CODE MODIFICATION PROPOSAL No xxxx
Meter Read Replacement
Version x.x

Date: 19/03/2009

Proposed Implementation Date: 1 October 2009

Urgency: Non Urgent

1 The Modification Proposal

a) Nature and Purpose of this Proposal

Background

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

For Smaller Supply Points (SSPs) any historically erroneous meter reads 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 reads.

In addition the UNC requires that 50% of meter reads are submitted within 10 business days of collection and 100% are submitted within 15 business days of collection. Whilst LSP meter reads are subject to validation by xoserve, Shippers are required to validate SSP meter reads and submit these within the meter reading window. However subsequent meter reads, or meter visits may prove that these meter reads 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 reads even if a subsequent read has been submitted. This issue has been discussed historically at the Distribution Workstream, however the issue has not been progressed at the system implications to enable a LSP meter read 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 read for a SSP and LSP that it is currently registered to even if a subsequent meter read has been submitted. For clarity it is proposed that a registered Shipper can replace a meter read submitted by the previous Shipper, provided that it can demonstrate that it is a more accurate view of consumption.

2. [When submitting a meter read replacement the Shipper will warrant that it is an accurate view of the gas consumed and that it has information available to support this view if required.]

3. [The relevant Gas Transporter can request and the Shipper will make any information available to the relevant Gas Transporter to support the updated meter read.]

4. This meter read will be available to Shippers and Transporters for any AQ re-calculation as a result of an AQ Appeal or AQ Amendment.

5. For clarity the submission of a replacement meter read for an LSP which has had a subsequent meter read submitted will not result in reconciliation of that supply point.

6. [The Gas Transporters will publish a quarterly report detailing the number of meter read replacements submitted by individual Shippers on an anonymous basis. This report will be available on a User Pays basis.]

b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)

Not applicable

c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.

This proposal has already been discussed at the 26 March 2009 Distribution Workstream and was raised and discussed as a topic prior to this. It is therefore proposed that this proposal be issued straight for consultation.

2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of 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 reads 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 reads 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.

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

No implications have been identified

4 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:

a) The implications for operation of the System:

No impact has been identified

b) The development and capital cost and operating cost implications:

It is expected that there will be a development and operating cost associated with the implementation of this proposal, however we are unable to identify the materiality of these costs. We therefore seek guidance from the Transporters regarding the likely materiality and whether it would be beneficial for a Rough Order of Magnitude (ROM) report to be produced.

c) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:

If costs are sufficient enough to warrant recovery through a User Pays mechanism then the development and incremental operational costs should be split so that 25% are allocated to Transporters and 75% of costs are allocated to 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 the majority of these benefits will be attributable to Shippers through improved transportation cost allocation and energy cost allocation.

It is proposed that implementation of this proposal would provide a service that is available to all GDN LSP and SSP Shippers. It would therefore appear appropriate were there a requirement to recover development costs that any costs attributable to GDN Shippers should be recovered using a p/peakdaykWh/day charge. This is designed to reflect the fact that those with larger AQs should benefit from more accurate AQs. In addition this benefits from utilising an existing charging format and so should limit implementation costs.

Operational costs should be recovered from Shippers based on the number of meter read replacements submitted were a subsequent meter read has already been loaded. 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) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this 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.

5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)

No impact identified.

6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of 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.

7 The implications for Users of implementing the Modification Proposal, including:

a) The 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) The development and capital cost and operating cost implications

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.

c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal

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

8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)

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

9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters

None identified.

10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above

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

11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)

12 Detail of all other representations received and considered by the Proposer

13 Any other matter the Proposer considers needs to be addressed

We believe that enduring arrangements to enable full reconciliation of a replacement meter read should be progressed through Project nexus.

14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal

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

15 Comments on Suggested Text

16 Suggested Text

Amend Section M

3.7.3 In respect of the ~~most recent~~ Valid Meter Reading provided to the Transporter in accordance with paragraph 3.4 or 3.5 a User may at any time secure and provide to the Transporter a revised value of such Valid Meter Reading ("Revised Meter Reading").

3.7.4 ~~The Transporter will only accept such Revised Meter Reading w~~ Where the Meter Read Date of such Revised Meter Reading is the same as or later than the Meter Read Date of the most recent Valid Meter Reading recorded by the Transporter then this Revised Meter Reading will not represent a Valid Meter Reading for the purposes of Reconciliation as contained within Section E6.

~~3.8.9 A User may not give notice under paragraph 3.8.7, and the Transporter will not accept (under paragraph 3.8.8(b)) an Agreed Opening Meter Reading which is notified to it, at any time after any other Meter Reading (for a Meter Read Date after the Supply Point Registration Date) has been provided to the Transporter for the relevant Non-Daily Read Supply Meter.~~

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document M 3.7.3, 3.7.4

Section(s)

Proposer's Representative

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Proposer

EDF Energy

