

Stage 03: Draft Modification Report

0344:

Removal of the D+1 11am meter read liabilities regime for DM voluntary (DMV) Supply Points

This Modification Proposal removes Shipper elected Daily Metered (DMV) sites from the day after the day 11am meter read liability regime. For the purposes of UNC TPD M 5.2.1, DMV Supply Points would no longer be classed as Performance Relevant Supply Meters.



Low Impact: Minor impacts on Shippers and DN Operators

What stage is this document in the process?

- 01 Proposal
- 02 Workstream Report
- 03 Draft Modification Report
- 04 Final Modification Report

Contents

1	Summary	3
2	Why Change?	5
3	Solution	6
4	Relevant Objectives	7
5	Impacts and Costs	8
6	Implementation	11
7	The Case for Change	12
8	Recommendation	14

About this document:

This document is a Draft Modification Report, which was issued for consultation responses, at the request of the Panel on 18 November 2010. The close-out date for responses is 17:00 on 07 January 2011. The Panel will consider the responses and agree a recommendation on whether or not this change should be made.



Any questions?

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0344
Draft Modification
Report

18 November 2010

Version 1.0

Page 2 of 14

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Liability Regime

The day after the day (D+1) 11 am liability regime is based on the requirement for Transporters to supply Valid Meter readings for Daily Metered sites by 11am on the following day that the read relates to. Liabilities are paid where a Transporter provides less than 97.5% of reads to any User.

1 Summary

Why Change?

Shipper elected Daily Metered (DMV) sites are subject to the day after the day 11am liability regime. The liability approach may be appropriate to encourage efficient delivery of a monopoly service, but is not appropriate when a service is being provided that could equally be procured for a competitive market. Many of these sites have very low daily volumes and may not be material to Users' daily balancing data requirements. The liability should therefore no longer apply to DMV Supply Points due to the introduction of the elective Daily Metered (DME) regime.

Solution

To exclude Daily Metered voluntary (DMV) Supply Points from the definition of Performance Relevant Supply Meters for the purposes of the day after the day 11am read provision to Users (UNC TPD Section M 5.2.2).

Impacts & Costs

There will be a minor impact on the DN Operator's service providers as they will have to change the way that DM liabilities are calculated. We do not believe that there will be any material cost of this change; any such cost would be borne by the relevant Transporter.

There are not expected to be any cost impacts on Users or other third parties and this is not a User Pays Modification Proposal as it does not create or amend any User Pays Services / Charges.

Implementation

This Modification Proposal can be implemented shortly following a direction by Ofgem.

The Case for Change

This Modification Proposal will facilitate achievement of relevant objective (a) "the efficient and economic operation of the pipe-line system to which this licence relates". The removal of DMV Supply Points from the day after the day 11am liability regime will further incentivise DN Operators to attend any faults at mandatory DM sites rather than at present providing an equal incentive to attend faults and DMV sites. Since mandatory DM sites can play a material part in the efficient operation of the pipe-line system, a regime that further incentivises attendance at faults at mandatory DM Supply Points will facilitate the achievement of this relevant objective.

Implementation of this Modification Proposal will also be good for efficient administration and implementation of the UNC by having a service which is regulated and incentivised by competitive pressures rather than liabilities. This will therefore help to facilitate achievement of relevant objective (f) "Promotion of efficiency in the implementation and administration of the Code".

Recommendations

The proposer believes that this proposal should proceed to Consultation as the basis and content of this Modification Proposal has already been discussed at Distribution Workstream meetings in June and August 2010.



2 Why Change?

Uniform Network Code (UNC) Transportation Principal Document (TPD) Section G 1.5.6(c) allows Users to request that any supply point over 73,200kWh but below the mandatory DM threshold of 2,196,000kWh has Transporter Daily Read Equipment installed and becomes a DM Supply Meter Point. These sites are commonly referred to as DM voluntary (DMV).

Many of these sites have very low daily volumes and may not be material to Users' daily balancing data requirements. These sites are classified as Performance Relevant Supply Meters and are therefore included with mandatory DM (DMM) Supply Points¹ for the calculation of liabilities in accordance with UNC TPD Section M 5.2. The liability calculation depends on various factors that relate to the delivery of reads for that User's sites over the last month but can result in liabilities of £30 for each failure rising to £75 for continuous failures of over 4 days.

It is expected that over time the number of DMV sites will dramatically reduce as alternative services become available (e.g. The Daily Meter elective (DME) regime)² and with the transition from Interruptible to Firm in October 2011. With a reduced number of Performance Relevant Supply Meters the 97.5% performance criteria becomes more stringent. It is the Proposers view that by removing all DMV sites from the liabilities regime will allow Transporters to focus their attention and efforts on the remaining DMM Supply Points where it can be argued that the daily read may have a material impact on the daily balancing and settlement regime.

The removal of the liabilities regime for DMV will also allow the Transporters to effectively manage any DRE (e.g. data logger) replacement programme in an economic and efficient manner.

Useful Links

UNC TPD Section G

<http://www.gasgovernance.co.uk/sites/default/files/20%20August%202010%20TPD%20Section%20G%20-%20Supply%20Points.pdf>

UNC TPD Section M

<http://www.gasgovernance.co.uk/sites/default/files/20%20August%202010%20TPD%20Section%20M%20-%20Supply%20Point%20Metering.pdf>

0344

Draft Modification Report

18 November 2010

Version 1.0

Page 5 of 14

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¹ DMM Supply Points are where the Daily Read Requirement applies (UNC TPD G 1.5.3)

² DME introduced by Modification Proposal 0224 on 21 November 2010

3 Solution

The proposed solution is to remove DMV Supply Points from the day after the day 11am provision of meter reads liabilities regime. This liability is detailed within UNC TPD Section M 5.2.1 and 5.2.2.

For clarity, implementation of this Modification Proposal will not remove the requirement to provide 97.5% of DM reads to Users by 11am, it only removes the liabilities associated with DMV Supply Points.

There are additional liabilities detailed within UNC TOD Section M 5.2.3 that require a daily payment of £75 for each consecutive failure day after 4 days for any DM Supply Point. This liability would not change as a result of Implementation of this Modification Proposal and would therefore still include all DMV Supply Points (i.e. DMV Supply Points will remain as Performance Relevant Supply Meters for the purposes of UNC TPD M 5.2.3).

5 Impacts and Costs

Costs

There will be a minor impact on the DN Operator's service providers as they will have to change the way that DM liabilities are calculated. We do not believe that there will be any material cost of this change; any such cost would be borne by the relevant Transporter.

There are not expected to be any cost impacts on Users or other third parties.

User Pays

This is not a User Pays Modification Proposal as it does not create or amend any User Pays Services and/or Charges.

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> None
Operational Processes	<ul style="list-style-type: none"> None
User Pays implications	<ul style="list-style-type: none"> None

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> DM read errors likely to be addressed earlier by DN Operators
Development, capital and operating costs	<ul style="list-style-type: none"> None
Contractual risks	<ul style="list-style-type: none"> None
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> Could be benefit if mandatory DM read performance improves
Development, capital and operating costs	<ul style="list-style-type: none"> None
Recovery of costs	<ul style="list-style-type: none"> None
Price regulation	<ul style="list-style-type: none"> None
Contractual risks	<ul style="list-style-type: none"> Avoids potential increase in liabilities due to reduced population of Performance Relevant Supply Meters (PRSMs), however, the 97.5% performance threshold could be breached with fewer failures (due to the smaller number of PRSMs) and therefore increasing the likelihood of

Impact on Transporters	
	incurring liabilities for DMM Supply Points
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> None
Standards of service	<ul style="list-style-type: none"> Change in DM liabilities regime



Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565**

Transco Proposal for Revision of Network Code Standards of Service at the following location:
<http://www.gasgovernance.com/networkcodearchive/551-575/>

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

Impact on Code	
Code section	Potential impact
UNC TPD Section M 5.2	Changes to the liabilities in 5.2.1 / 5.2.2 to exclude DMV Supply Points as Performance Relevant Supply Meters

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
Storage Connection Agreement (TPD R1.3.1)	None
UK Link Manual (TPD U1.4)	None
Network Code Operations Reporting Manual (TPD V12)	None
Network Code Validation Rules (TPD V12)	None
ECQ Methodology (TPD V12)	None
Measurement Error Notification Guidelines (TPD V12)	None
Energy Balancing Credit Rules (TPD X2.1)	None
Uniform Network Code Standards of Service (Various)	None

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	None

Impact on Core Industry Documents and other documents	
Gas Transporter Licence	None
Transportation Pricing Methodology Statement	None

Other Impacts	
Item impacted	Potential impact
Security of Supply	None
Operation of the Total System	None
Industry fragmentation	None
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	Minor impact on DN Operator's DM service provider

6 Implementation

This Modification Proposal can be implemented shortly following a direction by Ofgem.

7 The Case for Change

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

Advantages

None other than those identified above

Disadvantages

None

The Proposer believes that this modification will better facilitate the achievement of **Relevant Objectives (a)**

Proposer's view of the benefits of 0344 against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	Yes
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.	No
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	Yes

Achievement of Relevant Objective (a)

This Modification Proposal will facilitate achievement of relevant objective (a) "the efficient and economic operation of the pipe-line system to which this licence relates". The removal of DMV Supply Points from the day after the day 11am liability regime will further incentivise DN Operators to attend any faults at mandatory DM sites rather than at present providing an equal incentive to attend faults and DMV sites. Since mandatory DM sites can play a material part in the efficient operation of the pipe-line system, a regime that further incentivises attendance at faults at mandatory DM Supply Points will facilitate the achievement of this relevant objective; and

Achievement of Relevant Objective (f)

Implementation of this Modification Proposal will also be good for efficient administration and implementation of the UNC by having a service which is regulated and incentivised by competitive pressures rather than liabilities. This will therefore help to facilitate achievement of relevant objective (f) "Promotion of efficiency in the implementation and administration of the Code".

8 Recommendation



The Panel invites respondents to:

- SUBMIT a recommendation that Proposed Modification 0343 [should/should not] be made.
- SUBMIT comments in support or opposition to the statements made in this Draft Modification Report and any further comments in support or opposition to implementation.

All representations should be forwarded to the Code Administrator by 17:00 hrs on 07 January 2011 at via: enquiries@gasgovernance.co.uk.

Consultation Ends

17:00 on 07 January 2011

Recommendation

Modification Group
recommends
Insert text here

0344
Draft Modification Report

18 November 2010

Version 1.0

Page 14 of 14

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