

Stage 02: Workgroup Report

0441:

Continuation of Daily Metered (Voluntary) service until the implementation of Project Nexus

This modification proposes to continue the Daily Metered (Voluntary) service until the implementation of Project Nexus



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



High Impact:
Customers



Medium Impact:
Transporters, Shippers



Low Impact:
N/a

At what stage is this document in the process?

01

Modification

02

Workgroup Report

03

Draft Modification Report

04

Final Modification Report



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Workgroup Report

28 March 2013

Version 1.0

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About this document:

This report will be presented by the Workgroup to the panel on 18 April 2013.

The panel will consider whether the modification is sufficiently developed to proceed to Consultation and to submit any further recommendations in respect of the definition and 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?

Daily Metered Voluntary (DMV) services are due to be phased out from 1 April 2014, following the implementation of UNC Modification 0345 (Removal of Daily Metered voluntary regime). When this change was implemented, it was expected that Project Nexus would be ready in time to provide a viable daily read alternative. It is now apparent that Project Nexus will not be implemented until early 2015, leaving a period where the majority of customer sites capable of providing daily reads will be forced to be Non-Daily Metered and so settled on estimates.

Solution

The proposed solution is to alter the timetable for phased implementation of the changes outlined in UNC Modification 0345. As the intention is to provide a seamless transition between current arrangements and the new process to be brought in by Project Nexus, it proposed that the new end date of the DMV service for all sites be set at 1 October 2015.

Relevant Objectives

Implementing the proposals laid out in this Modification would:

- i. Extend the deadline introduced by UNC Modification 0345 by one year, such that the transition to the new market arrangements expected with the implementation of Project Nexus will be seamless, and therefore more efficient.
- ii. Maintain the current number of sites daily settled, which brings an overall benefit to the entire market by materially improving the gas allocation process.

The modification is therefore expected to facilitate the securing of effective competition by continuing current levels of daily metering services for a longer period and so improving data accuracy and frequency. Improved data accuracy and frequency will in turn increase the potential for competition and therefore encourage efficiency improvements.

Implementation

While no implementation timescale is proposed, this modification is looking to extend the end date of current services and so can be implemented immediately following a direction to do so.

2 Why Change?

This Modification proposes an extension of the deadline for phasing out the DMV service. UNC Modification 0345 introduced a phased removal of an obligation on Transporters to provide Daily Read equipment and reading services for sites with an AQ above 732,000 kWh who requested to be daily settled. Such sites are referred to as Daily Metered (Voluntary). UNC Modification 0345 obligated Users to change the status of their DMV supply points to Non-Daily Metered (NDM) and, if they fail to do so, the Transporters would have the right to carry this out on their behalf. When UNC Modification 0345 was implemented it was expected that the new daily metering products developed under Project Nexus would be available in 2014. It is now apparent that Project Nexus will be not be implemented until 2015 at the earliest. In addition the DME service is still not a viable alternative as the deadlines for submitting reads under this regime are not supported by any commercial MAM (Meter Asset Manager) offering in the market.

The market is therefore in a situation where the number of sites settled on daily meter reads will significantly drop (our initial estimate is by more than half) in the period 2014-2015. Considering the efforts being made by the industry to rollout the next generation of metering to the market, this is a retrograde step and will negatively impact the benefits of smart metering¹.

¹ The Government's Impact Assessment of the Smart Metering programme estimates an overall net benefit for the non-domestic sector, over the project lifetime, of £2.3bn (DECC, April 2012).

3 Solution

Solution

The proposed solution is to extend the timetable for implementation of the changes introduced under UNC Modification 0345, so that DMV services are available until the implementation of the new daily read services provided by Project Nexus. By extending the implementation date by one year, the new arrangements will be aligned to the implementation date of Project Nexus, as currently understood.

As it is intended that this modification allows for a seamless transition between the current DMV regime and the new regime introduced by Project Nexus, there would be no need to retain a phased implementation – it is proposed that the implementation deadline be set on the single date of 1st October 2015. Updated legal text, reflecting the outlined proposals, has been provided in the Legal Text section below.

Costs

Indicative industry costs – User Pays
Classification of the modification as User Pays or not and justification for classification
This is not a User Pays Modification as it does not create or amend any User Pays Services and/or Charges. This modification should not introduce further material costs for Transporters as the costs of the DMV service are currently directly recovered from customers by the Transporters.
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
None
Proposed charge(s) for application of Users Pays charges to Shippers
None
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve
Not applicable

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

This modification is expected to facilitate the securing of effective competition between Shippers by continuing current levels of daily metering services for a longer period. In the absence of this modification, no viable alternative daily metering service is expected to be available prior to delivery of the Project Nexus changes (Modification 0432). By ensuring sites can continue to be daily settled rather than being reclassified as NDM, implementation will improve data accuracy and frequency. This will lead to more accurate allocations of costs between Shippers, and so meet one of the fundamental objectives of a competitive market. Improved data accuracy and frequency will also increase the potential for competition and therefore encourage efficiency improvements. The present UNC obligations are expected to result in a reduction in the number of daily settled sites when the DMV service is withdrawn, followed by an increase in the number when the Project Nexus proposals are implemented. Removing the temporary reduction would reduce Shipper costs and increase market efficiency, and therefore implementation would be consistent with promotion of efficiency in the implementation and administration of the Code

5 Implementation

While no implementation timescale is proposed, given Users' and Transporters' need for clarity, it is recommended that this Modification be implemented as soon as possible.

6 Legal Text

Text

The following Text has been prepared by National Grid Distribution, and no issues were raised by the Workgroup regarding its content.

UNC Transition Document
Part IIC - Transitional Rules

Amend paragraph 1.7.9 to read as follows:

1.7.9 Sections G1.5.6(a) and (b) shall not apply in respect of a Supply Meter Point where the Daily Read Requirement applied, and Transporter Daily Read Equipment was operational, on 30 September 2013, ~~until 1 October 2015, which is comprised in a Supply Point which has an Annual Quantity greater than:~~

~~(a) — 5,860,000kWh (200,000 therms), until 1 April 2014;~~

~~(b) — 2,196,000 kWh (75,000 therms), until 1 July 2014; and~~

~~(c) — 732,000 kWh (25,000 therms), until 1 October 2014.~~

Amend paragraph 1.7.10 to read as follows:

1.7.10 The Registered User of a Supply Meter Point to which the Daily Read Requirement does not apply shall (where such Supply Meter Point has been classified as a DM Supply Meter Point with Transporter Daily Read Equipment installed) be required to reclassify the Supply Meter Point as an NDM Supply Meter Point, notwithstanding Section G1.11.2, ~~by 1 October 2015.:~~

~~(a) — by 1 April 2014, where the Annual Quantity of the Supply Point in which it is comprised exceeds 5,860,000kWh (200,000 therms);~~

~~(b) — by 1 July 2014, where the Annual Quantity of the Supply Point in which it is comprised exceeds 2,196,000 kWh (75,000 therms); and~~

~~(c) — by 1 October 2014, where the Annual Quantity of the Supply Point in which it is comprised exceeds 73,200 kWh (2,500 therms).~~

7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.

The Workgroup considered Ofgems decision letter for Modification 0345 - Removal of Daily Metered voluntary regime and were satisfied that there were no alternative, cost efficient daily metering services available to allow the migration from and removal of Transporter DMV services, prior to the implementation of Project Nexus services.