



By email

*Promoting choice and value for
all gas and electricity customers*

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Date: 5 November 2010

Dear Colleague

Application for consent to modify the Uniform Network Code: C034 "Revision to the legal text associated with the implementation of UNC Modification 0224"

We are in receipt of an application to consent to a modification of the UNC in order to address what was considered to be a minor defect in the legal text given effect through the implementation of UNC224 'Facilitating the use of AMR in the Daily Metered Elective Regime'.

In summary, the modification seeks to clarify the days on which an Opening Meter Reading from a relevant site would be accepted by the Transporter (via their agent, Xoserve). UNC224 referred to readings being accepted up to the 5th *Business Day*. C034 seeks to modify this to the "**Exit Close-out Date**", which is defined under Section E 1.8.1 of the UNC as being the 5th *Day* after the Gas Flow Day. This latter definition would therefore include weekends and Bank Holidays.

The application, which for clarity is attached to this letter, was discussed at the UNC Panel of 21 October 2010. No concerns with the proposal were raised at that meeting.

We have subsequently received a letter from EDF raising concerns with application. The letter suggests that this modification would contradict the basis on which the author - and potentially other UNC Users - have interpreted the UNC224 text and built their systems. We have, with the author's consent also attached a suitably redacted version of that letter. We consider that the letter demonstrates that this is not the sort of immaterial and non-contentious change that we would ordinarily associate with the 'consent to modify' process.

We have therefore decided not to consent to this modification being made outwith the normal modification process. The proposer is free to pursue this by formally raising a modification to the UNC, which will be considered by the UNC Panel, potentially further developed and subsequently consulted upon, as appropriate. We would expect that, as a minimum, the full impacts of making such a change will be considered, along with any viable alternatives.

Mark Cox
Associate Partner, Industry Codes and Licensing

APPLICATION FOR CONSENT TO MODIFY THE CODE

“Revision to the legal text associated with the implementation of UNC Modification 0224 “Facilitating the use of AMR in the Daily Metered Elective Regime”

Version 0.1

Reference: C038

Transporter Proposal

In considering the legal text which is to be inserted into the Uniform Network Code as part of the implementation of modification 0224 “Facilitating the use of AMR in the Daily Metered Elective Regime”, at 06:00hrs on 21 November 2010, Scotia Gas Networks have identified potential issues with the legal text as it is proposed.

“Existing UNC TPD Section M3.8.4(b) MOD 224 Final Legal Text with marked changes.

M 3.8.4 The Transporter will not accept an Opening Meter Reading which:

(a) is not obtained in accordance with paragraph 3.8.2(a) but may (though shall not be required to) accept a Valid Meter Reading obtained in accordance with paragraph 3.8.2(a) as an Opening Meter Reading if provided to the Transporter not later than 16:00 hours on the 10th Business Day after the Supply Point Registration Date; or

(b) (in relation to User Daily Read Equipment) is not obtained by the Transporter from the User by 10am on the 5th Business Day after the Supply Point Registration Date;

(eb) is for a Non Daily Read Supply Meter Point that was ~~was~~ previously a ~~taken~~ ~~from a Meter with~~ Daily Read Supply Meter Point (with User Daily Read Equipment installed) if ~~but is now taken from an Non-Daily Read Meter if it is~~ not ~~provided~~ ~~obtained~~ ~~received by from the User~~ ~~Transporter~~ by 10am on the 5th Business Day the Exit Close Out Date. after the Supply Point Registration Date.”

Revised text is proposed simply to clarify the above position, thereby avoiding any misunderstanding that may otherwise arise.

Nature of Modification

Amend the legal text for UNC modification 0224, to read as:

Existing UNC TPD Section M3.8.4(b) MOD 224 Final Legal Text for submission as a Consent to Modify.

M 3.8.4 The Transporter will not accept an Opening Meter Reading which:

(a) is not obtained in accordance with paragraph 3.8.2(a) but may (though shall not be required to) accept a Valid Meter Reading obtained in accordance with paragraph 3.8.2(a) as an Opening Meter Reading if provided to the Transporter not later than 16:00 hours on the 10th Business Day after the Supply Point Registration Date; or

~~(b) (in relation to User Daily Read Equipment) is not obtained by the Transporter from the User by 10am on the 5th Business Day after the Supply Point Registration Date;~~

(b) is for a Non Daily Read Supply Meter Point that was previously a Daily Read Supply Meter Point (with User Daily Read Equipment installed) if it is not received from the User by the Exit Close Out Date.

Transporter Application

This application contains the Transporters' proposal to modify the Uniform Network Code for which they now seek the consent of the Authority

Signed for and on behalf of Transporter.

Signature:

Tim Davis
Chief Executive Joint Office of Gas Transporters

Date:

as and Electricity Markets Authority Response:

In accordance with Standard Special Condition A11 'Network Code and the Uniform Network Code' of the Gas Transporters License, I hereby consent to the above modification to the Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

Date:

Jon Dixon
Head of Industry Codes and Licensing
Ofgem
9 Millbank
London
SW1P 3GE

29 October 2010

Dear Jon

Application for the Consent to Modify the Legal Text Associated with the Implementation of 0224

EDF Energy would like to take this opportunity to object to the recent proposal to modify the legal text associated with UNC Modification Proposal 0224 through the consent to modify route.

We do not believe that the consent to modify process is the correct route to address this issue as:

- Implementation of this change will place a cost on to Shippers and so should be subject to the full consultation process.
- The business rules contained within 0224 were unclear; this is therefore not a case of correcting a legal drafting inconsistency but fundamental to the interpretation and implementation of the modification proposal.
- This issue has been discussed in numerous industry fora where it has been clear that a consent to modify was not the appropriate route.
- The issues that this consent to modify is seeking to address should be subject to a UNC modification proposal.

The issue of raising this consent to modify was first aired at the UNC Committee¹ where it was noted that this issue was not appropriate for a consent to modify and should instead be addressed through a UNC Modification Proposal. The same view has also been taken by the UK Link Committee where discussions on this issue have also concluded that the best way to address this issue would be through a UNC modification proposal². This approach was supported by the UK Link Committee as the business rules contained within 0224 are unclear and so open to interpretation.

¹ See minutes from 16 September 2010 available at:
<http://www.gasgovernance.co.uk/sites/default/files/67%20Committee%20Minutes%20v1.0.pdf>

² See minutes from 20 August 2010 available at:
<http://www.gasgovernance.co.uk/sites/default/files/18%20August%202010%20UKLC%20Minutes.pdf>

In particular Business Rule 0069c of UNC Modification Proposal 0224 states that:

“Incoming shipper must be able to provide a replacement opening reading such that the Transporters agent is able to process this reading prior to D+5. This will utilise the existing NDM reading routines. The timing of this batch job requires that this replacement reading is provided by the business day prior to the D+5 closeout period.”

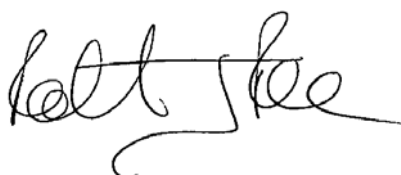
However the existing NDM reading routine is open from D-3 to D+7 (UNC TPD 3.8.2 & 3.8.3). It is therefore not clear whether the intention of this business rule was to provide the meter reading by D+5 or by D+7. As the business rule is not clear and open to interpretation, it is not possible to argue that the legal text is inconsistent. A consent to modify is therefore not appropriate as it is not correcting a minor legal text error.

A consent to modify is also not appropriate as implementation of this change will place further costs on Shipper systems, as they will have to amend their systems so that they are compatible with a 5 calendar day close out rather than a 5 business day close out. For us this will require changes to our File Handler system, “RCB” (our central system) and “Voyager” (a system replacement project). All of these changes will incur an IT cost for ourselves, which we estimate to be in excess of £xxx,xxx for this single change. We understand we are not the only shipper to be in this position, and so these costs can be scaled up across the industry. It is therefore inappropriate to implement this change without subjecting this to the scrutiny that is available through the UNC Modification process.

We therefore urge Ofgem to reject this consent to modify as it does not meet the necessary criteria. This would require a subsequent UNC Modification proposal to address this issue and so ensure that it is subject to industry scrutiny and debate. We understand that other Shippers are in a similar position to EDF Energy and support this view.

I hope you find these comments useful, however please contact my colleague Stefan Leedham (Stefan.leedham@edfenergy.com, 020 3126 2312) if you wish to discuss this response further.

Yours sincerely

A handwritten signature in black ink, appearing to read "Rob Rome".

Rob Rome
Head of Transmission and Trading Arrangements
Corporate Policy and Regulation