

Modification Report
Changes to the window for the submission of Valid Meter Readings
Modification Reference Number 0242
Version 3.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

Introduction

The rules for the submission of Valid Meter Readings by Suppliers to the Transporter are set out in Section M 3.3 of the Uniform Network code.

Section M 3.3.1 requires users to submit not less than 50% of Valid Meter Readings by the 10th Business Day after the Meter Read Date and not less than 100% by the 15th Business day.

The Transporter is not required to accept any Valid Meter Readings obtained by the Supplier but submitted outside of these timescales except where;

“it is feasible for the Transporter to accept such Meter Reading and in the Transporter's reasonable opinion the circumstances make it appropriate that it should do so;”

During November 2005, a number of modification proposals were implemented to protect UK Link system integrity and capacity from the potential submission of volumes of Meter Readings greater than the 400,000 readings per day.

At that time a validation routine was applied to the system to identify the variance in Business Days between the Meter Reading date and file submission date.

Prior to November 2005, there were no such validation routines in place, relating to Meter Reading dates and submission dates, and UK Link accepted all Meter Readings provided by Shippers subject to normal Meter Reading validation rules.

On the 10 March 2006, Xoserve issued a communication to Shippers, numbered and entitled NR/610/DA – Temporary Change to Cyclic Meter Reading Validation Routine.

Within this communication Xoserve advised that a number of Shippers had highlighted to them that they had volumes of Meter Readings which fell outside of the 10- Business Day parameter and had requested that validation be relaxed to enable readings to be submitted.

Following the reinstatement of these validation rules, Shippers continued to find that, operationally, the 10 Business Day parameter was not sufficient to enable the provision of all validated Meter Readings to Xoserve and so British Gas raised modification proposal 0124 to amend the parameters to allow Shippers to ensure that as many Meter Readings as possible are able to be validated and provided to Xoserve.

In March 2007 Ofgem directed implementation of Modification 0124 and the

window for Valid Meter Reading submission was amended from 10 Business Days to the current 15 Business Days.

In its original proposal, British Gas proposed that the window be extended to 20 Business Days, as this was believed to be the optimal level between ensuring the maximum number of Meter Readings could be Validated and received by Xoserve, balanced against the need to protect UK Link system integrity at that time.

Following conversations with Xoserve and the Transporters British Gas amended proposal 0124 to set the Meter Reading window at 15 Business Days. This change was made following concerns around UK Link performance and stability.

Since that time several significant changes have taken place to the UK Link system, such as the move to a new server system with increased performance and stability and change to a new operating system.

It is our understanding that the concerns around the stability of UK Link expressed by Xoserve in 2006 are no longer valid and so barriers to extending the Meter Reading window to ensure the maximum number of Readings are processed have been removed.

Our proposal

The intention of this modification proposal is to allow a greater number of actual Meter Readings to be accepted by Xoserve, acting as the Transporters' agent, than is currently provided for under the Uniform Network Code (UNC).

The processing of Meter Readings and their Validation is a complex Supplier process and Users can, at times, struggle to ensure that all actual Meter Readings are submitted within the timeframe currently set out in the UNC.

Numerous Validation processes are undertaken by Suppliers, to ensure that Meter Readings received are indeed valid, this process subsequently produces exceptions or queries which need to be communicated back to, and addressed by, the meter reading agent for reprocessing.

We therefore propose that Section M 3.3.4(b) is amended to require Users to submit 100% of Meter Reads by the 25th Business Day after the Meter Reading date.

This will allow a much higher proportion of Valid Meter Readings to be accepted by Transporters and this in turn will improve the accuracy of the allocation of energy through the reconciliation process.

It would also provide for a greater number of Meter Readings to be accepted for purposes of setting Annual Quantities (AQ) which itself will improve the accuracy of deeming volumes of energy at supply points.

We do not propose any changes to the timescale within which the first 50% of reads are to be submitted and this will remain at 10 Business Days (paragraph M3.3.4(a)).

Suggested Text

Provided by Northern Gas Networks:

TRANSPORTATION PRINCIPAL DOCUMENT

SECTION M - SUPPLY POINT METERING

Paragraph 3.3.4(b) amend to read as follows:

"not less than 100% are provided (in accordance with paragraph 3.3.1) by the 25th Business Day after the Meter Reading Date."

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

Standard Special Condition A11.1 (a): the 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 coordinated, efficient and economic operation of

(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 provide for a greater number of Valid Meter Readings to be accepted by the Transporters. In turn this would:

- improve the accuracy of the allocation of energy through the reconciliation process;
- provide for a greater number of Meter Readings to be accepted for the

purposes of setting Annual Quantities (AQ);

- improve the accuracy of deeming volumes of energy at supply points.

By facilitating acceptance of more Valid Meter Readings, implementation would facilitate more accurate allocation of energy and transportation charges between Users. This would permit improved targeting of energy balancing charges and increase the cost reflectivity of Transportation Charges.

EDF Energy felt improved AQs and SOQs should also result in more accurate allocation of energy. This should result in a reduction in the movement of energy between sectors and so decrease the risk of RbD that SSP Shippers are exposed to.

SGN considers increasing the number of Valid Meter Readings to be accepted would improve the accuracy of the allocation of energy through the reconciliation process, thus would permit improved targeting of energy balancing charges and increase the cost reflectivity of Transportation Charges. Therefore, it would help facilitate the effective competition between relevant shippers.

Scottish Power considers the Proposal furthers Standard Special Condition A11.1 (d). Acceptance of more valid Meter Readings will facilitate more accurate allocation of energy and transportation charges between Users. This will permit improved targeting of energy balancing charges and increase the cost reflectivity of Transportation Charges, thereby better facilitating achievement of the Code Relevant Objective of securing effective competition between relevant shippers.

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... 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 subparagraphs (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 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

Where a User is able to supply further Meter Readings in line with its cyclic Meter Reading obligations this reduces the likelihood of the Transporter being required to procure a 'must read' pursuant to TPD Section M3.6.

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

Prior to the 16th June 2006 the Meter Reading window period was set at 99 days and was only reduced because of concerns over the stability of the UK Link system prior to the UK Link Technology Refresh and server replacement.

Both the UKLTR and the server upgrade took place during 2007/8 and no further concerns over the systems stability have been raised.

Implementation of this proposal would result in an increase in the number of Meter Readings submitted by Shippers, currently Meter Readings submitted outside of the 15 Business Day window are submitted as part of automated processing but are rejected by Xoserve's systems.

Therefore any additional processing of Valid Meter Readings would also lead to a reduction in processing of Meter Reading Rejections by both Xoserve and Shippers as well as a reduction of manually processed Meter Readings through the AQ Review process.

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)

Where Meter Readings have been rejected by xoserve's system because they fall outside the current 15 Business Day window, UNC rules allow for these Meter Readings to be resubmitted by Shippers as part of the AQ Review process.

Implementation of this proposal would result in a decrease in the manual processing of Meter Readings as part of the AQ Review process.

Development and capital cost and operating cost implications

No such implications have been identified.

Consequence for the level of contractual risk of Users

No such consequences have been identified.

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

EDF Energy felt that when estimating a customers' bill if there is insufficient read history, then the AQ is used to estimate the bill. If more accurate meter readings result in more accurate AQs then in turn this should result in more accurate estimated bills. This will therefore also be beneficial to consumers.

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

- Increasing the window during which Users are able to submit Valid Meter Reading to xoserve will assist in ensuring the correct allocation of energy and transportation charges.
- Extending the current window for submission of Meter Readings will provide Shippers with a longer period to validate Meter Readings that have been rejected by xoserve. This will provide Shippers adequate time to run their internal checks on the reads, and if necessary carry out a visual inspection of the meter prior to resubmission.
- EDF Energy note that by allowing more accurate meter reads to be submitted the risks of creating a USRV are reduced. This should therefore provide a benefit to LSP Shippers as they will be able to avoid USRV investigation costs and also benefit SSP Shippers who will be exposed to the risk of unreconciled energy being caught in a USRV.

- National Grid Distribution have undertaken a review of reading submission over the last 12 months and identified that in addition to the 55 million readings accepted, an further 284,500 (0.5%) would have been accepted if the extended window applied i.e. these readings were rejected due to the submission date being between 15 and 25 days subsequent the date of the reading.

Disadvantages

- National Grid Distribution is mindful of the impacts of increased daily peak volumes of readings which may be exacerbated by an extended window within which to submit 50% of meter readings. With the ongoing development of the automated meter reading / Smart metering market there is an increased likelihood of a greater volume of cyclic reads being submitted to Transporters which prospectively may increase the peaks experienced to date.
- Scottish power advise if a meter is exchanged or other meter works conducted between the date the read was obtained and the date it was submitted to xoserve, this read would be rejected since it relates to a different asset or a later meter read may be recorded.

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

Representations were received from the following parties:

| Organisation | Position |
|------------------------------|-----------------|
| EDF Energy | Supports |
| E.ON UK | Supports |
| National Grid Distribution | Supports |
| RWE Npower | Supports |
| Scotia Gas Networks | Supports |
| Scottish and Southern Energy | Supports |
| Scottish Power | Supports |
| Shell Gas Direct | Supports |

Eight responses to the consultation were received of which eight supported implementation of the Modification Proposal.

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

National Grid Distribution considers changes would be required to adjust the parameterised value from 15-day to 25-day systems validation of meter reading origin dates relative to submission dates. It is anticipated that the costs of making such a change will be minimal.

15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

It is believed that this Modification Proposal would have minimal impact upon systems and processes. It would require only the extension of the window of acceptance of valid meter reads.

The initial view on the legal drafting required is simply the amendment of the number in paragraph 3.3.

For the reasons given above, it is envisaged that the implementation timescales could be reasonably short.

National Grid Distribution and Scotia Gas Networks anticipate that system changes will be minimal, some changes to UK Link system may be required, consideration of any lead time and implementation timescales would be driven by xoserve's requirements for systems changes and the formal change release schedule defined in UNC section U8 UK Link Modifications.

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

National Grid Distribution notes that if the UK Link prescribed daily limit remains 400,000 and if this is exceeded causing a UK Link Failure (TPD Section U7.6.1(a)) then the Transporters are not liable to pay amounts detailed in TPD U7.6 where the failure is attributable to the behaviour of a User. Failure to comply with the limits set out in the UK Link Manual would be categorised as an "Inappropriate User Action" (U7.6.1(g)) and as such would be taken into consideration when determining the performance of UK Link.

17 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 16 April 2009, of the 10 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 and Electricity Markets Authority in accordance with this report.

19 Text

TRANSPORTATION PRINCIPAL DOCUMENT
SECTION M - SUPPLY POINT METERING

Paragraph 3.3.4(b) amend to read as follows: "not less than 100% are provided (in accordance with paragraph 3.3.1) by the 25th Business Day after the Meter Reading Date."

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters