

Stage 02: Workgroup Report

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 Workgroup recommends that this modification should proceed to Consultation.



High Impact: -



Medium Impact: Shippers/Customers and Transporters



Low Impact: -

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About this document:

The purpose of this report is make a recommendation to the Panel, to be held on 15 November 2012, on whether Modification 0428 should proceed to consultation and to submit any further recommendations in respect of the assessment of this modification.



3 Any questions?

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification.

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 1st April 2014, a Supply Point shall only contain one Supply Meter Point.

Impacts and 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, it is proposed that the change will not take effect for one year from implementation.

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, or before, 01 April 2013 for the modification to take effect one year later.

The Case for Change

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

Recommendations

The Workgroup recommends that this modification should now proceed to Consultation.

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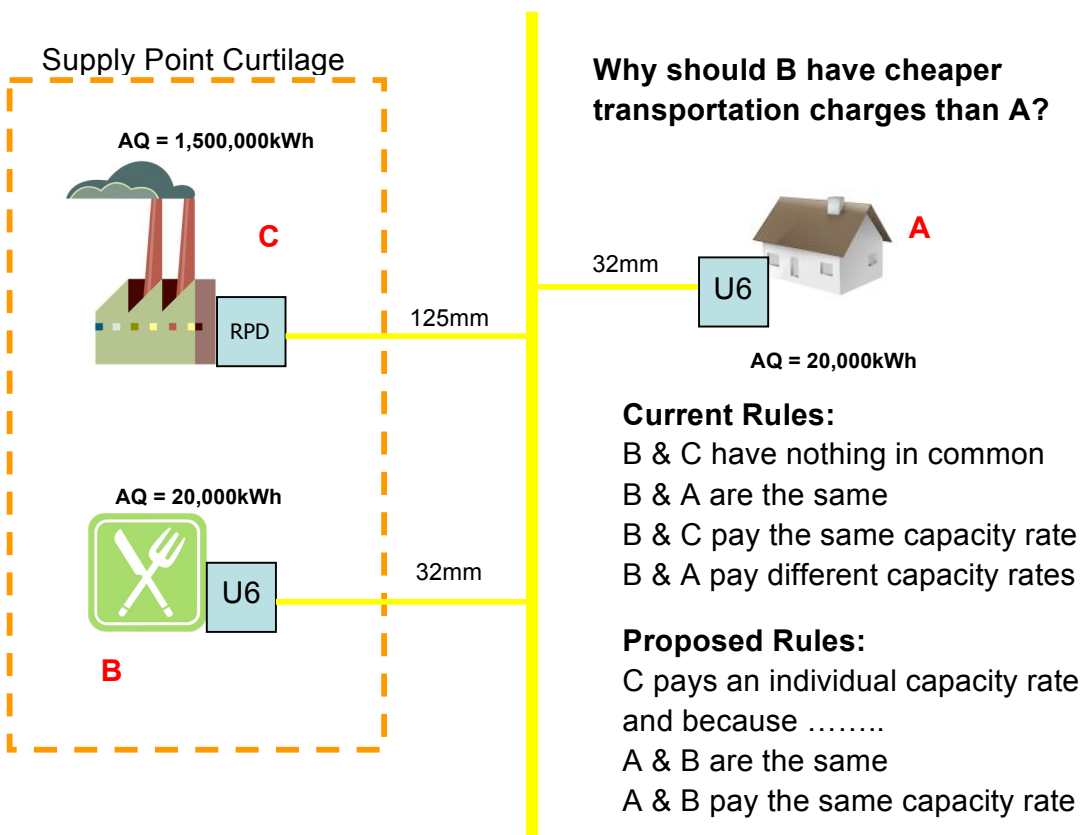
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2 Why Change?

There are number of reasons why it is believed 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 rate for the meters at the aggregated Supply Points. The diagram example below illustrates the point.



2. The aggregation rules, as laid down in UNC TPD 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 that 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, but at the moment proposed as 1st April 2014, that 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 that transition should be allowed to take year and 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 Rule

With effect from [01 April 2014] "the date", a supply point will only comprise one meter point, although we propose to retain the term Supply Point because of UNC contractual arrangements associated with the a "Supply Point", as well as the wider industry use of the term.

Transition Rules:-

By the date, the shipper shall have disaggregated their multi meter supply points into single meter supply points.

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

Any multi-meter supply points in existence on the date, date will be reconfirmed by the transporter as soon as practicable after the date using the following rules:

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 13 – 31 March 14, (effective winter period for this 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 max hour over the effective winter period for this implementation.

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)

It is believed that the more granular nature of the booked SOQs and SHQ will provide more data for planning the network.

Relevant Objective (c)

It is believed that 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.

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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, there is awareness 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.

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 a Transporter's charges, and business, should reflect that fact. Transporters are not restricting gas suppliers aggregating meter points up to and beyond the old curtilage rules in supply arrangements, but Transporters 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 Transporters are mindful that it will take some time to eradicate the supply point concept, both in practice and in the minds of customers.

Impact

It is proposed 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

Classification of the modification as User Pays or not and justification for classification

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.

Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
100% targeted on Shippers that do not undertake the appropriate activities. Transporters do not want to levy charges but if the Transporter Agent has to undertake activities that should be carried out by the Shipper, Transporters propose that they should have the capability and right to charge.
Proposed charge(s) for application of Users Pays charges to Shippers
Charge per confirmation (action) undertaken on behalf of the Shipper.
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
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"> Additional file validation functionality may be required to facilitate the introduction of the modification.
Operational Processes	<ul style="list-style-type: none"> Site visits to check supply point configurations would no longer be required.
User Pays implications	<ul style="list-style-type: none"> 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.

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

Impact on Users	
Legislative, regulatory and contractual obligations and relationships	•

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	• None
Development, capital and operating costs	• Some minor changes to UK-Link may be required.
Recovery of costs	• Transporters will not seek to recover the development costs of implementation.
Price regulation	• None
Contractual risks	• None
Legislative, regulatory and contractual obligations and relationships	• None
Standards of service	• None

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	• None
UNC Committees	• None
General administration	• None

Impact on Code	
Code section	Potential impact
	• TPD G1.4 and G2.3

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	• None
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	• None

Impact on UNC Related Documents and Other Referenced Documents	
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none"> • None
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none"> • Changes to supply point validation rules
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> • None
Network Code Validation Rules (TPD V12)	<ul style="list-style-type: none"> • None
ECQ Methodology (TPD V12)	<ul style="list-style-type: none"> • None
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> • None
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> • None
Uniform Network Code Standards of Service (Various)	<ul style="list-style-type: none"> • None

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

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

6 Implementation

It is the aspiration that the modification should be implemented on or before 01 April 2013, although the effect of implementation will only be felt from 01 April 2014.

Therefore, the proposed implementation date is 01 March 2013, if a decision is received before 10 February 2013. The implementation date should be 01 April 2013 if a decision is received by 10 March 2013.

However, if a decision to implement is received after 01 April 2013, implementation could be 10 business days following the decision to implement.

7 The Case for Change

Nothing in addition to that identified above.

8 Legal Text

The text as reviewed by the Workgroup should be inserted at this point. The status of this text should also be stated (i.e. Suggested, draft or just Text). No heading other than the status should be included (i.e. if the Transporters provide various headings. Delete them).

Text

The following Legal Text was prepared by X, and no issues were raised by the Workgroup regarding its content.

9 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for Consultation.