

## Stage 01: Modification

# 0428: Single Meter Supply Points

At what stage is this document in the process?



Since the inception of competition in gas supply, gas transportation charges have been calculated by grouping meter points into supply points, using rules which reflect the commercial arrangements downstream of the ECV. This modification seeks to revise that commercial construct and establish a rule that would only permit one meter point per supply point, irrespective of any downstream relationship.

ECV = Emergency Control Valve, the point on the distribution network that defines its extremity.



The Proposer recommends that this is not a self-governance modification.



High Impact:



Medium Impact:  
Shippers / Customers and Transporters



Low Impact:

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## About this document:

This document is a modification, which will be presented by the Proposer to the Workgroup on 04 February 2013.



### 2 Any questions?

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## 1 Summary

### Is this a Self-Governance Modification

The Modification determined that Self-Governance procedures should not be followed.

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## Why Change?

There are a number of reasons why there is a need to change the current arrangements.

The current arrangements:

- Are not cost reflective;
- Are cumbersome to administer; and,
- Are complex to systematise.

## Solution

From a date to be determined to coincide with the go-live date for Nexus, "Nexus go-live date", a Supply Point shall only contain one Supply Meter Point.

As a precursor to the implementation of this rule, with effect from 1st April 2014, a Supply Meter Point would neither be permitted to be added to an existing multi-metered Supply Point, nor combined with another single supply Meter Point, to create a new multi-meter Supply Point.

## Impacts & Costs

The main impact will be that transportation rates will be calculated at an individual meter point level and that may, in some instances, present a step change in the rates applied to some of the Meter Points at the affected Supply Points. To allow time for that change to be assimilated into supply contracts, we are proposing that the change will not take effect until the Nexus go-live date (not expected to be before 2015).

Implementation costs associated with central system and transporter processes are yet to be established but it is not anticipated that these will be significant, and in any event, these will be borne by transporters.

## Implementation

Implementation should be on 1<sup>st</sup> April 2014, in the knowledge that prior to the new system implementation, all existing multi meter supply points would have to be disaggregated and reconfirmed as Single Supply Meter Points prior to Nexus go-live date.

## The Case for Change

We believe that the modification furthers four of the relevant objectives, as identified in Section 4, although we believe the principal benefit is that implementation would improve the cost reflectivity of transportation charges, without resorting to a change of charging methodology.

## Recommendation

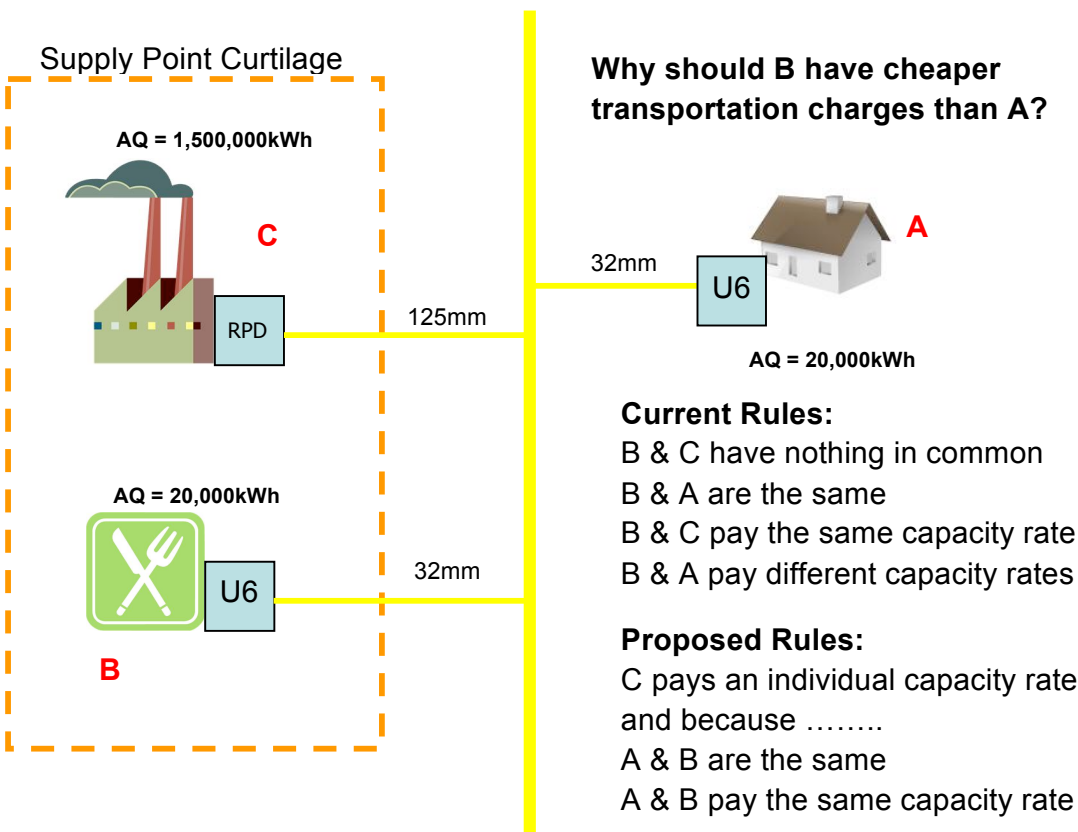
The proposer recommends that the Workgroup assess this modification.

## 2 Why Change?

There are number of reasons why we believe that the time is right to remove the practice of aggregating Meter Points into Supply Points for the purposes of calculating transportation charges.

### Reasons

1. Aggregating Meter Points into Supply Points does not result in a cost reflective capacity rates for the meters at the aggregated Supply Points. The diagram example below illustrates the point.



2. The aggregation rules, as laid down in UNC Section G1.4, are cumbersome to administer and are not easy to apply without an intimate knowledge of the commercial arrangements downstream of the ECV. A scan of the rules used to explain the intricacies of G1.4 is attached as Appendix 1. Removal of multi-metered Supply Points ("mmSP") concept would remove the need to apply these complex rules.
3. At some point in the next few years the Sites and Meters system will be re-written against a new base-line of requirements. If mmSPs are removed from the base-line requirements, this will considerably reduce the complexity which will have to be rewritten into the new system.
4. The removal of mmSPs will improve the granularity of SHQ and SOQ when booked as part of a DM Supply Point component.

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## 3 Solution

The simple answer is from a date, to be determined; all supply points should only comprise one meter point.

We appreciate there are a number of transition issues that need to be addressed, both from a Gas Supply perspective (Supplier) and from a Supply Point Register perspective (Transporter) and, hence, we propose a transition phase should commence at the shipper's discretion, (prior to Nexus go-live), and would be largely shipper driven in terms of managing the disaggregation of the affected Supply Points. Notwithstanding this aspiration, it is proposed that where certain actions are not undertaken by the shipper, then the transporter would have rights to take action on a shippers behalf.

### The Business Rules

With effect from 1st April 2014, a Supply Meter Point would neither be permitted to be added to an existing multi-metered Supply Point, nor combined with another single Supply Meter Point, to create a new multi-meter Supply point. This is the point that the Single Premise Requirement can be removed from the Code

Exception – Twin-stream metering that has two MPRNs will be treated as a single metered supply point

Twin-stream metering means: Two identical meters installed in parallel, fed from a single service, with the flow through the meters combining immediately downstream of the meter outlets

3 months prior to the Nexus go-live date, all multi-metered supply points shall have been disaggregated, and reconfirmed as single meter Supply Points by registered user or have a confirmation in place to take effect prior to the Nexus go-live date.

Any multi-metered supply points not disaggregated by the shipper 3 months prior to Nexus go-live, or having an effective confirmation prior to the Nexus go-live date, would be disaggregated by the transporter's agent using the Transitional Rules detailed below.

### Transition Rules:-

Where, 3 months prior to the go-live date for Nexus, the shipper has not taken action split the Supply Point, the transporter's agent will take such actions as necessary, based on the rules below, to effect the disaggregation.

Any confirmations scheduled to take effect after the date must comply with this rule, otherwise the confirmation will be rejected.

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Transporters' agent disaggregation guidelines:

An NDM supply point: Each meter point will be confirmed using the prevailing MPAQ  
Where sufficient meter read history exists; the Meter Point will be allocated into the  
corresponding WAR banded EUC;

An NDM meter point in a DM supply point: As above;

An DM meter point in a DM supply point: The meter point will be confirmed with an  
SOQ equal to the peak daily consumption for Gas Year 1 Oct 2014 – 31 March 2015,  
(currently expected to be the winter period period prior to effective implementation).

Where it is necessary to split SHQs (for example where a meter points in a DM supply point will  
remain DM but other meters will not), these will given values to reflect the maximum hour over  
the effective winter period for this implementation.

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## 4 Relevant Objectives

Impact of the modification on the **Relevant Objectives:**

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Positive
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.	Positive
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 of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code	Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	None

### Relevant Objective (a)

We believe that the more granular nature of the booked SOQs and SHQ will provide more data for planning the network.

### Relevant Objective (c)

We believe that the by allowing costs to be levied on a like for like basis, without changing any pricing methodology, provides more cost reflective transportation charges

### Relevant Objective (d)

More cost reflective charging is general seen as a positive step in promoting competition between shippers and implementation would realise improved cost-targeting.

### Relevant Objective (f)

By stripping-out the premise definition rules, site visits and administration of the rules would not be required. Also, while not a principal objective, we are mindful of that a new generation of UK-Link is planned and any simplification of the base-lined Supply Point Administration arrangements would be beneficial to the implementation of that new system.

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## 5 Impacts and Costs

### Consideration of Wider Industry Impacts

From the inception of gas transportation being discrete from supply, gas has been sold on the basis of gas to a “premises”, so therefore it is unreasonable to imagine that there will not be an impact. However, the concept of supply point is out-dated, as the transportation business conveys gas to an ECV without considering the use to which that gas will be put, and our charges, and business should reflect that fact. We are not restricting gas suppliers aggregating meter points up to and beyond the old curtilage rules in supply arrangements, but we will not be reflecting any form of aggregation in DN transportation charges rates. Given that, although the rule is simple, the concept removes a long established way of working and we are mindful that it will take some time to eradicate the supply point concept both in practice, and in the minds of customers.

### Impact

The proposal is that the transition is shipper driven with sufficient time for shippers to carry out the requisite SPA activities. It is not intended that any User Pays charges should be levied but an ACS service line may be proposed to ensure that the full cost of non-compliance can be assessed and shippers made aware of possible changes.

### Costs

Indicative industry costs – User Pays
<b>Classification of the modification as User Pays or not and justification for classification</b>
This modification should only be user pays to the extent that transporters are required to carry out activities that should have been carried out by the shipper.
<b>Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification</b>
100% targeted on shippers that do not undertake the appropriate activities. We don't want to levy charges but if our agent has to undertake activities that should be carried out by the shipper, we propose that we should have the capability and right to charge.
<b>Proposed charge(s) for application of Users Pays charges to Shippers</b>
Charge per confirmation (action) undertaken on behalf of the shipper
<b>Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve</b>
As yet unknown (circa £xx.xx)



## Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact – minor
UK Link	<ul style="list-style-type: none"> <li>Additional file validation functionality may be required to facilitate the introduction of the proposal</li> </ul>
Operational Processes	<ul style="list-style-type: none"> <li>Site visits to check supply point configurations would no longer be required</li> </ul>
User Pays implications	<ul style="list-style-type: none"> <li>Transporters may consider introducing a cost reflective charge for confirmations where they are required to take action where the shipper has not carried out the mandated SPA activity.</li> </ul>

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> <li></li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li></li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li></li> </ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> <li></li> </ul>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> <li>None</li> </ul>
Development, capital and operating costs	<ul style="list-style-type: none"> <li>Some minor changes to UK-Link may be required.</li> </ul>
Recovery of costs	<ul style="list-style-type: none"> <li>Transporters will not seek to recover the development costs of implementation.</li> </ul>
Price regulation	<ul style="list-style-type: none"> <li>None</li> </ul>
Contractual risks	<ul style="list-style-type: none"> <li>None</li> </ul>
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> <li>None</li> </ul>

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Impact on Transporters	
Standards of service	<ul style="list-style-type: none"> <li>None</li> </ul>

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> <li>None</li> </ul>
UNC Committees	<ul style="list-style-type: none"> <li>None</li> </ul>
General administration	<ul style="list-style-type: none"> <li>None</li> </ul>

Impact on Code	
Code section	Potential impact
	<ul style="list-style-type: none"> <li>TPD G1.4 &amp; G2.3</li> </ul>
	<ul style="list-style-type: none"> <li></li> </ul>

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none"> <li>None</li> </ul>
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	<ul style="list-style-type: none"> <li>None</li> </ul>
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none"> <li>None</li> </ul>
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none"> <li>Changes to supply point validation rules</li> </ul>
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> <li>None</li> </ul>
Network Code Validation Rules (TPD V12)	<ul style="list-style-type: none"> <li>None</li> </ul>
ECQ Methodology (TPD V12)	<ul style="list-style-type: none"> <li>None</li> </ul>
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> <li>None</li> </ul>
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> <li>None</li> </ul>
Uniform Network Code Standards of Service (Various)	<ul style="list-style-type: none"> <li>None</li> </ul>

Impact on Core Industry Documents and other documents	
Document	Potential impact

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Impact on Core Industry Documents and other documents	
Safety Case or other document under Gas Safety (Management) Regulations	<ul style="list-style-type: none"> <li>• None</li> </ul>
Gas Transporter Licence	<ul style="list-style-type: none"> <li>• None</li> </ul>

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none"> <li>• None</li> </ul>
Operation of the Total System	<ul style="list-style-type: none"> <li>• None</li> </ul>
Industry fragmentation	<ul style="list-style-type: none"> <li>• None</li> </ul>
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	<ul style="list-style-type: none"> <li>• Consumers benefiting from meter point aggregations will have their transportation rates based on ssMP rule</li> </ul>

## 6 Implementation

Initially, the proposer's aspiration was that the modification should be implemented on or before 1<sup>st</sup> April 2013, with the full effect of implementation applied from 1<sup>st</sup> April 2014.

However, following discussion in the workgroup, the consensual view appears to be that the proposal, if implemented, should take effect along side the proposals associated with Project Nexus. It is the proposer's view that implementation could be linked to the implementation of the new system, but as a precursor to the removal of multi-meter supply from the code, the population should be frozen with effect from 1<sup>st</sup> April 2014, with no meter points being combined or added to existing configurations from that date.

The proposer appreciates this is not the approved format for an implementation date, but given the variables involved and the linking of the implementation of this modification to events that themselves do not have implementation dates make determining the exact date difficult at this stage. The proposer suggests that the Workgroup considers how to express this unusual implementation date in the report, although it will be the same issue for all Nexus dependant proposals.

## 7 The Case for Change

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

### Advantages

- More cost reflective transportation rates
- Simpler administration
- No site visits to validate aggregation claims
- Simpler business rules for coding into the next generation of UK-Link

### Disadvantages

Will introduce a period of transition that will require some administration and will need to be communicated with gas customers

## 8 Legal Text

### Suggested Text

To be provided at a later stage

## 9 Recommendation

The Proposer invites the Workgroup to:

- AGREE that Modification 0428 should proceed to consultation.