



28 April 1997

Direct Dial: 0171-932-1681
Our ref.: PL/124

Dear sir/madam

Re: Modification Proposals 0124

Ofgas has accepted this proposal as we believe it improves on the current reconciliation smearing mechanism. We recognise that further issues have been raised by respondents to the consultation on this modification and we expect that these issues should be resolved through a further review.

These issues arise because the reconciliation process contains a number of simplifications which may or may not be justified. We would support shippers in requesting a review of these simplifications. In particular, reconciliation amounts may be affected by changes in market share over time. There is also a concern that any unallocated amounts after all meter reads have been collected should either be smeared across all supply points or be included in shrinkage. The current situation may smear this amount only across NDM supply points.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Peter Lambert', written in a cursive style.

Peter Lambert

Regulation and Business Affairs



Urgent Modification 124

Decision

Amendment to DM Reconciliation Smearing

Present Position

Under the Network Code, allocated flows at Daily Metered (DM) supply points are based on daily reads. Non Daily Metered (NDM) supply points are allocated flows by applying an algorithm to the difference between DM meter reads and the total offtake for that exit zone.

If DM meter reads are later revised, DM reconciliation takes place. This process adjusts the allocations for DM sites to take account of the revised meter reads. However, even if the total of DM reads is different following the revision of these meter reads, no change is made to the split between NDM and DM allocations. The difference between the total meter reads and the original total is smeared across all DM allocations. The change in allocations is reflected in a reconciliation invoice.

Proposal

It is proposed that when DM reconciliation takes place, any changes in the split between NDM and DM allocations for that exit zone should be reflected in the reconciliation. This would require DM and NDM reconciliations to take place simultaneously in most cases.

Decision

Ofgas has accepted this modification as we believe it improves on the current reconciliation smearing mechanism. We recognise that further issues have been raised by respondents to the consultation on this modification and we expect that these issues should be resolved through a further review.

Possible impact on customers

An improvement in the DM reconciliation process is likely to result in more accurate bills for customers.

Further information

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