

Stage 02: Workgroup Report

0428: Single Meter Supply Points

At what stage is this document in the process?



Since the inception of competition in gas supply, gas transportation charges have been calculated by grouping meter points into supply points, using rules which reflect the commercial arrangements downstream of the ECV. This modification seeks to revise that commercial construct and establish a rule that would only permit one meter point per supply point, irrespective of any downstream relationship.



The Workgroup recommends that this modification should proceed to Consultation.



Medium Impact:
Shippers / Customers and Transporters

0428

Workgroup Report

16 January 2013

Version 0.3

Page 1 of 13

© 2013 all rights reserved

Contents

1	Summary	3
2	Why Change?	4
3	Solution	5
4	Relevant Objectives	7
5	Impacts	8
6	Implementation	11
7	Legal Text	12
8	Recommendation	13

About this document:

This report will be presented by the Workgroup to the panel on 21 February 2013.

The Panel will consider whether the modification is sufficiently developed to proceed to Consultation and to submit any further recommendations in respect of the definition and assessment of this modification.



Any questions?

Contact:
Joint Office



enquiries@gasgovernance.co.uk



0121 623 2115

Proposer:
Alan Raper



alan.raper@nationalgrid.com



07810 714756

Transporter:
National Grid Gas plc (Distribution)

0428

Workgroup Report

16 January 2013

Version 0.3

Page 2 of 13

© 2013 all rights reserved

1 Summary

The Modification Panel determined that this is not a self-governance modification.

Why Change?

There are a number of reasons why there is a need to change the current arrangements.

The current arrangements:

- Are not cost reflective;
- Are cumbersome to administer; and,
- Are complex to systematise.

Solution

From [a date to be determined to coincide with the go-live date for [Nexus], "Nexus go-live date", a Supply Point shall only contain one Supply Meter Point.

As a precursor to the implementation of this rule, with effect from 1st April 2014, a Supply Meter Point would neither be permitted to be added to an existing multi-metered Supply Point, nor combined with another single supply Meter Point, to create a new multi-meter Supply Point.

It is believed that the modification furthers four of the relevant objectives, as identified in Section 4, although we believe the principal benefit is that implementation would improve the cost reflectivity of transportation charges, without resorting to a change of charging methodology.

Relevant Objectives

Some Workgroup participants consider this modification furthers Relevant Objectives (a), (c), (d) and (f) as it will lead to more transparency and improved cost targeting for Transportation charges. However, other participants consider it will have a disproportionate impact on consumers who have made investment decisions based on the rules in place at the time.

Implementation

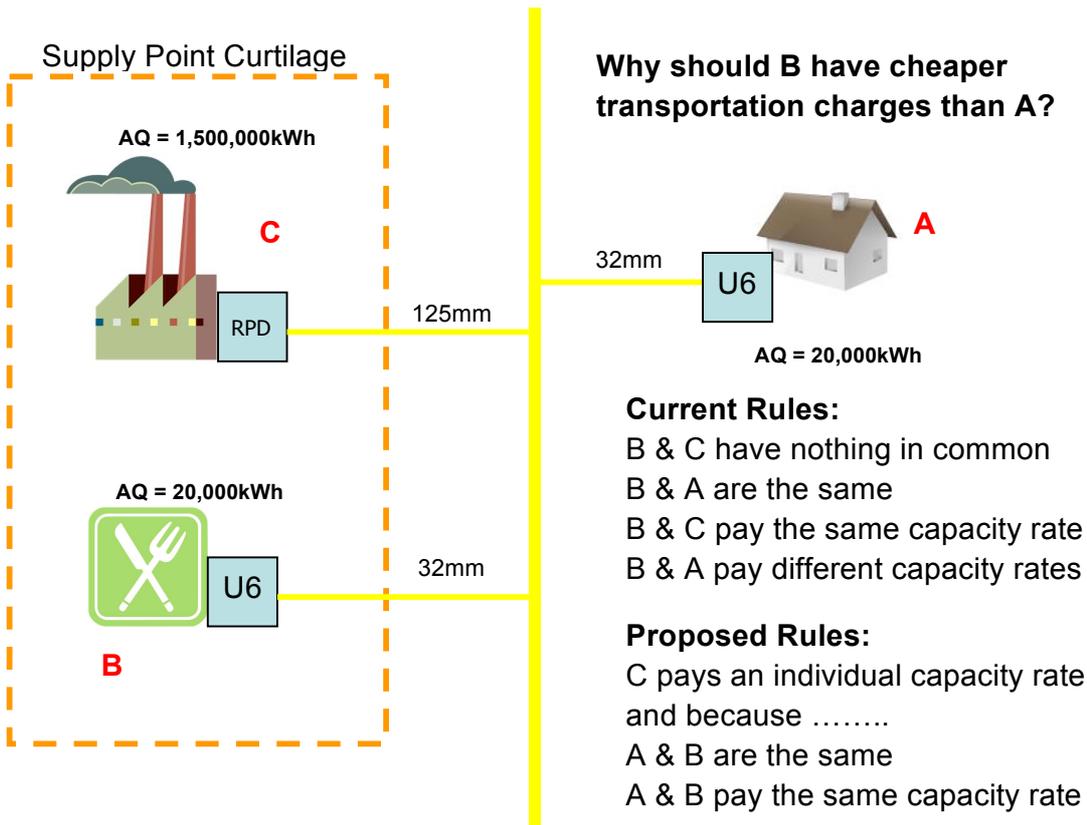
Implementation should be on 1st April 2014, in the knowledge that prior to the new system implementation, all existing multi meter supply points would have to be disaggregated and reconfirmed as Single Supply Meter Points prior to the Nexus go-live date.

2 Why Change?

There are number of reasons why we believe that the time is right to remove the practice of aggregating Meter Points into Supply Points for the purposes of calculating transportation charges.

Reasons

1. Aggregating Meter Points into Supply Points does not result in a cost reflective capacity rates for the meters at the aggregated Supply Points. The diagram example below illustrates the point.



2. The aggregation rules, as laid down in UNC Section G1.4, are cumbersome to administer and are not easy to apply without an intimate knowledge of the commercial arrangements downstream of the ECV. A scan of the rules used to explain the intricacies of G1.4 is attached as Appendix 1. Removal of multi-metered Supply Points ("mmSP") concept would remove the need to apply these complex rules.
3. At some point in the next few years the Sites and Meters system will be re-written against a new base-line of requirements. If mmSPs are removed from the base-line requirements, this will considerably reduce the complexity which will have to be rewritten into the new system.
4. The removal of mmSPs will improve the granularity of SHQ and SOQ when booked as part of a DM Supply Point component.

0428

Workgroup Report

16 January 2013

Version 0.3

Page 4 of 13

© 2013 all rights reserved

3 Solution

The simple answer is from a date, to be determined; all supply points should only comprise one meter point.

We appreciate there are a number of transition issues that need to be addressed, both from a Gas Supply perspective (Supplier) and from a Supply Point Register perspective (Transporter) and, hence, we propose a transition phase which should commence [4 months] prior to Nexus go-live and would be largely shipper driven in terms of managing the disaggregation of the affected Supply Points. Notwithstanding this aspiration, it is proposed that where certain actions are not undertaken by the shipper, then the transporter would have rights to take action on a shippers behalf.

The Business Rules

With effect from 1st April 2014, a Supply Meter Point would neither be permitted to be added to an existing multi-metered Supply Point, nor combined with another single Supply Meter Point, to create a new multi-meter Supply point. This is the point that the Single Premise Requirement can be removed from the Code Exception – Twin-stream metering that has two MPRNs will be treated as a single metered supply point

Twin-stream metering means: Two identical meters installed in parallel, fed from a single service, with the flow through the meters combining immediately downstream of the meter outlets

[2] months prior to the Nexus go-live date, all multi-metered supply points shall have been disaggregated, and reconfirmed as single meter Supply Points by registered user or have a confirmation in place to take effect prior to the Nexus go-live date.

Any multi-metered supply points not disaggregated by the shipper [2] months prior to Nexus go-live, or having an effective confirmation prior to the Nexus go-live date, would be disaggregated by the transporter's agent using the Transitional Rules detailed below.

Transition Rules:-

Where, [2] months prior to the go-live date for Nexus, the shipper has not taken action split the Supply Point, the transporter's agent will take such actions as necessary, based on the rules below, to effect the disaggregation.

Any confirmations scheduled to take effect after the date must comply with this rule, otherwise the confirmation will be rejected.

Transporters' agent disaggregation guidelines:

An NDM supply point: Each meter point will be confirmed using the prevailing MPAQ Where sufficient meter read history exists; the Meter Point will be allocated into the corresponding WAR banded EUC;

An NDM meter point in a DM supply point: As above;

An DM meter point in a DM supply point: The meter point will be confirmed with an SOQ equal to the peak daily consumption for Gas Year 1 Oct 201[n] – 31 March 201[n+1], (effective winter period for this implementation).

Where it is necessary to split SHQs (for example where a meter points in a DM supply point will remain DM but other meters will not), these will given values to reflect the max hour over the effective winter period for this implementation.

All timed events (except the 1st April 2014 date), are subject to finalisation by the Workstream & Xoserve

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification
This modification should only be user pays to the extent that transporters are required to carry out activities that should have been carried out by the shipper.
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
100% targeted on shippers that do not undertake the appropriate activities. We don't want to levy charges but if our agent has to undertake activities that should be carried out by the shipper, we propose that we should have the capability and right to charge.
Proposed charge(s) for application of Users Pays charges to Shippers
Charge per confirmation (action) undertaken on behalf of the shipper
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
As yet unknown (circa £xx.xx)

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.	Positive
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.	Positive
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.	Positive
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 Objective (a)

It is believed that the more granular nature of the booked SOQs and SHQ will provide more data for planning the network.

Relevant Objective (c)

It is believed that the by allowing costs to be levied on a like for like basis, without changing any pricing methodology, provides more cost reflective transportation charges

Relevant Objective (d)

More cost reflective charging is general seen as a positive step in promoting competition between shippers and implementation would realise improved cost-targeting.

Relevant Objective (f)

By stripping-out the premise definition rules, site visits and administration of the rules would not be required. Also, while not a principal objective, we are mindful of that a new generation of UK-Link is planned and any simplification of the base-lined Supply Point Administration arrangements would be beneficial to the implementation of that new system.

However, other participants consider it will have a disproportionate impact on consumers who have made investment decisions based on the rules in place at the time. They consider the solution should allow existing configurations to remain and restrict the addition of new configurations in a similar way to Sub deduct arrangements.

5 Impacts

Consideration of Wider Industry Impacts

From the inception of gas transportation being discrete from supply, gas has been sold on the basis of gas to a “premises”, so therefore it is unreasonable to imagine that there will not be an impact. However, the concept of supply point is out-dated, as the transportation business conveys gas to an ECV without considering the use to which that gas will be put, and a Transporter’s charges, and business, should reflect that fact. Transporters are not restricting gas suppliers aggregating meter points up to and beyond the old curtilage rules in supply arrangements, but Transporters will not be reflecting any form of aggregation in DN transportation charges rates. Given that, although the rule is simple, the concept removes a long established way of working and Transporters are mindful that it will take some time to eradicate the supply point concept, both in practice and in the minds of customers.

Impacts

It is proposed that the transition is Shipper-driven with sufficient time for Shippers to carry out the requisite SPA activities. It is not intended that any User Pays charges should be levied but an ACS service line may be proposed to ensure that the full cost of non-compliance can be assessed and Shippers made aware of possible changes.

Impact on Transporters’ Systems and Process	
Transporters’ System/Process	Potential impact – minor
UK Link	<ul style="list-style-type: none"> Additional file validation functionality may be require to facilitate the introduction of the modification
Operational Processes	<ul style="list-style-type: none"> Site visits to check supply point configurations would no longer be required
User Pays implications	<ul style="list-style-type: none"> Transporters may consider introducing a cost reflective charge for confirmations where they are required to take action where the shipper has not carried out the mandated SPA activity.

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> Users would be required to reconfirm meter points within an aggregated Supply Point as single Supply Points

Impact on Transporters	
Area of Transporters' business	Potential impact
Development, capital and operating costs	<ul style="list-style-type: none"> Some minor changes to UK-Link may be required.
Recovery of costs	<ul style="list-style-type: none"> Transporters will not seek to recover the development costs of implementation.
Price regulation	<ul style="list-style-type: none"> None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> None
UNC Committees	<ul style="list-style-type: none"> None
General administration	<ul style="list-style-type: none"> None

Impact on Code	
Code section	Potential impact
	<ul style="list-style-type: none"> TPD G1.4 & G2.3

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none"> Changes to supply point validation rules

Other Impacts	
Item impacted	Potential impact

Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none">• Consumers benefiting from meter point aggregations will have their transportation rates based on ssMP rule.• Some consumers may face increased Transportation charges due to the proposed changes to the aggregations rules.
--	---

6 Implementation

Initially, the proposer's aspiration was that the modification should be implemented on or before 1st April 2013, with the full effect of implementation applied from 1st April 2014.

However, following discussion in the workgroup, the consensual view appears to be that the modification, if implemented, should take effect along side the modifications associated with Project Nexus. It is the proposer's view that implementation could be linked to the implementation of the new system, but as a precursor to the removal of multi-meter supply from the code, the population should be frozen with effect from 1st April 2014, with no meter points being combined or added to existing configurations from that date.

[The proposer appreciates this is not the approved format for an implementation date, but given the variables involved and the linking of the implementation of this modification to events that themselves do not have implementation dates make determining the exact date difficult at this stage. The proposer suggests that the Workgroup considers how to express this unusual implementation date in the report, although it will be the same issue for all Nexus dependant modifications.]

7 Legal Text

The text as reviewed by the Workgroup should be inserted at this point.

Text

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

8 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.