

CODE MODIFICATION PROPOSAL No. 0115
"Correct Apportionment of NDM Error"
Version 1.1

Date: 18 January 2007
Proposed Implementation Date: 2007
Urgency: Non Urgent

Following feedback from the November Distribution Workstream, the proposer has modified two elements of this proposal. The first is to remove the clause that excluded AMR supply points from the scope of this proposal; i.e. AMR supply points are now within scope. The second change is to clarify that this proposal seeks to recover all such unreconciled energy from all NDM supply points. These changes are now included in this version 2.0 of this proposal, which is presented for further discussion at the January 2007 Distribution Workstream.

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

Urgent procedures are not sought for this Proposal.

This Modification is presented as a Development Modification with the aspiration that the Distribution Workstream develop the detailed solution requirements for a period of no greater than 3 calendar months from the date of the first Distribution Workstream meeting with the Modification entering the formal consultation phase by January 2007.

Nature and Purpose of Proposal (including consequence of non implementation)

Following presentation of the Reconciliation by Difference (RbD) verification information to the RbD Sub-Group in 2006, it became apparent that significant quantities of unreconciled energy exist at any time.

The indication given in the RbD verification presentation was that this has resulted in an over-allocation of as much as 3% of Smaller Supply Point (SSP) demand, which equates to an average of 540kwh per MPRN per year in recent Gas years. The composition of this over allocation derives from a number of sources including, but not limited to, unregistered sites, shipperless sites, undiscovered theft, AQ errors, deeming errors etc.

Whilst it is the case that some of this unreconciled energy is of a transient nature (AQ and deeming error for example), which will be corrected once meter point reconciliation has been completed within the Large Supply Point market, a significant portion of this error relates to errors which are common across Non Daily Metered (NDM) supply points.

Under the existing arrangements for allocation of energy the burden of these errors, and the corresponding costs, are borne entirely by the Smaller Supply Point market through RbD.

Notwithstanding that some element of this unreconciled energy is transient, owing to the interval between reconciliation and the quantities involved the proposer believes that it is appropriate for this to be managed within all the relevant supply point categories rather than being borne solely by the Smaller Supply Point market. It also follows that the non-specific error should also be spread equitably across both LSP and SSP markets.

By definition Daily Metered (DM) Supply Points are outside this process and the daily allocation of energy to these consumers is clear. Although there is reconciliation applied to DM Supply Points following annual check reads, these are generally of low materiality.

For clarity, it is considered that supply points with Automated Meter Reading (AMR) facilities should also be included within this Settlement exposure.

This Modification Proposal would require Transporters, through their common agency, to identify the quantity of mis-allocated energy from these sources in each day and to allocate this in proportion to the aggregate holding (Sum of AQs) of all NDM supply points by each User by means of a “Mis-allocated Energy Neutrality”.

Proportions used in this allocation would not be adjusted by subsequent energy reconciliations.

Consequences of not implementing this Proposal

By not implementing this proposal an inappropriate cross subsidy of costs will continue to exist across market sectors and between market participants with significant quantities of energy continuing to be allocated to the Smaller Supply Point Sector incorrectly which primarily comprises Domestic Supply Points.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

We believe that this modification proposal would further the relevant objectives as defined in SSC A11 of the Gas Transporters Licence as follows:-

By ensuring the correct allocation of energy and transportation charges following revision of Annual Quantities –

(d) so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:

(i) between relevant shippers

(ii) between relevant suppliers

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

We believe that there will be a minimal impact to systems in order to undertake this apportionment of energy. From information presented to the industry on RbD verification, it is apparent that some processes are already in place to identify the quantities in each category but a methodology will need to be developed for equitable allocation and billing. We believe that these will be fairly modest and existing invoice formats, which are currently applied only to RbD Users may be relatively easily adapted to apply this allocation to those Users that would also be affected by this proposal.

Code Concerned, sections and paragraphs

Uniform Network Code, Section E

Proposer's Representative

Mike Young, British Gas Trading

Proposer

Mike Young, British Gas Trading

Signature

.....