## <u>Modification Report</u> <u>Metering Arrangements at Special Metering Supply Points</u> <u>Modification Reference Number 0029</u>

Version 3.0

This Modification Report is made pursuant to Rule 10 of the Modification Rules and follows the format required under Rule 9.6.

## **Circumstances Making this Modification Proposal Urgent:**

In accordance with Rule 10.1.2 Ofgem has agreed that this Modification Proposal should be treated as Urgent because In accordance with Rule 10.1.2 Ofgem has agreed that this Modification Proposal should be treated as Urgent because in this instance the modification relates to a time related event insofar as existing Uniform Network Code (UNC) transitional provisions relating to the metering arrangements for 'unique sites' expire on 12 July 2005. The granting of urgent status and adherence to the timetable set out below would ensure that the proposal is in a position to be decided upon (and if appropriate implemented) in readiness for the expiry of existing UNC provisions.

### **Procedures Followed:**

The procedures agreed with Ofgem for this Proposal are:

Proposal agreed as urgent	17 June 2005
Circulated to Users requesting representations	17 June 2005
Close out of representations	27 June 2005
Urgent modification report issued	29 June 2005
Panel decide upon recommendation	06 July 2005
Revised urgent modification report issued to Ofgem by	07 July 2005
Ofgem decision by	11 July 2005

### 1. The Modification Proposal

The proposer states that Modification of the Uniform Network Code (UNC) is required to provide that relevant drafting be incorporated enabling the provision, installation and maintenance by Relevant Transporters of Supply Meters at any 'Special Metering Supply Point'.

It further states that the purpose of this Modification Proposal is to ensure that metering arrangements for 'unique sites' continue to be covered under the UNC. It should be noted that this position does not preclude a consumer from exercising its 'right' to choose which party provides the Supply Meter.

Transco's Network Code was modified on a transitional basis with effect from 12 July 2004 to provide that Transco would for 12 months, provide, install and maintain meters at sites having 'special' administrative procedures. Commonly termed as being 'unique sites', these very large offtake Supply Meter Points often have 'complex' shipping arrangements, e.g. sites subjected to 'shared' User ownership.

'Unique sites' are identified within the UNC as being a 'Special Metering Supply Point'.

Members of the Meter Asset/Work Unbundling sub-group of the previous Network Code Supply Point & Billing Workstream have since identified that all 'unique site' metering arrangements (i.e. all provision, installation and maintenance activities currently performed by Relevant Transporters) should be retained within the UNC. This is based on the lack of sufficient cost/benefit and contractual complexities associated with development and implementation of a new 'unbundled' contractual regime outside of the UNC. Ofgem has subsequently granted a consent under Standard Special Condition A33 of the Gas Transporter's licence to enable the Transporter's metering business to access transportation information so as to be able to provide metering services at 'unique sites' on an ongoing basis.

### Supporting information

'Unique sites' represent approximately 100 of the 22 million metering assets within the UK and are split between direct NTS and LDZ offtakes. The sub-group considered the complexities of these types of configuration and identified that these sites cannot be readily transferred into the existing competitive market structure. A number of areas were considered by the sub-group and are set out below:

- The Gas Act provides, under some circumstances, for sites to be supplied with gas by shippers as distinct from suppliers. Shippers supplying sites under the Gas Act exemption would have no opportunity to enter into a contract for the use of Transco owned meters installed at these sites if the metering arrangements are taken out of Network Code. The Review of Gas Metering Arrangements (RGMA) compliant contracts are only applicable to holders of gas supply licences.
- The RGMA protocols and associated metering contracts are based upon the 'supplier hub' principle and do not consider or support shipper involvement.
- In respect of NTS sites (which are all classed as 'unique sites'), Transco has not provided new meters since 1996 (when to support competition in the provision of new connections, Transco changed its connection policy to providing the minimum offtake which excludes measurement equipment). Transco does not intend to install new NTS meters in the future. Thus, it could be argued that a competitive market in the provision of new NTS meters already exists. Further, Transco would not materially benefit through future growth opportunities by the retention of these configurations within the UNC.
- Of the NTS meters that were installed by Transco prior to its change of policy in 1996, most were fully funded by the customer as part and parcel of the original 'siteworks' and, as such, these meters only attract an ongoing 'maintenance' charge. Thus, the likelihood of competition in provision of such meters is extremely low, only being economically justified where savings in maintenance charges can fund the considerable costs of replacing the existing meter installation.
- The RGMA baseline does not support 'unique sites' and would, irrespective as to whether a manual or system solution was envisaged, need to be reviewed and revised.

Certain 'unique sites' are currently managed under 'multi' shipper contracts where the transportation and metering charges are allocated "proportionally" between the parties. This precludes the underlying principle in the RGMA of a one-to-one relationship.

# 2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Transco states that it believes the measures identified within this UNC Modification Proposal further the GT Licence 'code relevant objective' of securing competition between relevant shippers and between relevant suppliers.

# **3.** The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

No such implications have been identified.

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including

### a) implications for operation of the System:

No implications for operation of the system have been identified.

## b) development and capital cost and operating cost implications:

No such implications have been identified.

# c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

Transco does not propose any additional cost recovery.

## d) analysis of the consequences (if any) this proposal would have on price regulation:

No such consequences have been identified.

# 5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

As specified in the legal text, where the Special Metering Supply Meter Installation is owned by Transco, Transco will retain appropriate maintenance and other relevant obligations irrespective of the network on which the Special Metering Supply Meter Installation is installed.

6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

No such implications have been identified.

# 7. The implications of implementing the Modification Proposal for Users, including adiministrative and operational costs and level of contractual risk

No such implications have been identified. Existing commercial arrangements will be sustained.

## 8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

No such implications have been identified.

# 9. Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No such consequences have been identified. Ofgem has granted a consent under Standard Special Condition A33 of the Gas Transporter's licence to enable the Transporter's metering business to access transportation information so as to be able to provide metering services at 'unique sites' on an ongoing basis.

### 10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages:

- Enacts the aspiration of the Meter Asset/Work Unbundling sub-group of the Supply Point and Billing Workstream.
- Maintains the right of a consumer to exercise choice in respect of provision of the Supply Meter.

Disadvantages:

• No disadvantages have been identified.

# 11. Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Nine representations (from the following) were received with respect to this Modification Proposal. All representations support implementation of the Proposal.

Scottish & Southern Energy (SSE)	Support
NGT (Distribution) (NGTD)	Support
NGT (Transmission) (NGTT)	Support
British Gas Trading (BGT)	Support
Statoil	Support
BP Gas (BP)	Support

RWE Npower (RWE)	Support
E.ON UK (EON)	Support
Scotia Gas Networks (SGN)	Support

SSE recognised that the "Meter Asset/Work Unbundling sub-group…was tasked with looking at this issue…recommended that unique site metering arrangements…should be retained within the (Uniform) Network Code" and added that "this proposal is broadly straightforward and pragmatic and therefore we supports implementation of this proposal".

As the proposer, NGTD confirmed its support for the Proposal and noted that "the need for the Proposal was identified within the Meter Asset/Work Unbundling sub-group of the former Network Code Supply Point & Billing Workstream".

NGTT highlighted that the "costs and contractual complexities ...with the... implementation of a new "unbundled" contractual regime...at unique sites would outweigh the likely benefits of any such move... this would particularly be the case ...at sites connected to the National Transmission System, where there has been effective competition in the provision of meters at new connections since 1996".

BGT expressed a view that "it is appropriate [for] metering arrangements at these SSMPs (Unique Sites) [to] continue to be covered by the provisions of the Uniform Network Code" and added that taking account of "this small population of supply points it would not be appropriate to make provision under standard RGMA conditions".

Statoil believed that the Proposal advocated the "sensible approach as the unique provisions...includes multiple Shipping and Supply arrangements" that "makes it difficult for them to be readily transferred into the competitive metering market" and added that "the decision taken to retain SMPS's within the UNC is the most pragmatic way forward".

BP recalled that in the Review of Gas Metering Arrangements "the industry sought to achieve a model that provided for the majority of metering arrangements" and "recognised that a number of "types" of configurations fell outside the model that we developed". It further stated that the "sub...group undertook a detailed review of ...the Special Metering Supply Points...The group therefore recommended that Prime and Sub meters could be provided for in the competitive market while Special Meter Supply Points should remain in the UNC." BP viewed that this is a "pragmatic approach which reflects the unique nature of these sites while ensuring that as many meters as possible benefit from the competitive market".

RWE expressed a view that "Due to the complexities of these types of configuration we believe that until enduring arrangements can be put in place within the Commercial Market these...Supply Points should remain the responsibility of the Relevant Transporters".

In supporting implementation, EON commented that the proposal "provides for continuing provisions for unique sites, and ... enables shippers to continue to enter into contracts for the use of Transco owned meters installed at those sites".

SGN commented that the "proposal is predominantly to ensure…current metering arrangements for unique sites continues …We believe the evidence supports continuation…at this stage".

## 12. The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation of the Modification Proposal is not required to enable Transporters to facilitate compliance with safety or other legislation.

# 13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

This Proposal is not required to facilitate any such change.

### 14. Programme for works required as a consequence of implementing the Modification Proposal

This UNC Modification Proposal enables Transporters' metering related businesses to communicate directly with Relevant Transporters for the purposes of facilitating metering arrangements at Special Metering Supply Points. Existing process mechanisms would be retained to enable information to be directly passed to enable meter works at 'Special Metering Supply Points'. No significant process and systems changes would be required as a consequence of implementing this Modification Proposal.

# 15. Proposed implementation timetable (including timetable for any necessary information systems changes)

This proposal can be implemented with effect from 12 July 2005.

**16.** Implications of implementing this Modification Proposal upon existing Code Standards of Service No such implications have been identified.

# 17. Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 6th July 2005, all ten Voting Members were in favour of the implementation of this Modification Proposal.

### **18.** Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

### **19.** Text

### **TPD Section G7 insert the following text:**

### Paragraph 7.1.1 add the following:

- "(d) "Special Metering Supply Point" is any Supply Point:
  - (i) comprising a Supply Meter Point in respect of which a Supply Meter Installation is provided and installed by the Transporter; and
  - (ii) such Supply Meter Point:
    - (1) is a Shared Supply Meter Point; or
    - (2) is comprised within a System Exit Point which is subject to a Special Offtake Arrangement; or
    - (3) which is comprised in an LDZ Specified Exit Point identified within a Supply Point Nomination in respect of which a Supply Point Registration has occurred; or
    - (4) which is comprised in a Notional NTS Connection Point identified within a Supply Point Offer in respect of which a Supply Point Registration has occurred; or
  - (iii) such Supply Meter Installation comprises a Supply Meter to which telemetered equipment has been installed in accordance with Section M4.9.1; or
  - (iv) which the Transporter and the User at such Supply Point have agreed shall be a Special Metering Supply Point.

### Add new paragraphs 7.1.6 and 7.1.7 to read:

- "7.1.6 Notwithstanding paragraph 7.1.1(b)(iii) and (c)(i) and (ii) (which specifically does not include work relating to the Supply Meter Installation) for the purposes of this paragraph 7, "**Siteworks**" includes works undertaken by the Transporter:
  - (a) at the request of a Registered User or other person in connection with the System for the purposes of installing, modifying, removing, or replacing a Supply Meter Installation at a Special Metering Supply Point;
  - (b) at the request of the Registered User for the purposes of ceasing or enabling the flow of gas at a Special Metering Supply Point.

7.1.7 The Transporter shall not be obliged to undertake work requested in accordance with paragraph 7.1.6(a) or 7.1.6 (b), where the Special Metering Supply Point comprises a Special Metering Supply Point unless by no later than the date of such request the Registered User has notified the Transporter that it has obtained from those Users at such Shared Supply Meter Point their agreement to undertake such work."

### Section M, add new paragrpahs 2.6, 2.7 and 2.8 to read:

### "2.6 Supply Point Metering

2.6.1 Where the Transporter is providing the Supply Meter Installation or any part of it and it is comprised within a Special Metering Supply Point (a "**Special Metering Supply Meter Installation**"), the provisions of this paragraph 2.6 apply.

2.6.2 Except as the Transporter may otherwise agree in an Ancillary Agreement with the Registered User:

(a) subject to sub paragraph (c) and (d) and to paragraphs 2.6.4 and 2.6.5, the Transporter will be responsible for securing (on behalf of the Registered User) the maintenance, repair, exchange and replacement of the Special Metering Supply Meter Installation or relevant part of it provided by the Transporter within a reasonable time after a request to do so and subject to payment of appropriate charges in accordance with the Metering Charges Statement;

(b) the Registered User shall secure that there are made available (without charge to the Transporter) at the Supply Point Premises:

- (i) a suitable site (at a location complying with paragraph M2.1.3) at the Supply Point Premises, and suitable support, protection and security, for the Special Metering Supply Meter Installation;
- (ii) supplies of power, water and drainage as appropriate for the Special Metering Supply Meter Installation;
- such access, at all reasonable times and in any event between 08:00 and 17:00 hours on any Business Day, to the Supply Point Premises as shall be required to enable the Transporter to carry out all Meter Installation Works required pursuant to sub paragraph (a);
- (c) the Registered User shall take all reasonable steps to secure that the Special Metering Supply Meter Installation is not damaged or otherwise mistreated;
- (d) ownership of the Special Metering Supply Meter Installation shall remain with the Transporter (or any person to whom the Transporter may transfer ownership); and the Registered User shall take all reasonable steps to secure that any notice to that effect affixed thereto by the Transporter shall not be removed or defaced.
- 2.6.3 Nothing in paragraph 2.6.2 requires the Transporter:
  - (a) to replace any part of a Special Metering Supply Meter Installation other than where such replacement is necessary as a result of the failure (including by reason of damage, normal wear or tear or defective design or manufacture) thereof;
  - (b) to carry out any Meter Installation Works other than for the purposes of maintaining or repairing or (where required under sub paragraph (a)) replacing a Special Metering Supply Meter Installation or part thereof provided by the Transporter;
  - (c) except in the case of routine maintenance, to carry out any Meter Installation Works until reasonable notice has been given to the Transporter of the requirement for such works.
- 2.6.4 Meter Installation Works carried out by the Transporter for the purposes of maintaining, repairing or (where required having regard to sub paragraph 2.6.3(a)) replacing any part of a Special Metering Supply Meter Installation to which this paragraph 2.6 applies will not be Siteworks for the purposes of Section G 7.1.

- 2.6.5 Any Meter Installation Works which any person may request the Transporter to carry out in respect of a Special Metering Supply Meter Installation other than as required under paragraph 2.6.2, including:
  - (a) the provision of a Special Metering Supply Meter Installation at a New Supply Meter Point;
  - (b) the provision of a Special Metering Supply Meter Installation at a Supply Meter Point where by reason of a change in the nature or extent of the consumer's requirements for the supply of gas the existing Special Metering Supply Meter Installation no longer complies with the requirements of paragraphs 2.1.2 and 2.1.3

will be Siteworks subject to and in accordance with Section G 7.1.

- 2.6.6 Nothing in this paragraph 2.6 prevents the Transporter from providing at the request of the consumer or supplier a Special Metering Supply Meter Installation or which conforms to higher standards than are (or provides any function in addition to what is) required pursuant to Section M2.1.2, provided that (unless the Registered User has otherwise agreed) the amount of the relevant charge payable by the Registered User will not thereby be increased.
- 2.6.7 Where as a result of any failure or defect in any Special Metering Supply Meter Installation provided by the Transporter gas cannot be offtaken from the System at the relevant Supply Meter Point and except where Section J4.4.5(b) applies, the Transporter will not be in breach (by reason thereof) of its obligation to make gas available for offtake from the Total System until:
  - (i) written notice of such failure, defect or requirement has been given to the Transporter; and
  - (ii) the expiry after such notice of a reasonable period for the Transporter to carry out the required Meter Installation Works.
- 2.6.8 For the purposes of Section M, "**Meter Installation Works**" means the installation testing, maintenance, repair, exchange or replacement of a Special Metering Supply Meter Installation or any part thereof.
- 2.6.9 Any Code Communication in respect of any activities performed in relation to a Special Metering Supply Meter Installation shall only be made by Conventional Notice.
- 2.6.10 Where as a result of any Meter Installation Works undertaken by the Transporter in relation to Special Metering Supply Meter Installation, the relevant Meter Information recorded in the Supply Point Register ceases to be accurate, the Transporter will after completing such Meter Installation Works:
  - (a) amend the Supply Point Register so as to record the change in relevant Meter Information required as a result of such works; and
  - (b) provide to the Registered User(s) details of the amendment made pursuant to the above."

### 2.7 Supply Point Register Amendment

2.7.1 Where as a result of any Meter Installation Works undertaken by the Transporter in relation to an applicable Supply Meter Point, the relevant Meter Information recorded in the Supply Point Register ceases to be accurate, the Transporter will after completing such works:

- (a) amend the Supply Point Register so as to record the change in relevant Meter Information required as a result of such works; and
- (b) provide to the Registered User details of the amendment made pursuant to paragraph (a).
- 2.7.2 For the purposes of this paragraph 2.7
  - (a) an "**applicable**" Supply Meter Point is a Supply Meter Point, other than an NTS Supply Meter Point or Supply Meter Point comprised in a VLDMC Supply Meter Point Component, in relation to which the Transporter provides the Special Metering Supply Meter Installation.
  - (b) references to a Supply Meter Point include a New Supply Meter Point, and accordingly references to a change in relevant Meter Information includes the creation of initial relevant Meter Information.
  - (c) relevant Meter Information is such Meter Information as is specified in the UK Link Manual.
  - (d) in relation to any calender month and any User, a "**relevant**" Supply Meter Point is an applicable Supply Meter Point of which the User is Registered User and in relation to which the Meter Installation Works referred to in paragraph 2.7.1 were completed in that month.
  - (e) a relevant Supply Meter Point will not be treated as one in relation to which the Transporter did not comply with paragraph 2.7.1 where the Transporter was unable to comply with paragraph 2.7.1 by reason of Force Majeure.
  - (f) in relation to any relevant Supply Meter Point, any period within which the Transporter is to comply with paragraph 2.7.1 runs from the Business Day after the relevant Meter Installation Works (therein referred to) were completed.
- 2.7.3 Paragraphs 2.7.4 and 2.7.5 shall apply separately in relation to relevant Supply Meter Points whose Annual Quantities exceed, and do not exceed, 293,000 kWh (10,000 therms).
- 2.7.4 The Transporter will comply with paragraph 2.7.1 within 5 Business Days in respect of at least 95% of relevant Supply Meter Points in relation to each User, in relation to each calendar month.
- 2.7.5 If, in relation to any calender month and any User, the Transporter does not comply with the requirement in paragraph 2.7.4, the Transporter will pay to the User an amount calculated as:

where for the relevant month and the relevant User:

- M is the number of relevant Supply Meter Points;
- N is the number of relevant Supply Meter Points in respect of which Transco did not comply with paragraph 2.7.4;
- Q is the relevant percentage of £10 in relation to relevant Supply Meter Points whose Annual Quantities exceed 293,000 kWh (10,000 therms), and of £2 in relation to relevant Supply Meter Points whose Annual Quantities do not exceed 293,000 kWh (10,000 therms).
- 2.7.6 If, in relation to a Supply Meter Point which is a relevant Supply Meter Point in any calendar month and of which the User continues to be the Registered User until the end of such 20 Business Day period, the

Transporter does not comply with paragraph (a) within 20 Business Days, the Transporter will pay to the User the relevant percentage of £30 in relation to relevant Supply Meter Points whose Annual Quantities exceed 293,000 kWh (10,000 therms), and of £5 in relation to relevant Supply Meter Points whose Annual Quantities do not exceed 293,000 kWh (10,000 therms).

- 2.7.7 For the purposes of TPD Section V10, the rules in paragraph 2.7.5 and 2.7.6 are Compensation Rules within Compensation Group L and in relation thereto the 'payment month' is the second month following that in which the Meter Installation Works were completed.
- 2.7.8 Where in any month the aggregate amount payable by the Transporter under this paragraph 2.7 would exceed the relevant amount provided in paragraph 2.7.5, the amounts payable to Users in respect of that month shall be reduced pro rata.

2.7.9 The provisions of Section G4.9.1 and 4.11 (in each case after the application of paragraphs 2.7.5 and 2.7.6) apply for the purposes of this paragraph 2.7, which is subject to those provisions.

### Paragraph 5.1.1, add new sub paragraph (f) to read:

"(f) A Performance Relevant Supply Meter will be treated as one in relation to which the Transporter did not provide a Valid Meter Reading in respect of such Performance Relevant Supply Meter where the Transporter was unable to provide a Valid Meter Reading by reason of failure or unavailability of the Special Meter Supply Meter Installation in which the Performance Relevant Supply Meter is contained."

### Add new paragraph 5.1.4 to read:

"5.1.4 Where, upon an inspection (pursuant to a Daily Read Error Notice or otherwise) of Daily Read Equipment, the Transporter finds that there is a failure or unavailability of the Special Metering Supply Meter Installation and this is the cause of the Daily Read Equipment not functioning correctly:

(a) where the Transporter is not Transco and Transco has provided and installed such Special Metering Supply Meter Installation, it shall so notify Transco promptly after its inspection;

- (b) where Transco receives notice under paragraph 5.1.4 or otherwise becomes aware of a failure or unavailability of such Special Metering Supply Meter Installation that may impact on the Transporter's ability to procure accurate and timely Valid Daily Meter Readings, Transco will promptly advise the Transporter when it becomes aware of such failure or unavailability;
- (c) in the event of (a) or (b) Transco will:

(i) promptly arrange for the repair/replacement of such Special Metering Supply Meter Installation by a competent person;

or replaced;

(ii) notify the Transporter when such Special Metering Supply Meter Installation has been repaired

(iii) unless such Special Metering Supply Meter Installation has been repaired or replaced, no later than one month after either of the events in (a) or (b) inform the Transporter of the date by which Trasnco is expecting such Special Metering Supply Meter Installation to be repaired or replaced and thereafter notify the Transporter of any changes to the expected date;

(d) upon notification that such Special Metering Supply Meter Installation has been repaired/replaced, the Transporter will arrange for the prompt resynchronisation of the Daily Read Equipment.

## UNIFORM NETWORK CODE - TRANSITION DOCUMENT

Part IIC – Transitional Rules

Delete paragraphs 1.1, 1.3.1, 1.3.2, 1.3.3 and 1.3.6.

Subject Matter Expert sign off:

*I confirm that I have prepared this modification report in accordance with the Modification Rules.* Signature:

Date :

## Tim Davis Chief Executive Joint Office of Gas Transporters

Signed for and on behalf of Relevant Gas Transporters:

Signature:

Date :