class 1 Supply Meter Points where the Transporter owns the telemetry equipment.

For the avoidance of doubt, this Modification will not affect the existing criteria by which a Supply Meter Point is, or may be, required to be Class 1.

TPD Section M Paragraph 8 (IGTS CLASS 1 SUPPLY METERS) and IGTA Section E Paragraph 2 (CLASS 1 IGTS SUPPLY METER POINTS) will be deleted to remove the obligation on DNOs to provide and satisfy the Class 1 Meter Reading requirement for IGT Supply Meter Points. In consequence, IGTs or Shippers may wish to amend the IGT UNC to align it with the proposed UNC provisions in this Proposal.

Amend the UNC TPD related document Guidelines for Sub-Deduct Arrangements (Prime and Sub-deduct Meter Points) to reflect the changes in Class 1 Supply Meter Point arrangements.

DSC text

Obligations 1, 2, 3 above are currently provided under Service Line 1 which is 100% funded by Shippers so no changes to DSC services are required for these.

Obligation 4 is currently provided by Transporters who may charge for this service as listed in their metering charging statements. Transporters will remove this charge from their metering charging statements and it will be replaced by a charge for a new specific service to Shippers under the DSC which will be defined in the Legal Text.

Obligation 5 is a new obligation and will require a new specific service to Transporters under the DSC which will be defined in the Legal Text.

Other consequential changes required but not part of Legal Text for this Modification

These comments are included for information and completeness

Transporters will remove references to the DM read charge and DM asset charge and the charge for provision of within-Day reads from their metering charging statements

Transition

Cadent, Northern Gas Networks and Wales & West Utilities currently use the same DMSP and SGN use a different DMSP. The Proposal is that initially these contracts will novate to the CDSP on the day the CDSP takes over provision of the service. The CDSP will subsequently procure a replacement service provider. in consultation with Shippers.

Cutover

Following the cutover to CDSP provision there could be circumstances when the previous DMSP needs to submit reads. Examples include late reads which can be submitted up to D+5 and consumption adjustments. Although the contractual arrangements will have changed, the service providers will not, so there should not be system impacts

Summary table

Below is a summary table of major changes in provisions with timing.

Note the table below refers to the Gas Flow Day for which the Transporter or Shipper is responsible for the Class 1 read.

| Transporter obligation | Provision end or start date | CDSP obligation | Provision start or end date |
|--|---|--|---|
| TPD M 1.9.2 Make consumption adjustments | Ends on Day before the Gas Flow Day on which CDSP takes over the service | Obligation transfers | Starts on Gas Flow Day on which CDSP takes over the service |
| TPD M 5.6.1 Submit reads to Shippers by 11:00 on D+1 | Ends on Day before the Gas Flow Day on which CDSP takes over the service | Obligation transfers. UNC text to state that requirement will be defined in DSC but will in any case be before Exit Close-out Date. (Initial DSC requirement will be by 11:00 on D+1, see below) | Starts on Gas Flow Day on which CDSP takes over the service |
| TPD M 5.12 Perform annual check reads and resynchronisation | Ends on Day before the Gas Flow Day on which CDSP takes over the service | Obligation transfers | Starts on Gas Flow Day on which CDSP takes over the service |
| TPD M 5.13 Daily Read Error (this is about Shippers being able to challenge a Transporter Daily Read) | Ends on Day before the Gas Flow Day on which CDSP takes over the service | Obligation transfers | Starts on Gas Flow Day on which CDSP takes over the service |
| TPD M 6.2.5 and 6.3.4 refers to charges for DM asset and DM read | Ends on Day before the Gas Flow Day on which CDSP takes over the service | Replaced by DSC service lines | |
| TPD M 6.5 Provide within day hourly reads obtained from Class 1 Supply Meter Points to Shippers on request | Ends on Day before the Gas Flow Day on which CDSP takes over the service | Obligation to provide to Shipper transfers, additional obligation to provide to Transporters on request | Starts on Gas Flow Day on which CDSP takes over the service |
| TPD 7 Provision of Daily Read Meter Readings and liability regime | Ends on first Day of transition period (note TPD 7 currently does not applied to telemetered Supply Meter Points see 6.7.2) | No obligation | |

| | | | |
|--|---|--|--|
| TPD M8 and IGTAD E 2 will be deleted to remove the obligation on DNOs to satisfy the Class 1 Meter Reading Requirement for IGT Supply Meter Points | Ends on first Day of transition period | | |
| Consequential changes to TPD M | | | |
| General | Likely to be consequential changes | | |
| TPD M 3 Special Metering Supply Meter Installation | A few of these exist. Some changes required. Evidence is that they are all telemetered. | | |
| TPD M 6.2 Daily Read Equipment | Needs amending to reflect CDSP provision. Remove reference to Transporter's Metering Charging Statement in 6.2. 5.. | | |
| TPD M 6.3 Daily Meter Readings | Needs amending to reflect CDSP provision. Remove reference to Transporter's Metering Charging Statement in 6.3.4. Provisions required for Class 1 Telemetered Supply Meter Points | | |
| Changes to DSC | | | |
| New service line to Shippers in Direct Services – Code Services | Provision of Class 1 reads to Shippers by (Shippers have requested that the current two charges DM read and DM asset charges remain) by 11:00 on D+1 | | |
| New service line to Shippers in Direct Services – Code Services | Provision of within Day reads to Shippers by UK Link communication if Shippers elect to take service | | |
| New service line to DNOs in Direct Services – Code Services | Provision of within Day reads to Transporters by UK Link communication if Transporters elect to take service (For information an equivalent service line to IGTs could be added by an equivalent IGT UNC Modification) | | |
| Consequential changes to DNO metering charging statements (not part of Modification legal text) | | | |
| Metering Charging statements | Remove DM read charge and DM asset charge | | |
| Metering Charging statements | Remove charge for provision of within-Day reads | | |

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification Proposal should not impact any current Significant Code Reviews or significant industry change projects.

Consumer Impacts

The change will give Shippers more control of the Class 1 daily read service. The current systems reflect the DNO's and NTS drive to achieve an excellent service to remove the risk of onerous uncapped liabilities being incurred in the tight timescales. Removing the liabilities may result in a cheaper service as Shippers internalise the benefits and costs of achieving a given standard. The resulting service should better reflect customer requirements.

Cross Code Impacts

There will be an impact on the IGT UNC as the DNOs will no longer provide a service to IGTs. Therefore, it is sensible that this Workgroup is operated as a cross code Workgroup with the IGT UNC. IGTs will either need to provide a service or an IGT UNC Modification will be required to replicate the changes in this Modification Proposal. The proposer is not able to raise any IGT UNC changes as it is not a party to the IGT UNC.

EU Code Impacts

There are no anticipated EU Code Impacts.

Central Systems Impacts

The solution may require some changes to central systems, although as the process will not change these should be minimal. The main change to CDSP will be that it has a new commercial relationship to manage. Operationally the change should make day to day operations easier as the CDSP will have a direct relationship with a service provider, currently the service is procured by DNOs who have one service provider (DMSP) providing data to another (CDSP).

7 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: | Positive |

| | |
|---|----------|
| <ul style="list-style-type: none"> (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. | |
| <p>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.</p> | None |
| <p>f) Promotion of efficiency in the implementation and administration of the Code.</p> | Positive |
| <p>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.</p> | None |

Moving to CDSP provision of the Class 1 meter read service will allow Shippers to define the service. This will allow them to define the service that best meets their needs rather than having a service determined by Transporters, this will further Relevant Objective (d).

The proposed Modification should make day to day operations easier as the CDSP will have a direct relationship with a the DMSP, rather than the service being procured directly by DNOs to provide data to the CDSP and therefore further Relevant Objective f).

8 Implementation

A lead time will be required to implement any necessary central system changes, although at present these are expected to be minimal. The Proposal is for the change to come in outside the winter period during 2020 on a date to be agreed.

9 Legal Text

To be provided.

10 Recommendations

Proposer’s Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply, and
- Refer this Proposal to a Workgroup for assessment.