Joint Office of Gas Transporters

Stage 04: Final Modification Report

What stage is this document in the process?

01 Proposal

02 Workgroup Report

03 Draft Modification Report

04 Final Modification Report

0362:

Use of 'notional Meter Readings' and 'Agreed Opening Meter Readings' for Individual CSEP Reconciliation

This Proposal seeks to amend the generic LDZ CSEP NExA Annex A to extend the Meter Reading types which can be utilised to reconcile Transportation Commodity charges and Energy Charges at CSEP Larger Supply Points. Existing generic LDZ CSEP NExA terms restrict such to 'Valid Meter Readings' which do not extend to the two reading types specified in the title of this Proposal.

Panel decided this self-governance modification should be implemented.

High Impact:

Medium Impact:
iGTs and Users (Shippers) and DNOs.

Low Impact:

Contents

About this document:

This document is a Final Modification Report, presented to the Panel on 16 June 2011.

Any questions?

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1 Summary

Is this a Self-Governance Modification

This is a Self-Governance modification.

Why Change?

A significant proportion of gas consumed at Larger Supply Points (LSPs) located on LDZ Connected System Exit Points has not been reconciled according to the relevant Meter Readings. Independent Gas Transporters (iGTs) have indicated that one reason why this is not being progressed is the inability of iGTs to utilise Meter Readings which are not 'Valid Meter Readings' for the purposes of issuing reconciliation volumes (relative to the point of transfer between Users) to the upstream Distribution Network. Examples of Valid Meter Readings are those procured by Meter Reading Agents or Customer Readings.

At an operational meeting, which took place on 11th January 2011, Xoserve confirmed that as of January 2011, 60% of circa 4,000 live Logical Meter Numbers (LMNs) and 47% of circa 6,200 closed LMNs have never been reconciled.

As a consequence, there is a risk that Large Transporter commodity and energy charges have been inappropriately apportioned across Users.

Solution

It is proposed to amend Annex A Part 5 of the generic LDZ Connected System Exit Point (CSEP) Network Exit Agreement (NExA) to enable 'notional Meter Readings' (i.e. estimated Opening Meter Readings) or 'Agreed Opening Meter Readings' to be used for the purposes of Individual Reconciliation at NDM CSEP Larger Supply Points.

Impacts & Costs

Implementation of this modification proposal is anticipated to permit the processing of a greater volume of Individual Reconciliation at NDM CSEP Larger Supply Points, which will reduce the risks associated with a relative high proportion of unreconciled charges. There are no implementation costs for Large Transporters.

Implementation

As self-governance procedures are proposed, implementation will be 16 business days after a Modification Panel decision to implement.

The Case for Change

Transportation Commodity charges and Energy charges are subject to reconciliation. In respect of LSPs connected to the DN network and the iGT network, this reconciliation is calculated based upon a Meter Reading. In the event that no reconciliation volume is able to be derived for a LSP, the risk of the unreconciled charges manifests in those Shippers who incur charges via the Reconciliation by Difference (RbD) mechanism.

2 Why Change?

This issue particularly manifests itself where a change of User occurs at a CSEP Supply Point and a Valid Meter Reading ('Opening Meter Reading') is not provided by the incoming User. As a consequence the iGT (pursuant to the iGT UNC) provides a notional Meter Reading and further, the incoming and outgoing Users may mutually agree an Agreed Opening Meter Reading. However the contractual terms in place between the DNO and the iGT (Annex A of the generic LDZ CSEP NExA) prevent the use either for the purposes of reconciliation.

Annex A part 5 of the generic LDZ CSEP NExA currently restricts the readings that can be utilised to derive a reconciliation volume as follows:

1.2 On each occasion on which a **Valid Meter Reading** is received in respect of a Larger NDM Supply Meter Point within 30 days of such receipt the CSO shall inform [DN] of the same.

As the definition of "Valid Meter Reading" is not provided within the generic LDZ CSEP NExA, paragraph 1.2 of the generic LDZ CSEP NExA provides that this has meaning prescribed in the UNC. Hence the generic LDZ CSEP NExA states the following:

1.2 Words and expressions defined in the National Grid Network Code and not defined in this agreement have the meanings ascribed to them under the National Grid Network Code…

Accordingly Section M3.1.4 of the Uniform Network Code (UNC) Transportation Principal Document (TPD) states:

3.1.4 A Meter Reading obtained from a Non-Daily Read Supply Meter is a "**Valid Meter Reading**", and the relevant Meter Read a "Valid Meter Read", where the following conditions are satisfied and not otherwise:

(a) except in the case of a Customer Read permitted under paragraph 3.1.6, or an Opening Meter Reading permitted under paragraph 3.1.4(f) or a Proposing User Read permitted under 3.1.4(h), the Meter Reading was provided by a Meter Reader appointed in accordance with paragraph 1.4.5;

(b) except in the case of an Opening Meter Reading, the Meter Reading has been subject to validation in accordance with paragraph 1.5;

(c) where the Meter Reading was rejected by such validation, the Registered User has taken or secured the taking of such further steps as it determines to be necessary to investigate the validity of the Meter Reading and has thereby confirmed such validity; and

(d) the Meter Reading together with the details required pursuant to 3.3.1 are provided to the Transporter in accordance with that paragraph;

(e) the details provided pursuant to paragraph 3.3.1 are consistent with the equivalent Meter Information appearing in the Supply Point Register;

(f) in the case of an Opening Meter Reading obtained and provided in accordance with M3.8.2, the Meter Reading is a Gas Card Reading or a Calculated Gas Card Reading;

(g) the Meter Reading was provided by means of a Remote Read;

(h) the Meter Reading was a Proposing User Read.

Hence it is clear that neither a notional Meter Reading or an Agreed Opening Meter Reading are Valid Meter Readings. Nevertheless, such readings are able to be used for the purposes of Individual NDM Reconciliation as clarified in the following sections of the UNC. TPD Section M3.8 states:

3.8.5 Without prejudice to paragraph 3.8.10, where an Opening Meter Reading is not provided to the Transporter by the date required under paragraph 3.8.2(b):

(a) (except where 3.8.7(b) applies) a notional Meter Reading will be used for the purposes of Individual NDM Reconciliation in accordance with Section E6.1.6

3.8.7 Subject to paragraph 3.8.9:

(a) (save where paragraph 3.8.7(b) applies) the Proposing User may notify to the Transporter a revised value of a Meter Reading (an "Agreed Opening Meter Reading") for a Non-Daily Read Supply Meter which is agreed between the Proposing User and the Withdrawing User as being valid for a date within the required date range and is to replace the Opening Meter Reading (or estimated Meter Reading under paragraph 3.8.5);

3.8.8 Subject to paragraph 3.8.9, where a User notifies to the Transporter an Agreed Opening Meter Reading under paragraph 3.8.7:

(c) the Individual NDM Reconciliation in relation to the Withdrawing User (determined under Section E6.2 in accordance with the original Opening Meter Reading or estimated Meter Reading under paragraph 3.8.5) shall be revised in accordance with Section E6.7.2;

Therefore, whilst the provisions of the UNC do not classify either a notional Meter Reading ('estimate') or and an Agreed Opening Meter Reading ('shipper agreed reading') as Valid Meter Readings, they can nevertheless be utilised for the purposes of Individual NDM Reconciliation.

3 Solution

Accordingly, this proposal seeks to replicate the application and use of these two reading types within the generic LDZ CSEP NExA Annex A as the current wording specifically excludes Meter Readings that are not 'Valid' from being utilised for reconciliation purposes.

Suggested Legal Text

AMENDMENT TO GENERIC LDZ CSEP NExA, ANNEX A

INTERIM CSEP(S) NETWORK EXIT AGREEMENT (GT LDZ CONNECTED SYSTEM EXIT POINT)

Amend Annex A, Part 5, paragraph 1.2 to read as follows:

On each occasion on which a Valid Meter Reading, notional Meter Reading (determined by the CSO) or Agreed Opening Meter Reading is received in respect of a Larger NDM Supply Meter Point within 30 days of such receipt the CSO shall inform National Grid of the same.

4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objective (d).**

The benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	No
b) 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.	No
c) Efficient discharge of the licensee's obligations.	No
d) 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.	Yes
e) 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.	No
f) Promotion of efficiency in the implementation and administration of the Code	No

Achievement of Relevant Objective (d)

(d) "the securing of effective competition between shippers". Creation of a contractual framework which allows a greater quantity of individual CSEP reconciliations to flow would reduce the risks placed on Users which are subject to charges levied via the Reconciliation by Difference mechanism, where an agreed read is provided. This would increase certainty and potentially result in more 'accurate' allocation of costs and thus facilitate the securing of effective competition between Shippers.

5 Impacts and Costs

The Large Transporters would not incur any additional costs in the event of implementation. On the basis that a greater quantity of individual reconciliations are received, implementation would enhance the accurate allocation of costs between Users.

Costs

Indicative industry costs – User Pays
Classification of the Proposal as User Pays or not and justification for classification
This Proposal is not User Pays
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
Not applicable
Proposed charge(s) for application of Users Pays charges to Shippers
Not applicable
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve
Not applicable

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	No impact has been identified
Operational Processes	No impact has been identified
User Pays implications	The Proposal is not User Pays

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	No impact has been identified
Development, capital and operating costs	No impact has been identified
Contractual risks	No impact has been identified

Impact on Users	
Legislative, regulatory and contractual obligations and relationships	No impact has been identified

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	No impact has been identified
Development, capital and operating costs	No impact has been identified
Recovery of costs	No impact has been identified
Price regulation	No impact has been identified
Contractual risks	No impact has been identified
Legislative, regulatory and contractual obligations and relationships	No impact has been identified
Standards of service	No impact has been identified

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	No impact has been identified
UNC Committees	No impact has been identified
General administration	No impact has been identified

Impact on Code	
Code section	Potential impact
No impact has been identified	

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	No impact has been identified
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	Interim CSEP(s) Network Exit Agreement – GT LDZ Connected System Exit Point: Annex A Part 5
Storage Connection Agreement (TPD R1.3.1)	No impact has been identified

Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location: http://www.gasgovernance.co.uk/sites/default/files/0565.zip

Impact on UNC Related Documents and Other Referenced Documents	
UK Link Manual (TPD U1.4)	No impact has been identified
Network Code Operations Reporting Manual (TPD V12)	No impact has been identified
Network Code Validation Rules (TPD V12)	No impact has been identified
ECQ Methodology (TPD V12)	No impact has been identified
Measurement Error Notification Guidelines (TPD V12)	No impact has been identified
Energy Balancing Credit Rules (TPD X2.1)	No impact has been identified
Uniform Network Code Standards of Service (Various)	No impact has been identified

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	No impact has been identified
Gas Transporter Licence	No impact has been identified
Transportation Pricing Methodology Statement	No impact has been identified

Other Impacts	
Item impacted	Potential impact
Security of Supply	No impact has been identified
Operation of the Total System	No impact has been identified
Industry fragmentation	No impact has been identified
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	iGTs would need to make the necessary operational and system changes to allow notional Meter Readings and Agreed Opening Readings to generate reconciliation volumes for issue to Large Transporters.

6 Implementation

As this is a self-governance modification, implementation can be 16 business days after a Modification Panel decision to implement.

7 The Case for Change

In addition to that identified above, the Workgroup has identified the following:

Advantages

- Enables a greater quantity of individual CSEP reconciliation to be issued by iGTs to Large Transporters. It is believed that a significant volume of such 'reconciliation' is determined on the basis of notional Meter Reading or Agreed Opening Meter Readings which is currently not able to be processed by Large Transporters due to the existing provisions of Annex A of the generic LDZ CSEP NExA.

Additional advantages identified through representations are that it:

- Reduces the risks associated with a relative high proportion of unreconciled charges. (Gazprom)

- Provides the opportunity for a greater quantity of data to be collected, reducing the misallocation of energy to RbD shippers whilst improving the level of accuracy of CSEP charges allocated to relevant shippers. (RWE Npower and Scotia Gas Networks)

- Brings the process for iGT sites more in line with established DN processes. (Shell Gas Direct)

Disadvantages

- The modification does not incentivise the provision of actual reads for use in reconciliation.

8 Legal Text

Suggested Legal Text has been provided in Section 3 above. No change to the UNC is required to implement the modification.

9 Consultation Responses

Representations were received from the following parties:

Respondent	
Company/Organisation Name	**Support Implementation or not?**
British Gas	Supports
E.ON UK	Supports
Gazprom Marketing & Trading Retail	Supports
National Grid Distribution	Supports
Northern Gas Networks	Supports
RWE Npower	Supports
Scotia Gas Networks	Supports
ScottishPower	Not in Support
Shell Gas Direct	Supports
SSE	Supports
Wales & West Utilities	Supports

Of the eleven representations received, ten were in support of implementation and one did not support implementation.

Summary Comments

Shell Gas Direct observed that due to the large number of CSEPs that have never been reconciled it could be foreseen that agreeing a meter reading between shippers may be more problematic than otherwise, potentially influenced by the fact it will ultimately generate a large charge.

National Grid Distribution (NGD) raised a concern regarding the potential compromise of the effectiveness of implementation of Modification 0362. Whilst recognising that the terms of the iGT UNC are inconsistent with the Large Transporters' UNC in respect of not allowing Agreed Opening Meter Readings and estimated Opening Meter Readings to be used for the purposes of Individual Meter Point Reconciliation at CSEP Supply Points, NGD have a concern that while this does not prevent implementation of UNC Modification Proposal 0362, its effectiveness could be compromised. Therefore NGD would urge that an iGT UNC party considers raising a Modification Proposal to the iGT UNC to introduce terms equivalent to the terms of the UNC. Whilst the position is clear that the iGT UNC does not allow an Agreed Opening Meter Reading to be used for reconciliation (as it is not a Valid Meter Reading) an estimated (notional) Opening Meter Reading can be used "for the purposes of complying with the NExA". However, for the sake of clarity, it would appear logical for the iGT UNC Proposal to clarify the position in respect of both Meter Reading types.

RWE Npower observed that it should be noted that some iGT generated estimates can be overstated and its use if 'unchallenged' by a Shipper could create an error in the

CSEP reconciliation thereby inaccurately affecting the allocation of energy and subsequent calculated charges to Shippers.

In addition, the numbers of generated estimates by iGTs for LSPs are relatively low compared to the SSP sector, which in fact leaves the "Agreed Read" between the incoming and outgoing shippers to be utilised for this reconciliation. Therefore in order for this modification to achieve its relevant objectives, RWE Npower believed that the iGTUNC modification equivalent must clarify the two definitions and also introduce this provision into the iGT UNC.

Whilst supporting the intent of this Modification, ScottishPower has practical concerns about the historical periods and believes further discussion on wider impacts is necessary prior to implementation. It was unable to support implementation and gave the following explanation highlighting its concerns:

"The GT reconciliation is a long established process that reconciles to actual readings each time a read is submitted to xoserve, irrespective of the change of Supplier process. This means that the majority of the reconciliation period is based on actual consumption, at the point of read submission, and only the start/end position, when a supply point transfers, is potentially based on an estimate. This estimate is effectively based on the AQ and therefore a "zero rec" results as the estimate of consumption is on the same basis as the "deemed" volume in allocation, and therefore zero. This can of course be adjusted through the Shipper Agreed Read (SAR)/Inter Shipper Dispute (ISD) process. To resolve the issue of unreconciled iGT sites, this proposal would effectively "zero rec" all previous Suppliers reconciliation periods or leave such periods unreconciled (which in essence are same thing) and only correct the position going forward. Consequently, this means that the accuracy of AQ's is crucial in determining if allocation is accurate or not. We are therefore concerned that the allocation would not be accurate.

In addition, the Modification does not provide any detail regarding the energy volume associated with those LMNs which have never been reconciled. The Proposal provides percentages of the unreconciled LMN's but this does not give an estimate of the scale of the problem. We would like to understand the energy impact of the unreconciled iGT sites.

Another concern relates to the SAR process. At present there is no requirement on Shippers to provide an agreed read to the iGT (or GTs) and subsequently no requirement on the iGT to accept or store these readings. We think further work in this area would be required to ensure the use of SARs for iGT CSEP reconciliation is fit for purpose. We also believe that as there will be reliance on iGT estimated readings through this process, that it would be prudent to ensure consistency of approach from the iGTs to estimated readings and for Shippers to understand the algorithms used."

10 Panel Discussions

The Panel Chair summarised that the modification seeks to enable two additional read types to be used for the purposes of Individual Reconciliation at NDM CSEP Larger Supply Points. By allowing additional information to be used, implementation may be expected to lead to improved data and, consequently, more accurate allocation of costs between Shippers. Improving cost reflectivity facilitates the development of effective competition.

With 11 votes cast in favour and none against, Panel Members unanimously determined that Self-Governance Modification 0362 should be implemented.

The benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) 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.	None
c) Efficient discharge of the licensee's obligations.	None
d) 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.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards… are satisfied as respects the availability	None

	of gas to their domestic customers.	
f)	Promotion of efficiency in the implementation and administration of the Code	None

11 Recommendations

Panel Recommendation

- Panel determined that Self Governance Modification 0362 be implemented