

**Modification Report**  
**Proposal to insert obligations to process data received from iGTs in line with the requirements as outlined within Annex A of the Connected System Exit Point (CSEP) Network Exit Agreement (NExA)**  
**Modification Reference Number 0083**  
Version 2.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 9.6.

## **1. The Modification Proposal**

Management of the large Transporter and iGT relationship is governed by the Connected System Exit Point (“CSEP”) Network Exit Agreement (“NExA”), with the relationship between the CSEP User and the appropriate Gas Transporter governed by the relevant Network Code. iGTs are required under the terms of the CSEP NExA to submit timely updates to large Transporters to allow them to calculate output quantities, the proportion of transportation costs relating to large Transporters, to facilitate the reconciliation of Larger Supply Points as obliged under the terms of the UNC and to perform an AQ Review for all Larger and Smaller Supply Points, the procedure following the same process and timescales as those applied by large Transporters in accordance with the UNC .

Although the contractual terms of the CSEP NExA outline in certain circumstances the timing and method for provision of data and the responsibilities of each party involved, no direct reference to the requirements to process this data is currently present within the UNC.

The intention of this Modification Proposal is to insert into the UNC a requirement for Transporters to process data received from iGTs in a timely manner. The proposed processing of data received and the required timescales are as follows:

### **Supply Point Classification**

Large Transporters should be required to keep iGTs informed in a timely manner of the development of End User Categories (EUC) for each Gas Year for which they are applicable.

All Logical Meter Number (LMN) AQ updates (as a consequence of AQ Review) are required to be issued by individual iGTs to Large Transporters by the 10th business day prior to 1 October in each year. Large Transporters should be obliged to process the resulting data received within 2 Business Days of receipt.

## **AQ Updates**

IGTs are required to perform LMN AQ Updates on a weekly basis. Large Gas Transporters should be required to validate data received and either reject or process the data received within 2 Business Days of receipt.

It is proposed that no amendment to the frequency and timing of these updates should be permitted without prior consultation with CSEP Users and approval by Ofgem, via the UNC Modification process.

## **I&C NDM Reconciliations**

On each occasion when a Valid Meter Reading is received by the iGT (in respect of a larger NDM Supply Meter Point) within 30 days of such receipt, the iGT is obliged to inform large Transporters of the corrected volume in m<sup>3</sup> (calculated by use of the Valid Meter Reading) for an identified period of time. Following the receipt of corrected volumes from iGTs, large Transporters should be obliged to acknowledge receipt of data received within 2 Business Days of receipt.

This Modification Proposal has been raised in order to introduce within the UNC requirements for Large Transporters to process data received from iGTs in relation to AQ Updates and I&C Reconciliation values in a timely manner. Failure to implement this Modification would result in continued risk for CSEP Users that data received from iGTs will not be processed in a timely manner.

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

The Proposer believes Implementation of this Proposal should help to ensure that the iGT related AQ Updates and I&C Reconciliations are processed in a timely manner. Implementation would therefore be expected to ensure that costs were appropriately allocated between Users, and so better facilitate the securing of effective competition between relevant Shippers.

EON believes implementation would promote efficiency and effective competition.

NG UKD agrees implementation would facilitate effective competition.

TGP believes implementation would promote efficiency.

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

Implementing this proposal should not have any effect on security of supply, operation of the Total System, or industry fragmentation.

NG UKD believe *"that insertion of provisions in the relevant industry codes (including the UNC) increases the transparency of the administration of CSEPs and to this extent the*

*risks of industry fragmentation are reduced due the governance arrangements for the respective Codes".*

**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.

NG UKD believe that *"insertion of provisions that seek to maintain the accuracy of Annual Quantity (AQ) information ensures that the system is adequately sized to manage the demands made of it such that the risks of insufficient pressure or over-investment in reinforcement are minimised"*.

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

No development and capital cost and operating cost 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:**

No cost recovery mechanism is proposed.

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

No such consequences on price regulation 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**

No such consequences have been identified.

NG UKD believe that *"as there are no current UNC provisions of this nature, the Transporters' UNC risk would increase. In being subject to UNC governance, a greater number of industry players are able to propose change to the contractual provisions to which Transporters are required to adhere"*.

**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 systems implications have been identified.

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

No such implications have been identified.

NG UKD believe "*that implementation would provide a greater degree of certainty and transparency for Users in respect of the services provided by the Transporters*".

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

Connected System Operators would need to consider the changes needed to ensure continued compliance with their revised NExA once revised as envisaged in the Proposal.

*National Grid notes that this UNC Modification Proposal does not specifically propose any amendment of the CSEP NExA.*

**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.

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

**Advantages**

- improved data processing

National Grid believes that the proposal also increases transparency of large Transporters' role in CSEP administration

**Disadvantages**

- none identified

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

| <u>Organisation</u>        | <u>Abbreviation</u> | <u>Position</u> |
|----------------------------|---------------------|-----------------|
| E.ON UK                    | EON                 | For             |
| National Grid Distribution | NG UKD              | For             |
| RWE Npower                 | RWE                 | For             |
| Scottish Power             | SPower              | For             |
| Total Gas & Power          | TGP                 | For             |

EON stated *"There are significant problems with the current industry arrangements regarding customers located on IGT networks. The Gas Forum produced a paper detailing these issues in 2005 and recently Energywatch have also issued a detailed report reinforcing their concerns with these issues. We believe that this proposal helps to start to address some of these issues"*.

Adding they believe *"that it is in the interests of the gas distribution businesses to process information from IGT's concerning offtake from their networks. These networks are connected to the distribution businesses without the benefit of physical metering equipment. Without relevant accurate information being available to the distribution businesses in a timely manner it could be argued that they are unable to operate an efficient and economic pipe-line system"*.

National Grid identified the following concerns in respect of the legal text specified in the report:

- *The text is not actually numbered against specific paragraphs of the Section and is thus unclear.*
- *The text refers to some terms which are not currently defined and which require definition or explanation. For instance*
  - *Process - "relevant calculations"*
  - *"annual Update procedure"*
  - *"logical meter"*
  - *"validate" data - the current definition in OAD relates to validation of Metering Equipment re OAD Section D*

The SME would also highlight that the legal text provided is not numbered against specific paragraphs of Section J6 and believes this would cause problems with the production of the Implementation Notice, if the Proposal were implemented.

National Grid is firmly of the view that this Modification Proposal requires consideration in conjunction with the Modification Proposals raised by ScottishPower in respect of the iGT Network Codes. The Proposals advocate the provision to Large Transporters by iGTs of data to which this UNC Modification Proposal refers.

RWE state that *"This mod seeks to require the Transporters to process data received from an IGT within certain timescales. Due to the structure of the market the level of analysis of the data is at a high level and does not provide any degree of comfort to the User that the data is correct. Nevertheless, we believe that introducing some discipline into the processing by the Transporters of data supplied by the IGTs is a first and necessary step in improving the general quality of industry data. In parallel we support the introduction of obligations on IGTs to supply the data in a timely manner. We believe that the timescales*

*as defined in the legal text should not prove onerous to the Transporters and that there should not be any major impact upon their systems and processes".*

*ScottishPower state that they "have been concerned for sometime over the frequency of AQ Update submissions by iGTs and the alternative arrangements that have been allowed to operate without prior agreement with Shippers. This has mainly occurred when an iGT through a particular operational constraint has been unable to fulfil weekly updates provisions. This Modification will ensure that no changes to the frequency of the AQ Updates are permissible without prior consultation with CSEP Users and approval by Ofgem".*

*TGP in support, agree that "It seems appropriate that these provisions are subject to the UNC governance process as the operation of the Transporter-iGT interface is critical to Shippers in providing a good service to end consumers connected to iGT networks".*

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

Implementation is not required to enable each Transporter 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**

Implementation is not 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.

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

No programme of works would be required as a consequence of implementing the Modification Proposal.

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

Proposed Implementation Date: 1 October 2006, or later if necessary to coincide with implementation of related Modification Proposals to iGT Network Codes

*National Grid agrees that it is only appropriate to implement this Proposal in the event that equivalent Modifications as proposed by ScottishPower are made to the relevant iGT Network Codes.*

**16. Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications of implementing this Modification Proposal upon existing Code Standards of Service 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 20 July 2006, of the 9 Voting Members present, capable of casting 10 votes, 10 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this 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

### UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT SECTION J – EXIT REQUIREMENTS

To be inserted into Section J6

#### 6.5.4 Where the Connected System Operator is a Gas transporter the Transporter shall

- (a) keep the Connected System Operator informed in a timely manner of the development of the End User Categories applicable to that Connected System Operator for each Gas Year;
- (b) process data received from the Connected System Operator in connection with processes under the CSEP Network Exit Agreement relating to the Connected System Annual Quantity annual update for existing CSEP Users with logical meters within 2 Business Days following receipt;
- (c) validate data received from the Connected System Operator in connection with logical meter number Annual Quantity weekly updates pursuant to the CSEP Network Exit Agreement and either reject or process it within 2 Business Days following receipt; and
- (d) acknowledge in writing to the Connected System Operator receipt of data received from the Connected System Operator pursuant to paragraphs (b) and (c) of this section within 2 Business Days following receipt;

#### 6.5.5 For the purposes of sections 6.5.4 (b) and (c),

- (a) "process" data means analyse and review the data received and carry out the relevant calculations in respect of it;
- (b) "logical meter" has the meaning ascribed to it in the CSEP Network Exit Agreement;
- (c) "validate" means to carry out such checks on the accuracy of data as the Transporter would carry out in relation to an equivalent Supply Point on its System

#### 6.5.6 Any proposal by the Transporter to amend the frequency or timing of the logical meter number Annual Quantity updates required from the Connected System Operator shall be deemed to be a proposal to amend the Transporter's Network Code and shall be subject to the Modification Rules.



Subject Matter Expert sign off:

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

Signature:

Date :

Signed for and on behalf of Relevant Gas Transporters:

**Tim Davis**  
**Chief Executive, Joint Office of Gas Transporters**

Signature:

Date :