

## Stage 01: Proposal

# 0359

# Use of Market Sector Flag to determine Customer Status

What stage is this document in the process?

01

Proposal

02

Workgroup Report

03

Draft Modification Report

04

Final Modification Report

This modification proposes to use the Meter Sector Flag as the primary means of identifying customer type and the processes that should apply to it.



The Proposer recommends Modification is sent to the Project Nexus Workgroup for continued development



High Impact:

Shippers, Consumers, Transporters' Agent



Medium Impact:

Transporters



Low Impact:

None

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## About this document:

This document is a proposal, which will be presented by the Proposer to the Panel on 17 February 2011. The Panel will consider the Proposer's recommendation, and agree whether this modification should proceed to consultation or be referred to a Workgroup for assessment.



3 **Any questions?**

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**0845 230 0011**

Transporter:  
**Insert name**



...@...



**0000 000 000**

xoserve:  
**Insert name**



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# 1 Summary

## Is this a Self Governance Modification

**We believe this is not a self governance proposal as it has material impact on parties.**

## Why Change?

**At present the Transporters central systems use Annual Quantity to determine how a Supply Point is treated by xoserve. This currently creates anomalies where industrial or domestic customers are treated differently based purely on site consumption, rather than usage.**

## Solution

**It is proposed to change xoserve's system to use the market sector flag when determining which system processes should apply.**

## Impacts & Costs

**We would expect costs for the implementation of this modification to be met as part of Project Nexus.**

## Implementation

**We would expect that this modification would be implemented as part of the implementation of Project Nexus.**

## The Case for Change

**Moving to the market sector flag Simplifies current processes and allows easier identification of customers to ensure appropriate treatment.**

## Recommendations

**We propose that this modification be sent to development at the Project Nexus Workgroup, in order it to be adjusted in line with the work undertaken by that group.**

## 2 Why Change?

At present the Transporters central systems use Annual Quantity to determine how a Supply Point is treated by xoserve. Though there are currently 44 processes that utilise AQ, the biggest impact for Suppliers and customer is the current treatment of any site <73,200kWh, as SSP NDM with most sites above this threshold being classified as LSP NDM. LSP and SSP sites are treated significantly differently in the UNC. Whilst, at the time of the rollout of competition, such thresholds were considered necessary to ensure system delivery, with the advent of smart metering such limits seem unnecessary and places arbitrary limits on site treatment.

They are also deficient in determining usage. Though sometimes taken as the dividing line between the domestic and I&C markets, the AQ threshold of 73,200 kWh means that significant numbers of LSP sites are Domestic and similarly, large numbers SSP sites are I&C. Therefore the use the AQ to determine customer type, and so treatment is unreliable.

It is, however, still necessary to differentiate between consumers for legislative, regulatory and commercial reasons. For this reason we propose that xoserve uses the market sector flag as the primary means for identifying customer type and so treatment within the system.

## 3 Solution

**It is proposed to change Central Systems to use the market sector flag when determining which system processes should apply. We believe that 67 sub processes, which attempt to differentiate between different types of customers, would be affected. Where possible, attempts should be made to drive all processes by market sector flag (so customer), as opposed to AQ.**

### **Customer Classification**

**There are conceivably many potential customer classifications, and at this stage, a definitive list would be difficult to create. At the very least, there will be a need to maintain the current flag options for Industrial or Domestic Premises.**

## 4 Relevant Objectives

The Proposer believes that implementation will better facilitate the achievement of

### Relevant Objectives (d) (i) & (ii)

Proposer's view of 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) (i)

**Determining appropriate treatment of customers according to site usage, as opposed to consumption, will simplify the administrative processes the Shippers have to undertake when dealing with central systems. This reduction in costs will help effective competition.**

## 5 Impacts and Costs

### Costs

**We would expect that this modification would be implemented as part of Project Nexus and so any cost implications would be considered as part of that project.**

### Impacts

**We would expect that this modification would be implemented as part of Project Nexus, which has the potential to significantly alter current system and market arrangements. In addition we are mindful that the Smart Metering Implementation Programme may impact the services xoserve delivers, and in addition the services offered by the Transporters may be altered by the forthcoming price control. In light of these potential changes, and the long-lead time of any implementation of this modification, it seems premature to attempt to identify specific impacts at this stage.**

**We would therefore expect to be in a better position to identify these changes when the scope of Project Nexus and the exact nature of the Smart Metering Implementation Programme has been identified.**

#### Impact on Transporters' Systems and Process

Transporters' System/Process	Potential impact
UK Link	TBC
Operational Processes	TBC
User Pays implications	TBC

#### Impact on Users

Area of Users' business	Potential impact
Administrative and operational	TBC
Development, capital and operating costs	TBC
Contractual risks	TBC
Legislative, regulatory and contractual obligations and relationships	TBC

#### Impact on Transporters

Area of Transporters' business	Potential impact
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Impact on Transporters	
System operation	TBC
Development, capital and operating costs	TBC
Recovery of costs	TBC
Price regulation	TBC
Contractual risks	TBC
Legislative, regulatory and contractual obligations and relationships	TBC
Standards of service	TBC

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	TBC
UNC Committees	TBC
General administration	TBC

Impact on Code	
TBC	

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	TBC
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	TBC
Storage Connection Agreement (TPD R1.3.1)	TBC
UK Link Manual (TPD U1.4)	TBC
Network Code Operations Reporting Manual (TPD V12)	TBC
Network Code Validation Rules (TPD V12)	TBC
ECQ Methodology (TPD V12)	TBC
Measurement Error Notification Guidelines (TPD V12)	TBC
Energy Balancing Credit Rules (TPD X2.1)	TBC
Uniform Network Code Standards of Service (Various)	TBC

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	TBC
Gas Transporter Licence	TBC
Transportation Pricing Methodology Statement	TBC

Other Impacts	
Item impacted	Potential impact
Security of Supply	TBC
Operation of the Total System	TBC
Industry fragmentation	TBC
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	TBC

## 6 Implementation

**We propose that this modification is implemented as part of the deployment of Project Nexus.**

## 7 The Case for Change

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

### Advantages

**Simplifies current processes**

**Allows easier identification of customers to ensure appropriate treatment.**

### Disadvantages

**None Identified**

## 8 Recommendation

The Proposer invites the Panel to:

- **DETERMINE that Modification Proposal 0359 progress to a Workgroup for assessment**