Workstream Report
Meter Read Replacement
Modification Reference Number 0248

Version 4

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

Background

Under the current UNC arrangements Shippers are unable to replace a meter reading once a subsequent reading has been submitted. This is in contrast to electricity where a meter reading can be replaced at any time. For Larger Supply Points (LSPs) once a subsequent reading has been submitted the only way to ensure accurate allocation caused by a previously erroneous meter reading is to undertake a Consumption Adjustment.

For Smaller Supply Points (SSPs) any historically erroneous meter readings can cause issues during the annual AQ Amendment window and so require significant manual intervention both by xoserve and Shippers. In particular we would note that from the data presented by xoserve to Rolling AQ Modification Development Workgroup 0209 xoserve had to manually intervene in 19,000 LSP MPRNs and 34,000 SSP MPRN AQ calculations in 2008. From the examples of manual intervention presented at the November working group meeting the majority of these were caused by inaccurate historical meter readings.

In addition the UNC requires that 50% of meter readings are submitted within 10 business days of collection and 100% are submitted within 25 business days of collection. Whilst LSP meter readings are subject to validation by xoserve, Shippers are required to validate SSP meter readings and submit these within the meter reading window. However subsequent meter readings, or meter visits may prove that these meter readings were inaccurate despite Shipper validation; however there are no routes to correct these.

It would therefore appear beneficial to develop a process so that Shippers are able to replace meter readings even if a subsequent reading has been submitted. This issue has been discussed historically at the Distribution Workstream, however the issue has not been progressed as the system implications to enable a LSP meter reading replacement and subsequent reconciliation have proved problematic. The replacement of these systems, through Project Nexus should therefore enable these issues to be overcome, and allow subsequent reconciliation. However EDF Energy believes that it is appropriate to facilitate these discussions through the Project Nexus Workstream, and so subsequent reconciliation is outside of the scope of this proposal.

The Modification Proposal

It is proposed that the UNC is modified so that:

1. The registered Shipper is able to replace any meter reading for a SSP and LSP that it is currently registered to even if a subsequent meter reading has been submitted. For clarity it is proposed that a registered Shipper can not replace a meter reading submitted by the previous Shipper.
2. A Shipper will flag a meter reading that replaces a meter reading were a subsequent meter reading has been submitted as a Historic Revised Meter Reading.
3. A Historic Revised Meter Reading can not be used to replace the most recent meter reading.
4. The relevant Gas Transporter can request and the Shipper will make any information available to the relevant Gas Transporter to support the updated meter reading.
5. This Historic Revised Meter Reading will be available to Shippers and Transporters for any AQ re-calculation as a result of an AQ Appeal or AQ Amendment.
6. For clarity the submission of a replacement meter reading for an LSP which has had a subsequent meter reading submitted will not result in re-reconciliation of that supply point.
7. The Meter Reading which has been replaced by the Historic Revised Meter Reading will be used for any adjustments.
8. The Gas Transporters will publish a quarterly report detailing the number of meter reading replacements submitted by individual Shippers on an anonymous basis. This report will be available on a User Pays basis.
9. Shippers will not be able to replace a meter reading that can not be used for the AQ process. This will mean that the "last" read for the AQ calculation will act as the backstop date.
10. A replacement meter reading will be a valid meter reading. This means that UNC Section M 3.3.5 will not be applied to Historic revised Meter Readings.

2 User Pays

a) Classification of the Proposal as User Pays or not and justification for classification

User Pays – this proposal creates an additional service to the UNC that was not funded as part of the GDPCR or TPCR.

b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

Development Costs: 75% Shippers 25% Transporters

Operational Costs: 100% Shippers

This is based on the fact that Transporters will benefit from this proposal as less manual intervention will be required during the annual AQ review. In addition it is believed that this proposal will facilitate Standard Special Condition A11.1 (a), (c) and (d). Utilising the current Industry Cost Allocation Matrix (ICAM) in the User Pays Guidance Document this would suggest that a 50/50 split is appropriate. However we believe that more of these benefits will be attributable to Shippers through improved transportation cost allocation and energy cost allocation.

c) Proposed charge(s) for application of Users Pays charges to Shippers

Development costs: p/Historic Revised Meter Reading Replacement Submitted – recovered over 2 years.

Operational Costs: p/Historic Revised Meter Reading Replacement Submitted

This will ensure that those who are utilising the service are paying for it, and so facilitate cost targeting which is a requirement of SSC A15. The demand for this service should be easily identifiable as the Transporters reject reads were a subsequent meter read has been submitted using a rejection code. A simple backcasting exercise over the previous 12 months should identify the number of reads that could utilise this service. In addition EDF Energy expects to share its demand requirements in confidence with the Gas Transporters to aid price development.

d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

Charges to be provided.

3 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;***

Annual Quantities form the building block of many of the planning and system security activities of Transporters. Enabling Shippers to replace meter readings will improve the accuracy of Annual Quantities which will fundamentally improve the ability of Transporters to operate the pipeline system in an efficient and economic manner.

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;***

Increased accuracy of Annual Quantities, as a result of implementation, would increase certainty of the derived peak load forecasts. This would enable improved capacity and storage planning as required under the licence.

Standard Licence Condition A5 (available at http://epr.ofgem.gov.uk/index.php?pk=doc380897) requires the Gas Transporters to develop a charging methodology that ensures charges are developed which reflects the costs incurred by the business. Currently both the GDNs' and NTS charging methodologies rely on SOQs, which are derived from AQs to develop charges that are cost reflective. Allowing Shippers to replace inaccurate meter readings will ensure that a more accurate AQ is derived and so would be consistent with the achievement of this 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;***

Improvement in accuracy of Annual Quantities will ensure that energy is allocated more accurately on the original commodity invoice and minimise movement of energy between market sectors through reconciliation. This would be expected to minimise risk for RbD Shippers and reduce costs associated with reconciliation for all Shippers. It is expected that this would facilitate competition between relevant Shippers, minimise uncertainty for new entrants and increase revenue certainty for GDNs. Improvement in accuracy of AQs and consequently SOQs would improve cost targeting.

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.

4 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.

5 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 costs identified in addition to those covered by User Pays.

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

None identified

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

No such consequence is anticipated.

6 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

Under the current Governance arrangements there is not a co-ordinated process for implementation of a UNC Modification proposal that requires the subsequent alteration to the Agency Charging Statement (ACS). There is therefore a risk that this proposal is implemented prior to approval by Ofgem of an updated ACS. This could therefore create a risk that the Transporters are required to provide a UNC service but do not have a supporting charge for this. However we would note that implementation dates are in the hands of the Gas Transporters are so they are able to manage this risk.

7 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

It is expected that there will be system impacts for Transporters, however we have not been able to identify the extent of these.

Some Shippers may experience system costs to utilise this new arrangement. However Shippers will be able to chose whether to utilise these arrangements or not, and so will be able to avoid any system costs if they do not wish to utilise these arrangements.

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

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

If Shippers chose to utilise this process, then some Shippers may have administrative and operational implications, including the validation of new invoices. However these costs are avoidable if they do not utilise the service.

b) ***Development and capital cost and operating cost implications***

If Shippers choose to utilise this process, then some Shippers may have administrative and operational implications, including the validation of new invoices. However these costs are avoidable if they do not utilise the service.

c) ***Consequence for the level of contractual risk of Users***

If more accurate AQs led to more accurate energy allocation, then reconciliation costs for Shippers would be reduced.

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

Consumers should benefit from more accurate AQs by ensuring costs are more accurately targeted.

10 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.

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

Advantages

- Ensures consistent arrangements across gas and electricity regulation.
- Provides the first test of the User Pays arrangements and User Pays Guidance Document that has been developed by industry.
- Potentially reduced RbD volumes by allocating energy to the correct market segment.
- Improved cost targeting by increasing the accuracy of capacity charges and energy allocation.

Disadvantages

- Cost of implementation

12 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.

13 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.

14 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.

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

No programme for works has been identified.

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

It is recommended that this proposal is implemented as soon as possible after direction to implement from Ofgem, and ideally by 1 October 2009.

Enduring arrangements to enable full reconciliation of a replacement meter read should be progressed through Project Nexus.

17 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.

18 Workstream recommendation regarding implementation of this Modification Proposal

The Distribution/Transmission 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.