

## Stage 04: Final Modification Report

At what stage is this document in the process?

# 0514:

## Extending the Daily Metered 'voluntary' service to Project Nexus Implementation Date plus six months

01 Modification

02 Workgroup Report

03 Draft Modification Report

04 Final Modification Report

This modification seeks to permit Daily Metered (DM) Supply Points that do not meet the DM 'mandatory' criteria but are eligible to be read daily by the Transporter to migrate as Class 1 Supply Points at the Project Nexus Implementation Date. This transitional arrangement will end at the earlier of either: an event that assesses the Supply Point Classification Class 1 criteria; or, 6 months from the Project Nexus Implementation Date.



Panel consideration is due on 18 December 2014



High Impact:  
None identified



Medium Impact:  
Gas Transporters; Users



Low Impact:  
None identified

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## About this document:

This Final Modification Report will be presented to the Panel on 18 December 2014.

The Authority will consider the Panel's recommendation and decide whether or not this change should be made.


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# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that this modification is not be subject to Self-Governance as it may have a material impact on existing gas consumers.

## Why Change?

The Daily Metered 'voluntary' (DMV) service ends on 1st October 2015, as defined by UNC Modification 0441. A number of industry parties have expressed a concern that this single migration event may impact the quality of service provided to the consumer at a time of significant change.

## Solution

This modification proposes that the DMV service be extended to Project Nexus Implementation Date plus six months and that relevant Supply Points (that would not ordinarily meet the Class 1 criteria) are migrated to Class 1 as part of UK-Link programme data migration.

## Relevant Objectives

It is expected that this modification would further Relevant Objective (f). The measures identified in this Proposal would assist Users and Transporters migration to new systems whilst reducing potential impacts on consumers.

## Implementation

No implementation timescales are proposed, however, it is noted that this modification applies from the Project Nexus Implementation Date (*currently identified as 01 October 2015*) and it is therefore recommended that implementation should be co-incidental with it.

## Does this modification affect the Nexus delivery, if so, how?

This modification facilitates implementation of Project Nexus by aiming to reduce transition issues at the time of implementation.

## 2 Why Change?

The UNC permits Users to register a Supply Point as DMV ('voluntary') i.e. that the Transporter will provide a daily read service at the request of the User for a relevant Supply Point, which is not subject to the Daily Read Requirement. A significant proportion of DM sites are DMV sites some of which have a low consumption.

UNC Modification 0224 introduced a DME ('elective') service in November 2010, which provided the ability for Users to procure their own daily reads and submit these to the Transporter on a daily basis. UNC Modification 0345 was subsequently implemented which provided that DMV would be phased out by the end of 2013. UNC Modification 0441 then deferred the date by which DMV would be phased out to be the Project Nexus Implementation Date. Presently the Daily Metered 'voluntary' (DMV) service ends on 1<sup>st</sup> October 2015, as defined by UNC Modification 0441. This date was selected as it is the planned implementation of the UK Link Programme (incorporating the Project Nexus requirements as defined within Modifications 0432, 0434 and 0440 (if implemented)).

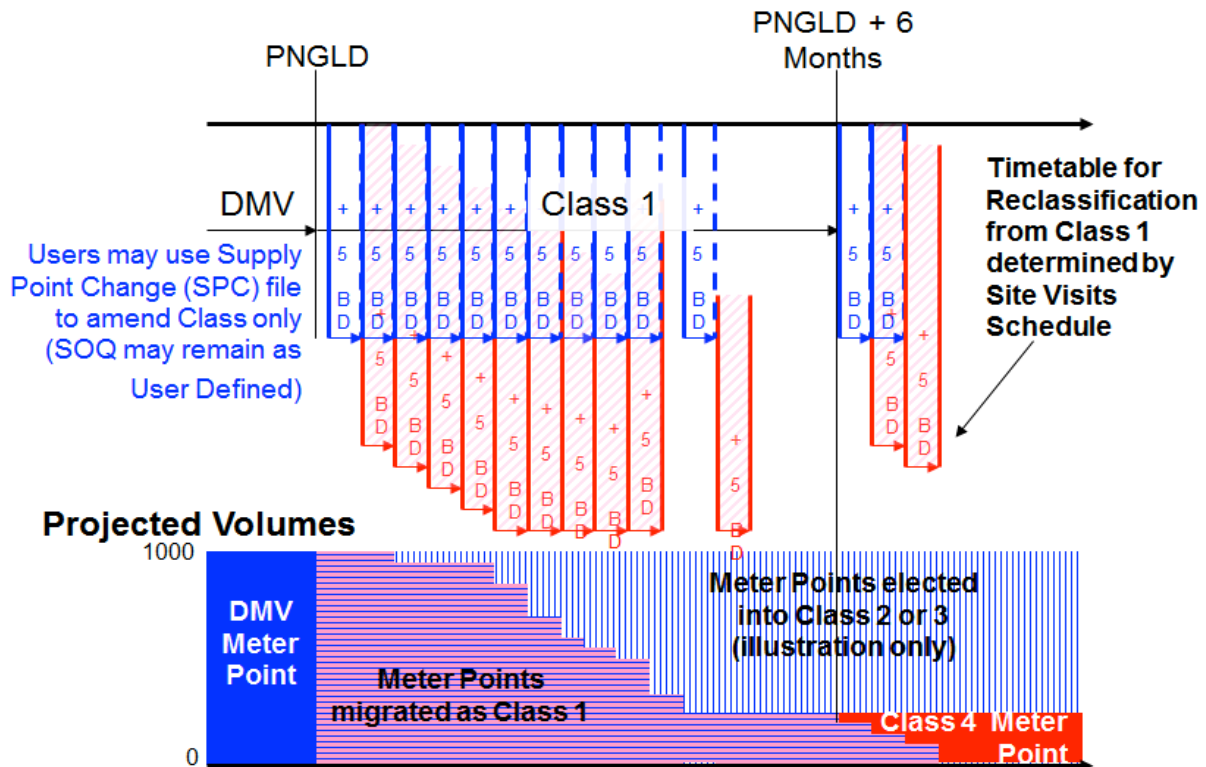
The implementation of the Project Nexus related UNC Modifications results in the cessation of the DMV service. At the Project Nexus implementation date (defined as the Project Nexus Implementation Date in GT Section C) the Supply Points classified as DMV need to be migrated to the appropriate Supply Point class. Some industry parties have expressed a concern that this single migration event may impact the service provided to the consumer and will create a peak workload of site visits and reconciliations as the physical works are undertaken to remove (or cease) the DMV reading service provided by the Transporters.

In order to avoid a period of Non-Daily (NDM) Metering for such Supply Points, Users presently have the option of using the DME service. This would require development of processes by Users to support the DME arrangements, which ostensibly equates to the new Class 2 product but have a number of significant differences. It is understood that development of contracts to support migration to Class 2 would be complicated by requiring this short period of utilising the DME facility. Consequently, Users have indicated that they would have little option but to migrate relevant Supply Points to NDM at the last opportunity, which may entail the Transporter being required to do so to do so on their behalf.

Modification 0441 did not allow for a phased migration of such Supply Points. A risk is therefore created that the Transporter would have limited notice of whether a User intended to nominate and confirm the relevant Supply Point as NDM or DME, or whether they would expect the Transporter to reclassify as NDM. Where Users elected the shortest migration period, this would require Transporters to obtain a significant number of physical Meter Readings for the purpose of Individual Meter Point Reconciliation within the 5 day closeout window. The inability to plan for this work creates a significant risk that reconciliation activities would not be completed potentially leading to unreconciled energy.

The relevant timescale showing key events is illustrated below:

## UNC Modification 0514 Timeline



To mitigate against these effects, it would be beneficial to consumers that Transporters continue to provide the DMV service for a period of six months after the Project Nexus Implementation Date. This modification seeks to permit those Supply Points that at Project Nexus Implementation Date are DM but do not meet the Class 1 Supply Point classification criteria to remain as Class 1 for a limited 'transitional period'.

Within the transitional period, while the Registered User may reclassify a DMV Supply Point at any time, it is required that all DMV Supply Points are eliminated at the end of the period and that any intervention by the Transporter to reclassify at the end of the period should be on an exceptional basis. While not part of this Modification Proposal, in the interests of transparency, Transporters would provide a progress report to the industry monthly on an anomalised basis. Transporters may also at their discretion provide non-anomalised information to the Authority.

### 3 Solution

UNC transitional terms relevant to TPD Section G are required such that the DMV service be extended beyond the Project Nexus Implementation Date for six months and that such Supply Points (that would not ordinarily meet the Class 1 eligibility criteria) but the User has elected for the Transporter to provide daily reads are migrated to Class 1 as part of UK-Link programme data migration.

The transition period is for a maximum of 6 months from the Project Nexus Implementation Date.

The Registered User may, at any time within this six month period, provide a transaction (either a Supply Point Reconfirmation or Supply Point Amendment) to transfer a DMV Supply Point to another Class.

Any Supply Point Nomination and/or Supply Point Confirmations submitted by Users post Project Nexus Implementation Date must adhere to the relevant Supply Point classification criteria.

The Registered User shall be responsible for amending the classification by the end of transition period.

Where a Supply Point does not meet the Class 1 criteria by the end of the transition period the Transporter shall reclassify this on the User's behalf to class 4 within a month and notify the relevant User based upon a schedule determined solely by the Transporter. This schedule would enable Transporters to obtain the relevant Meter Readings for the purpose of DM reconciliation. The Transporter shall initiate this reclassification only once the 6 month transitional period has expired.

Once a Supply Point that was subject to the transition period has been amended to an alternative Supply Point classification any attempt to reclassify the Supply Point shall be assessed against the Daily Read Requirement. i.e. any Supply Points that do not meet the Class 1 Criteria would not be permitted to return to the Class 1 Supply Point classification regardless of whether the transition period has elapsed or otherwise.

#### User Pays

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
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.	N/A.
Proposed charge(s) for application of User Pays charges to Shippers.	N/A.
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A.

## 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

### Relevant Objectives

It is expected that this modification would further Relevant Objective (f). In order to assist Users and Transporters to migrate to new systems whilst reducing potential impacts to Consumers by extending the DM Voluntary service for a transitional period of 6 months from Project Nexus implementation.

## 5 Implementation

No implementation timescales are proposed, however, it is noted that this modification applies from the Project Nexus Implementation Date (*currently identified as 01 October 2015*) and it is therefore recommended that implementation should be co-incidental with it.

## 6 Legal Text

### Text

The following Text has been prepared by National Grid Distribution, and no issues were raised by the Workgroup regarding its content.

### Legal Commentary

The proposed legal text reflects the solution proposed in Modification 514 to extend the Daily Metered 'voluntary' service for six months following the implementation date for Project Nexus.

The legal text proposes that for those Supply Points classified as a DM Supply Meter Point on the day before the Nexus Implementation Date, pursuant to an election by the Registered User, will be classified as Class 1 Supply Points for a maximum of 6 months following the implementation date for Project Nexus despite not meeting the conditions for classification as a Class 1 Supply Point in TPD Section G (being the Class 1 Requirement).

Paragraphs 1.7.13(b) and (c) provide that the Registered User must reclassify the Supply Point within 6 months of the Nexus implementation date, and if at the end of the 6 month period, it has not reclassified the Supply Point, the Transporter will reclassify the Supply Point as a Class 4 Supply Point within a month of the end of the 6 month period. The Transporter shall determine a schedule for the reclassification of the Supply Point at its sole discretion.

Paragraph (d) provides that the rules for classification in TPD Section G1.11 shall apply to any further reclassification following any reclassification under paragraphs (b) or (c).

Where a User is, or following a Supply Point Confirmation (including a Reconfirmation) a User becomes, the Registered User of a Supply Meter Point in relation to which the Supply Meter is Daily Read (including pursuant to a request under paragraph 1.5.9), but the Daily Read Requirement does not apply: where the Annual Quantity exceeds 73,200 kWh (2,500 therms) the User may elect in accordance with paragraph 1.5.7 that the Supply Meter Point shall be classified as a DM Supply Meter Point with Transporter Daily Read Equipment installed.

### ***Amend Transition Document Part IIC as follows:***

*Delete paragraph 1.7.11 and renumber paragraphs 1.7.12 and 1.7.13.*

*Insert new paragraphs 1.7.13 and 1.7.14 to read as follows:*

- 1.7.13 Where on the Day preceding the Project Nexus Implementation Date a Supply Meter Point is classified as a DM Supply Meter Point with Transporter Daily Read Equipment installed pursuant to the Registered User's election pursuant to the Code:



- (a) the Supply Point for that Supply Meter Point shall be classified a Class 1 Supply Point with effect from the Project Nexus Implementation Date notwithstanding the Class 1 Requirement does not apply;
- (b) the Registered User shall re-classify (in accordance with TPD Section G1.11.1) the Supply Point as a Class 2, 3 or 4 Supply Point with effect from a date falling no later than the relevant date (and prior to such re-classification TPD Section G1.11.2 shall not apply);
- (c) in the event the Supply Point is not re-classified in accordance with paragraph (b) the Supply Point will be re-classified by the relevant Transporter as a Class 4 Supply Point in accordance with a schedule for reclassification to be determined by the Transporter, and in any event within one calendar month of the relevant date; and
- (d) any subsequent re-classification of the Supply Point shall be in accordance with the requirements of TPD Section G1.11.

1.7.14 For the purposes of paragraph 1.7.13 the **"relevant date"** is the date falling six (6) months after the Project Nexus Implementation Date.

## 7 Consultation Responses

Of the 8 representations received implementation was unanimously supported.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
British Gas	Support	f - positive	<ul style="list-style-type: none"> <li>Support the implementation of associated arrangements and concur with the implementation timescales.</li> <li>Costs absorbed within their implementation plans for Project Nexus.</li> </ul>
DONG Energy	Support	f - positive	<ul style="list-style-type: none"> <li>Provides an appropriate transition approach for Daily Metered 'Voluntary' (DMV) sites. This allows customers to continue to benefit from daily settlement post Project Nexus implementation without the disruption of moving from Class 4 to a daily Class.</li> <li>No additional system development or costs associated with this modification outside of the costs identified with the implementation of Project Nexus.</li> <li>Support the proposed implementation timescales.</li> </ul>
E.ON UK	Support	f - positive	<ul style="list-style-type: none"> <li>As the Shipper isn't able to predetermine which product the customer should transition to in advance of Nexus Go-Live, DMV customers will default to being Product Class 4 on go-live, which is not a daily metered product. Many of the important features of their supply may be disrupted including billing and settlement processes, which would be detrimental to both the customer and the shipper/suppliers.</li> <li>Allows a managed transition to alternative Product Classes, but doesn't perpetuate DMV within the same category as DMM.</li> <li>No specific system development for this modification is required outside the changes already planned for Project Nexus.</li> <li>Will need to put in place a business process to identify and migrate the sites to the appropriate product classes, therefore E.ON would wish to see the modification implemented no later than 6 months before Nexus Go-Live.</li> </ul>
Gazprom	Support	f - positive	<ul style="list-style-type: none"> <li>Provides a reasonable period for Suppliers to be able to make suitable arrangements for the continuity of DM services if required</li> <li>No specific material costs identified and if implemented it will form part of their broader Project Nexus program.</li> </ul>
National Grid Distribution	Support	f - positive	<ul style="list-style-type: none"> <li>Modification would facilitate an orderly transition of existing Daily Metered 'voluntary' (DMV) Supply Points in to the new 'Project Nexus' framework governing Supply Point classification and would minimise any</li> </ul>

			<p>possible adverse impact on gas consumers.</p> <ul style="list-style-type: none"> <li>• Concurs with comments concerning the reduction in potential impacts to Consumers by extending the DM Voluntary service for a transitional period of 6 months from Project Nexus implementation.</li> <li>• Highlight that the report identifies that within the transitional period, while the Registered User may reclassify a DMV Supply Point at any time, it is required that all DMV Supply Points are eliminated at the end of the period and that any intervention by the Transporter to reclassify at the end of the period should be on an exceptional basis.</li> <li>• Highlight that it is expected that Shipper Users would seek to take prompt action in respect of reclassifying their DMV Supply Points and they would anticipate a gradual, phased movement of DMV portfolio to the desired Supply Point class over the 6 month period.</li> <li>• To enable progress to be monitored, National Grid Distribution advise that their intention is that an anomalised progress report on reclassifications would be provided by Xoserve to the industry for review each month during the 6<sup>th</sup> month period and they may also provide relevant non-anomalised information to the Authority.</li> </ul>
Northern Gas Networks	Support	f - positive	<ul style="list-style-type: none"> <li>• Agree that implementation would ensure an orderly transition of the Daily Metered 'voluntary' Supply Points to the new product criteria (Class 1 – 4 Meter Points), once Project Nexus goes live.</li> <li>• Solution represents a sensible and pragmatic approach to ensuring the role-out of Project Nexus goes as smoothly as possible.</li> </ul>
SSE	Support	f - positive	<ul style="list-style-type: none"> <li>• This modification prevents the transition of Daily Metered Voluntary (DMV) sites into Nexus Class 2 sites being a cutover issue, allowing this process to be managed in a timely manner.</li> <li>• This modification takes away the issue that DMV sites will have to go into Class 4 at cutover and effectively be non daily metered sites for a short period of time until they can be reclassified as Class 2 sites.</li> <li>• Modification could be implemented as soon as possible to give certainty to Shippers that the service will be extended to six months after Project Nexus go live date.</li> </ul>
Wales & West Utilities	Support	f - positive	<ul style="list-style-type: none"> <li>• Whilst disappointed that migration away from the voluntary service has not occurred, WWU recognises that the modification is required to avoid problems at Project Nexus go live.</li> <li>• Do not anticipate any impacts and costs as long as Shippers properly manage the migration during the 6 month transition period.</li> <li>• WWU notes that one Shipper has requested that implementation should be no later than six months before the Project Nexus go live date to enable development of migration processes. Confirmation</li> </ul>

			<p>would be required that the legal text can accommodate an earlier implementation date.</p> <ul style="list-style-type: none"> <li>• WWU expects Shippers to migrate sites away from the DMV service in a controlled manner during the six month migration period and to not leave it until the end of the period, or alternatively leave it to Transporters to undertake the migration on their behalf.</li> </ul>
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Representations are published alongside the Final Modification Report.

## 8 Panel Discussions

## 9 Recommendation

### Panel Recommendation

Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0514 should/should not be made.