

Workstream Report
Introduction of DNO obligations to facilitate resolution of unresolved USRVs
Modification Reference Number 0192
Version 0.1

[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

Review Proposal 0158 "Review of User Suppressed Reconciliation Values' incentive arrangements" was raised by British Gas Trading in July 2007. A Review Group was subsequently convened with a purpose of reviewing the current UNC incentives with respect to User Suppressed Reconciliation Values (USRVs). The Group has recently concluded its discussions and a Review Group Report produced. The Review Group recommended modification of the UNC to introduce provisions to ensure that no USRVs are 'timed out' as a result of the introduction of Modification Proposal 0152V. The Group considered it appropriate for Distribution Network Operators (DNOs) to administer a 'backstop' arrangement to seek resolution of USRVs before they reach the 4/5 year cut off date for invoicing. It was identified that this service should be undertaken on behalf of DNOs by xoserve and would be charged for as a code Agency Charging Statement (ACS) service. Note: UNC Modification Proposal 0188 'Introduction into the UNC of the Agency Charging Statement ("User Pays")' proposes that the Agency Charging Statement (the 'ACS') is referenced in the UNC to give substance and effect to 'User Pays' charging and invoicing arrangements. The Proposal is currently being considered by the UNC Modification Panel.

A Development Workgroup is therefore required to identify business rules under which a modified regime would operate. Items for consideration include but are not limited to:

- the extent of a 'backstop' period;
- the incorporation of 'reasonable endeavours' provisions under which the DNO is required to resolve a USRV;
- the terms under which a 'suitable reconciliation' may be applied which may require interpolation/analysis where conventional resolution is not possible;
- any Meter Reading and read loading requirements;
- the terms under which the proposed reconciliation is made binding.

In the event that this Modification Proposal were not implemented, it is possible that some energy could remain unreconciled because the periods to which the energy relates become timed out for invoicing purposes. Whilst an accurate figure can not be placed upon the associated reconciliation quantities it is accepted that the risk associated with any unreconciled energy creates a level of financial uncertainty for all Users.

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;*

Implementation of this Proposal would improve prompt and timely resolution of reconciliation 'filter failures'. This would increase the level of certainty for Users charged through Reconciliation by Difference (RbD).

A more accurate allocation of energy and transportation charges could be expected which would facilitate the securing of effective competition between Shippers and between Suppliers. This measure is therefore consistent with Standard Special Condition A11.1 (d).

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.*

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

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.

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 such consequence is anticipated.

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)

No such implications have been identified.

Development and capital cost and operating cost implications

No such costs have been identified.

Consequence for the level of contractual risk of Users

No such consequence has been identified.

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.

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

Advantages

Disadvantages

None identified

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)

A suitable period of time would be required for xoserve to develop appropriate processes and procedures.

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.]