

Workstream Report
To extend the scope of the RbD Auditor's role
Modification Reference Number 0135

Version 0.3

This Workstream Report is presented for the UNC Modification Panel's consideration. [The Distribution Workstream considers that the Proposal is sufficiently developed and should now proceed to the Consultation Phase. The Workstream also recommends that the Panel requests the preparation of legal text for this Modification Proposal.]

1 The Modification Proposal

The role of the RbD Auditor is narrowly defined in the UNC V.9.5 -9.7. In essence the role is to check that processes employed the Transporters to calculate the Aggregate NDM Reconciliation Charges are compliant with the provisions of the UNC. For a number of years the Auditor has reported that by and large the Transporters have complied with the said provisions. Improvements when they have been identified have been very minor and have been implemented quickly.

However, Shippers have been frustrated by the fact that the scope of the audit has been very narrow. They have frequently had concerns that there is no audit of any of the processes that supply the base data. It should be noted that it is not the intention of this proposal to investigate the accuracy of User's metered data that is used in NDM reconciliation as this is outside of the control of the Transporters. However there are a number of data feeds, which are fundamental to the accuracy of User's Energy and Transportation charges, which are under the management of the Transporters but are not subject to any independent audit.

It is proposed that the scope of the Auditor's role be widened to review those processes which have an impact upon the Transportation Charges which affect the RbD sector. It is also proposed that in order to manage the auditor in an efficient and economical manner that the amount of time spent on such investigations shall be limited to [50] man days per year. The precise nature of any of the investigations will be determined by the RbD Audit Sub Committee.

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

Standard Special Condition A11.1 (a): *the coordinated, efficient and economic operation of the pipe-line system to which this licence relates;*

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (b): *so far as is consistent with sub-paragraph (a), the (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;*

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): *so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (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; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;*

Auditing base data processes to ensure accuracy of Users' Energy and Transportation charges will provide reassurance that the system is allocating costs appropriately and hence support the securing of effective competition between Shippers and between Suppliers.

Standard Special Condition A11.1 (e): *so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers' licences) are satisfied as respects the availability of gas to their domestic customers;*

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): *so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.*

The auditing of base data processes to ensure accuracy of Users Energy and Transportation charges will provide reassurances that the UNC is being implemented efficiently, and that the RbD Auditor is being managed efficiently and economically.

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

No implications on security of supply, operation of the Total System or industry fragmentation 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 development or capital costs would be incurred. Additional operating costs would arise to fund the proposed extension of the auditors role.

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

No additional cost recovery is proposed.

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

No consequence for price regulation has 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 consequence is anticipated.

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 changes to systems would be required as a result of implementation of this Proposal.

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

Administrative and operational implications (including impact upon manual processes and procedures)

User members of the RbD Audit Sub-Committee would face extra effort in order to provide guidance to the auditor regarding the areas to be considered.

Development and capital cost and operating cost implications

No such costs have been identified.

Consequence for the level of contractual risk of Users

Reducing the risk of errors in the RbD calculations would be consistent with reducing the contractual risk faced by Users.

8 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and

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.

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

Advantages

- Extended Audit scope
- Increased reassurance of correct data management

Disadvantages

- increase in Auditing Costs.

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

No written representations have been received.

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

No such requirement has been identified.

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

No such requirement has been identified.

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

No programme for works has been identified.

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

It is proposed that the Modification is implemented with immediate effect following direction by the Authority.

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. Workstream recommendation regarding implementation of this Modification Proposal

[The Distribution Workstream considers that the Proposal is sufficiently developed and should now proceed to the Consultation Phase. The Workstream also recommends that the Panel requests the preparation of legal text for this Modification Proposal.]