

UNC Final Modification Report	At what stage is this document in the process?
<h1>UNC 0710S:</h1> <h2>CDSP provision of Class 1 read service</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #008080; padding: 5px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid #008080; padding: 5px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid #800080; padding: 5px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #FF8C00; padding: 5px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>This Modification proposes that the Central Data Service Provider (CDSP) provides the Class 1 Supply Meter Point read service. It will remove the Transporter obligation to provide a Daily Read service to Shippers for non-telemetered Class 1 Supply Meter Points. This does not affect arrangements for directly connected telemetered Supply Meter Points on Distribution Network Operators (DNOs) or National Transmission System networks.</p>	
	<p>The Panel determined that this Self-Governance Modification be implemented</p>
	<p>High Impact: None</p>
	<p>Medium Impact: Shippers, NTS, DNOs, IGTs, CDSP</p>
	<p>Low Impact: Suppliers, Consumers</p>

Contents	
1	Summary 3
2	Governance 4
3	Why Change? 5
4	Code Specific Matters 5
5	Solution 5
6	Impacts & Other Considerations 9
7	Relevant Objectives 14
8	Implementation 14
9	Legal Text 15
10	Consultation 15
11	Panel Discussions 21
12	Recommendations 22
Timetable	
Modification Timetable:	
Pre-Modification Discussion	24 October 2019
Modification consideration by Panel	21 November 2019
Initial consideration by Workgroup	28 November 2019
Workgroup Report presented to Panel	17 September 2020
Draft Modification Report issued for consultation	17 September 2020
Consultation Close-out for representations	08 October 2020
Final Modification Report available for Panel	12 October 2020
Modification Panel decision	15 October 2020 (<i>at short notice</i>)

 Any questions?

Contact:
Joint Office of Gas Transporters

 enquiries@gasgovernance.co.uk

 0121 288 2107

Proposer:
Richard Pomroy
Wales & West Utilities Limited

 richard.pomroy@wutilities.co.uk

 07812 973337
or 029 2027 8552

Transporter:
Wales & West Utilities Limited

 richard.pomroy@wutilities.co.uk

 07812 973337
or 029 2027 8552

Systems Provider:
Xoserve

 commercial.enquiries@xoserve.com

1 Summary

Following work on the withdrawn Modification 0647 *Opening Class 1 reads to Competition* and by the Workgroup for Request 0694R - *CDSP provision of Class 1 Read service*, this Modification proposes that the Class 1 daily meter read service will be provided centrally by the CDSP. Modification 0647 proposed making this a Shipper obligation in line with other meter read obligations, but this is not commercially viable. Equally, provision by individual Transporters is also potentially not viable in the long term due to declining numbers of eligible sites. Although the number of eligible sites is likely to increase due to implementation of Modification 0665 - *Changes to Ratchet Regime*, this will not offset the long-term decline which for WWU has been from 215 eligible sites in 2005 to 45 (plus 2 IGT) in 2019. The Proposal is to not materially change the services, but rather who provides the services. For the avoidance of doubt, this Proposal does not affect arrangements for DNO and NTS connected sites that are telemetered; however, it does affect IGT Class 1 Supply Meter Points and the only NTS Class 1 Supply Meter Point that is not telemetered.

What

The primary reason that a Supply Meter Point is required to be Class 1 is if it has an AQ of over 58.6 GWh; however, there are other reasons including that related to the recent changes to the ratchet charging regime for Class 2 which was introduced by Modification 0665 *Changes to Ratchet Regime*. Class 1 reads are currently a monopoly Transporter obligation and this Modification seeks to remove this restriction, (except for NTS directly connected sites and those DNO sites with telemetry), and transfer the obligation to the CDSP, with the CDSP charging Shippers for services provided. This change will also impact IGTs as, under the terms of Independent Gas Transporters Arrangements Document Section E, DNOs provide a daily read service for IGT Daily Metered (DM) Connected System Exit Points (CSEPs).

Why

This change will give Shippers more control over the service as well as providing a centrally procured service for a low volume but vital activity. Maintaining the existing arrangements is not a viable long-term option because the number of Class 1 sites has been declining since 2005, (notwithstanding that there is likely to be an increase due to Modification 0665), and retaining the service as a Transporter obligation runs the risk of it becoming uneconomic in the future. Transferring the obligation to Shippers is not viable as Shippers would need to have some in house functions and this may discourage competition between Shippers in this market segment. Central provision is a reasonable compromise as it will secure the service and give Shippers, collectively, control over the service. Shippers will gain some control over the service immediately and on re-procurement, Shippers can define all aspects of the service. This could include changing the read delivery deadline, requiring changes to read intervals for reads in addition to the UNC mandated end of Gas Day read, liabilities and KPIs.

How

The Modification will achieve its objective by making the CDSP responsible for providing the Class 1 daily read service and charging Shippers for the services provided. Other than the change to CDSP provision the services will be unchanged except that the definition of the delivery time and date for reads will be defined in the DSC rather than the UNC. Liabilities are currently paid by DNOs for failures of the equipment or their Daily Metered Service Provider (DMSP) but not for any failures once the data has

arrived at the CDSP. This is consistent with other processes carried out by the CDSP. These liabilities are only capped by the general limit on liabilities of £5m for compensation Group A¹. The current liability regime on Transporters will cease, the CDSP will not pay liabilities but will pass on any liability payments they receive in accordance with the terms of the contract with their service providers.

As a result, the charges for Daily Metered (DM) assets and DM read charges will be removed from Transporter Metering Charging statements and will no longer be included in the invoices sent by the CDSP on behalf of Transporters. They will be replaced by DSC charges.

The Proposer envisages that the change over from the current Transporter provision to CDSP provision will occur on a day to be agreed outside the winter period. As the proposal is for the existing contracts to be novated and there is no change in the service provision, we do not envisage this having a noticeable impact on Shippers that use the service.

2 Governance

Self-Governance

It is worth noting that the Workgroup was asked to consider whether this Modification should be self-governance, and since this original Panel request there have been a number of discussions at the Workgroup regarding this matter.

At the final Workgroup meeting, the view of the Workgroup was that this proposal should convert to self-governance on the basis of the following rationale:

- The total revenue raised from customers by this this service is significantly less than £1m, and given this sum is recovered from the very largest gas customers, this could be construed as relatively immaterial.
- The new CDSP charges would be derived from the same contracts and management of the same activities as those currently managed by DNO and hence charges would be expected to be of the same order as those currently being levied. As such that change of service should prove relatively immaterial for those paying for the service.
- The Class 1 daily meter reading service is not a competitive service and there is no prospect of it becoming so in the foreseeable future, therefore the transfer from DNOs to a single service provider is not a competition issue.
- When asked, Ofgem have in the past opined on the matter and have stated that they would be comfortable with the Modification progressing as self-governance. At panel on 21 November 2019 Ofgem specifically asked whether this modification should be self-governance although this was not recorded in the minutes.

¹ DM metering liabilities fall under TPD V10.1.1, which is set at £5M for compensation Group A in TPD M7.2.5.

3 Why Change?

Continued provision of the Class 1 Daily Meter Read service by DNOs runs the risk of the service becoming uneconomic and inefficient and the feedback from previous discussions is that provision of the service by individual Shippers is not attractive and may restrict competition in this market segment. Although moving to CDSP provision does not provide each Shipper individual control, it allows Shippers to collectively define the service. The Proposal is to transfer the service provision to the CDSP by novating the Transporters' contracts with the existing DMSPs from the Transporters to the CDSP. CDSP would then lead a procurement event at an appropriate time, taking into account when the novated contracts terminate, which will allow Shippers to input into the scope of the service for the next contractual period.

4 Code Specific Matters

Reference Documents

[UNC TPD Section M - Supply Point Metering](#)

[UNC IGTAD Section E - DM CSEP Supply Points](#)

[Example of a Transporter's Metering Charges Statement \(WWU\)](#)

5 Solution

The solution is to transfer the existing Class 1 daily read obligations for non-telemetered Supply Meter Points from DNOs to a service provided by the CDSP.

UNC Text

References to the Transporter being responsible for provision of Class 1 reads for non-telemetered Supply Meter Points will be amended to make the CDSP responsible

DNO and NTS Supply Meter Points, where telemetry equipment is fitted, are excluded from the provision of this Proposal, so the UNC text needs to ensure that provisions remain for telemetered Class 1 Supply Meter Points where the Transporter owns the telemetry equipment. This will require definitions of "Datalogged" and "Telemetered" and more explicit statement of the obligations in regard to Telemetered Supply Meter Points.

The current processes and timescales will continue as currently. The CDSP will provide the read to the Shipper within the required timescale. The date and time by which the reads have to be delivered to Shippers by the CDSP will be defined in the new DSC service line and the prescriptive time on D+1 will be removed from the UNC text. This will enable any future changes to be made by a DSC change rather than a Modification, subject to materiality. In the UNC this will be replaced by a requirement that the read for Day 'D' is provided on or before the Exit Close-out Date which is D+5; however, the date and time in the new DSC service line, which is part of the solution in this Modification, will be the same as that currently in the UNC TPD M7.2.1. Note that there is an inconsistency in the current text between TPD M5.6.1 that states 11:00 and TPD M7.2.1 that stated 12:00. When Mod 466A was implemented this amended TPD M7 but failed to amend M5.6.1 leading to the inconsistency. Since the implementation of 0466A the process has worked to 12:00, so this is the time that is being put into the DSC service line.

TPD Section M6.2.5 and M6.3.4 will be amended to remove the references to Transporter's metering charging statements in relation to the DM asset and DM read charges. Consequently, DNOs will cease to charge Shippers. New DSC service lines will be created by this Modification (see below).²

The existing obligation for Transporters to:

- 1) pay liabilities for failure to provide the reads (TPD M7)

will cease and will be replaced by an obligation on the CDSP to pass on any liability payments for service failures that it may recover from its service providers under the terms of its contracts with them.

The following existing UNC obligations for Transporters will cease and pass to the CDSP :

- 1) Submit reads to Shippers by a given time on D+1 (TPD M5.6)
- 2) Perform annual check reads and resynchronisation (TPD M5.12)
- 3) Make consumption adjustments (TPD M1.9.2)
- 4) The following will be removed from the UNC and put into the DSC, the logic is that it is not an obligation and is an optional service provided by the CDSP to Shippers. Provide within-Day reads obtained from Class 1 Supply Meter Points to Shippers on request (TPD M6.5)

In addition, the CDSP will also acquire a new DSC obligation to:

- 5) Provide within-Day reads obtained from Class 1 Supply Meter Points to Transporters on request (equivalent of (4) above)

TPD M7.1.4 relating to Special Supply Metering Points may need to be amended, (and not deleted), and will not be replaced.

For the avoidance of doubt, this Modification will not affect the existing criteria by which a Supply Meter Point is, or may be, required to be Class 1.

TPD Section M Paragraph 8 (IGTS CLASS 1 SUPPLY METERS) and IGTAD Section E Paragraph 2 (CLASS 1 IGTS SUPPLY METER POINTS) will be deleted to remove the obligation on DNOs to provide and satisfy the Class 1 Meter Reading requirement for IGT Supply Meter Points. In consequence, IGTs or Shippers may wish to amend the IGT UNC to align it with the proposed UNC provisions in this Proposal.

DSC service lines

Obligations 1, 2 and 3 above are currently provided under Service Line 1 which is 100% funded by Shippers so no changes to DSC services are required for these.

Obligation 4 is currently provided by Transporters who may charge for this service as listed in their metering charging statements. Transporters will remove this charge from their metering charging statements and it will be replaced by a charge for a new specific service to Shippers under the DSC which will be defined in the Legal Text.

Obligation 5 is a new obligation and will require a new specific service to Transporters under the DSC.

² The DM read charge is capped by Transporter licence condition 4D and repeated in Transporter's metering charging statements. The DM asset charge is not capped.

There will be a new Direct Service under Part A Service Area 3 (100% funded by Shippers) that will deliver the Class 1 Read Service and two new Specific Services under Part E Service Area 22 to provide the within day reads service to Shippers and DNOs, that the Shipper and DNO can opt to take if they wish.

These new service lines are part of the Modification and therefore would be implemented in the Data Services Contract when the Modification is implemented. While they do not strictly need a separate DSC Change Proposal, XRN 5218³ has been raised to ensure any minor process changes, or CDSP matters of implementation, can be captured and resolved.

The table below is an initial indication of the service lines that would be included in the DSC service schedules, with the final version being agreed by the DSC Contract Management Committee at the appropriate time.

³ [XRN 5218 - CDSP provision of Class 1 read service](#)

Part A Direct Service - Code Services													
Reference	Service Requirement Description	Service Requirement Trigger	Service Requirement Output	Time for delivery of service requirement	How service requirement delivered	Corresponding UNC requirement	Other corresponding requirement	Service volume constraints (none unless stated)	Performance standard	KPI category (1-4)	Corresponding obligation needed for delivery (Customer Responsibilities)		
Service Area 3: Record/submit Data in Compliance with UNC													
DS-CS SA3-18	Procuring the provision, installation and maintenance of Datalogged Daily Read Equipment and obtaining Daily Meter Readings in respect of Class 1 Supply Meter Points that have dataloggers installed	Ongoing	Management of contracts with Daily Metered Service Providers and subsequent re-procurement to specification agreed with Shippers Passing on any liability payments or service credits for service failure from the Daily Metered Service Provider to Shippers The provision of Daily Meter Readings Class 1 Supply Meter Points that have dataloggers installed Ensuring that the Daily Metered Service Provider under takes site visits and other activities required to ensure the provision of Daily Meter Readings Ensuring CDSP fulfills its obligations in respect of Class 1 Meter Reading in TPD M	Provision of reads by 12:00 hours on D+1	UK Link	TPD Section M 1.14.2; 5.6.1; 6.6.1.; specifically and TPD 5 and 6 more generally				n/a			
Part E Specific Services - Service Area 22													
Reference	Service Requirement Description	Service Requirement Trigger	Service Requirement Output	Time for delivery of service requirement	How service requirement delivered	Corresponding UNC requirement	Other corresponding requirement	Service volume constraints (none unless stated)	Performance standard	KPI category (1-4)	Corresponding obligation needed for delivery (Customer Responsibilities)	Charging Measure	Charging period
SS SA22 87	Provision of within day reads for datalogged Class 1 Supply Points	Shipper opts in to service for all DNs for all Class 1 datalogged Supply Points in its portfolio	UK Link file	Daily	UK Link	Not applicable				n/a		Fixed charge per month	Monthly
SS SA22 88	Provision of within day reads for datalogged Class 1 Supply Points	DNO opts in to service for all Class 1 datalogged Supply Points in its portfolio	UK Link file	Daily	UK Link	Not applicable				n/a		Fixed charge per month	Monthly

Other consequential changes required but not part of Legal Text for this Modification

These comments are included for information and completeness.

Transporters will remove references to the DM read charge and DM asset charge and the charge for provision of within-Day reads from their Metering Charging Statements.

Transition

Cadent, Northern Gas Networks and Wales & West Utilities currently use the same DMSP and SGN use a different DMSP. The Proposal is that initially these contracts will novate to the CDSP on the day the CDSP takes over provision of the service. The CDSP will subsequently procure a replacement service provider, in consultation with Shippers.

Cutover

Following the cutover to CDSP provision there could be circumstances when the previous DMSP needs to submit reads. Examples include late reads which can be submitted up to D+5 and consumption adjustments. Although the contractual arrangements will have changed, the service providers will not, so there should not be any system impacts.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This Modification Proposal should not impact any current Significant Code Reviews or significant industry change projects.

Consumer Impacts

The change will give Shippers more control of the Class 1 daily read service. The current systems reflect the DNO's and NTS drive to achieve an excellent service to remove the risk of onerous uncapped liabilities being incurred in the tight timescales. Removing the liabilities may result in a cheaper service as Shippers internalise the benefits and costs of achieving a given standard. The resulting service should better reflect customer requirements.

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	<p>The Modification involves Class 1 Supply Meter Points, hence the consumer groups affected would be:</p> <ul style="list-style-type: none"> • Large non-domestic Consumers, and • Very Large Consumers <p>As the service specification would remain unaltered with the transfer of responsibility, the service provided to customers would remain constant as the service transitioned between providers.</p>
What costs or benefits will pass through to them?	<p>As this Modification simply transfers responsibility for the service from DNO's to CDSP without changing the contracted DMSPs, consumers should not notice any change to of standard of service, although there may be a revision/ rationalisation of the associated charges.</p>
When will these costs/benefits impact upon consumers?	<p>The benefits would be realised upon implementation.</p>
Are there any other Consumer Impacts?	<p>Consumers should receive a seamless transfer as the service transitions to the new service provider – no customer impacts anticipated</p>
General Market Assumptions	
Number of Class 1 Supply Meter Points	456 (as of July 2020)
Approximate Total DN Revenue Received	£600k - £700k

Cross Code Impacts

There would be an impact on the IGT UNC. Currently, an IGT does not have a requirement to provide DM reads in the same way a transporter under the UNC does. For sites that meet the Class 1 (DM) read requirement, reads are supplied by the upstream transporter, through arrangements set out in IGTAD. With the removal of the UNC obligation for transporters to obtain DM reads, and the anticipated corresponding unwinding of the IGTAD arrangement, a modification to the IGT UNC would be required to rationalise the drafting of IGT UNC Part E, (Meter Reading), to ensure that any IGT Class 1 sites are captured as part of the service novation to the CDSP, The workgroup understands that an IGT UNC modification is being raised at September's IGT UNC panel meeting. The implementation date of June 2021 for UNC 0710 will provide enough time for the IGT modification to completed for coincident implementation.

EU Code Impacts

There are no anticipated EU Code Impacts.

Central Systems Impacts

The solution may require some changes to central systems, although as the process will not change these should be minimal. The main change to CDSP will be that it has a new commercial relationship to manage. Operationally the change should make day to day operations easier as the CDSP will have a direct relationship with the service providers.

Workgroup Impact Assessment

Questions and Issues Raised by Panel

1. Consider whether this Modification satisfies the self-governance criteria specifically bearing in mind the effect on competition.

This aspect of the Modification has been discussed on a number of occasions at the Workgroup, since being initially sent to Workgroup by the Panel in November 2019 with the latest position documented below:

The Workgroup was asked to consider whether this Modification should be self-governance (this was in response to a question from Ofgem although this is not recorded in the minutes of the UNC modification panel 21 November 2019). The Workgroup discussed whether this Modification should remain subject Authority Decision.

This Modification transfers the obligation from Transporters to the CDSP and therefore the price cap on the DM read charge in Condition 4D of the Transporter licence will no longer apply to this service. This is a significant change; however, given that the contracts between the DNOs and Daily Metered Service Providers are being novated in the short term there should be no effect on the charges Shippers receive and in the longer-term Shippers can define the service that would enable them to influence the charge.

The Workgroup discussed that although the Supply Points that have Class 1 metering are the largest customers the actual number is in the hundreds and the issue that this service is not competitive has never been raised as an issue; therefore, there seems little concern about competition in the provision of this service. This modification will give Shippers more influence over the provision of service and therefore this modification, while not opening the provision to competition, does move it from a service defined by Transporters to one defined by Shippers collectively. The workgroup noted that the previous modification 0647: "Opening Class 1 reads to Competition", would have transferred responsibility for procuring DM reads to the Registered User, but this was withdrawn following feedback from Workgroup members.

On balance the workgroup considered that, provided there was no significant change to charges, (while acknowledging the would inevitably be some), there was scope for the Modification to convert to self-governance, with the salient points summarised in Section 2 of this Report.

At the final scheduled meeting of the Workgroup, the CDSP provided its latest view as to how the service charge would be calculated. The methodology would adopt a simple "cost plus" pricing model:

$$\text{Total Revenue} = \text{DMSP costs} + \text{CDSP resource costs} + \text{margin.}$$

The view from Workgroup was that this assurance gave reasonable confidence of price stability through the transition.

2. Consider when the proposal should take effect

This question has been the subject of considerable discussion with an initial view that it should be implemented during summer 2020, although recently the view has been revised with an implementation date during summer 2021.

A key step in making the contractual switch from each DNO to the CDSP as service provider would be the establishing of a contractual relationship between the CDSP and the DMSPs

To achieve this, the current contracts between each DNO and a DMSP would require novation from each DNO to the CDSP. In total, there are 5 contracts in places with 2 DMSPs. The time required for those contracts to be accepted by the CDSP has not, as yet, been documented during Workgroup discussions.

Additionally, while the level of service received by shippers would remain the same as that currently specified in the UNC, there are other aspects regarding the switch of service provider that would be required to be in place prior to implementation, specifically in relation to modifying the CDSP Charging Statement to include the new service item and charges, setting up the associated invoicing and establishing contract management protocols and procedures with the DMSPs.

However, in order to progress this modification to consultation, the CDSP has advised that it expects these activities to be resolved between now and the proposed implementation date and anticipates the new arrangements being given effect mid-2021.

Shippers have previously stated in Workgroup discussions that they would prefer this Modification to be implemented outside the winter period; therefore, it seems sensible to implement outside the ratchet period, that is in the period June to September inclusive. To allow for any problems to be addressed before the start of the ratchet period in October 2021, an implementation date of 01 June 2021 seems to be a reasonable implementation effective date. It was noted, for charging purposes that the first of the month would be optimal for the transfer to take effect, although it was further noted that with the Daily Metering Charges being invoiced on a daily basis, the first of the month would be preferable, though not imperative.

As well as the Panel Questions, as part of the development process a number of other points of note relating to the new arrangements have been discussed:

3. Consideration of other aspects of service transfer to the CDSP and the associated governance arrangements

While in principle the Modification simply facilitates the replacement of one service provider and leaves the service unaffected, the switch in service provider from DNO to CDSP has resulted in some revision to regulatory arrangements and some of the supporting terms and conditions.

Workgroup also noted that:

- the Service performance measure would be established in the DCS as 12.00 (midday) on D+1, (while superficially this may look like a revision to a service level, the time specified simply resolves an existing UNC drafting inconsistency),
- the service failure liabilities set out in the UNC would be disapplied, (although DSC service credits would apply),
- the DM read charge cap, set out in the Transporters' Licence would no longer apply, and

- all aspects of future change to service provision, performance and charging would be managed through DSC Contract and Change Management governance⁴.

Given the changes noted above, a view from the DSC governance core-customer groups was relayed to the Workgroup by the CDSP, stating that transferring the service and effecting a shift in contractual responsibilities should be seen as a positive event for CDSP customers

At the final Workgroup meeting, the CDSP further reflected on contract novation process and noted that, due to the length of time that DNO's DMSP contracts had been in effect, and during that time a number of regulatory changes, (for example the setting-up the DSC), and statutory changes, (for example GDPR), a number of technical contractual amendments would be required before they could be satisfactorily novated to Xoserve.

CDSP also confirmed the contract reviews were ongoing but it is assumed that as the preferred approach remains to novate the existing contracts, (subject to required updates as detailed within the paragraph above), all required obligations on the CDSP would be satisfactorily be accounted for in the final versions of the DMSP contracts.

4. Summary

Overall, given that the Modification's legal text development is complete, and the CDSP has completed the early stages of accepting service provision, while noting the relatively long lead-time before an implemented modification would take effect, the majority view of the Workgroup was that now is an appropriate juncture for the Modification to proceed to consultation.

Rough Order of Magnitude (ROM) Assessment

CDSP advised that a ROM would not be required as no systems would need to be modified to effect the switch in service provider, although it noted that there may be some costs associated with transition and set-up.

⁴ [Data Services Contract Change Management Procedures](#)

7 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.	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

Moving to CDSP provision of the Class 1 meter read service would allow Shippers to define the service. This will allow them to define the service that best meets their needs rather than having a service determined by Transporters, this would further Relevant Objective (d).

The proposed Modification should make day to day operations easier as the CDSP would have a direct relationship with a the DMSP, rather than the service being procured directly by DNOs to provide data to the CDSP and therefore further Relevant Objective (f).

8 Implementation

A lead time will be required to implement any necessary central system changes, although at present these are expected to be minimal although for extra peace of mind it is proposed that the change comes into effect outside a winter period.

As described in Section 6: (Workgroup Impact Assessment), given the necessary arrangements which require resolution and be established by the CDSP, and with due consideration of the prioritisation of activities brought about by the COVID-19 pandemic, the view of the Workgroup is that the effective target implementation window should be mid-2021, preferably, 01 June 2021.

Additionally, it is the view of the Workgroup that this length of implementation lead-time should provide sufficient time for the novation of the contracting arrangements and all other aspects of industry and corporate governance to be resolved, although noting that implementation would be delayed, if this is not the case.

9 Legal Text

Text Commentary

Has been published alongside this report.

Text

Has been published alongside this report.

10 Consultation

Panel invited representations from interested parties on 17 September 2020. The summaries in the following table are provided for reference on a reasonable endeavours' basis only. It is recommended that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 8 representations received 7 supported implementation and 1 provided comments.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Cadent	Support	d) – positive f) – positive	<ul style="list-style-type: none"> • Supports the Modification, as, if it is implemented, it would further the Relevant Objectives by: <ul style="list-style-type: none"> ○ giving Shippers more collective control over the current DM service and could allow for innovative approaches to future service provision, and ○ providing for a common service including a single common charge across all DNs. • Supports the proposed implementation date of 1 June 2021 given the required system changes and novation of contracts which would be required. • No material impacts or costs on Cadent are expected. • Is satisfied that the legal text meets the intent of the Modification.
E.ON	Support	d) - positive f) - positive	<ul style="list-style-type: none"> • Supports the Modification as it will introduce efficiencies (more in the future) in provisioning of the Class 1 read service. • Anticipates that the future Class 1 read services procured via the CDSP will promote competitive procurement for

			<p>the DM read services which E.ON supports. By removing the obligation from Transporters and placing it with the CDSP, it allows for a more cost effective and efficient way for Shippers when handling missing and late reads, as the existing process of claiming back costs from Transporters for failed reads is not efficient and does not necessarily align to a Transporters market role.</p> <ul style="list-style-type: none"> • Believes that the Modification should be treated as Self-Governance because it changes primarily the contractual arrangements with the Daily Metered service providers (DMSPs). As there will be no system impacts or direct implications on end consumers allocated to settlement Class 1, it does not require an Authority Decision. • Supports the view of an implementation date of 01 June 2021, since it provides a window for any unexpected problems to be resolved upon the transfer of the read service without unintentionally impacting ratchet charges applicable over the winter period. • Limited direct costs anticipated as whilst there is likely to be a CDSP administration fee, E.ON supports this moving to a DSC service line charge and these charges being more transparent in the future. • Notes that it is concerning that an IGT change has not been developed in full in conjunction with this Modification. Whilst the Modification should not be held back because of IGT development, notes the preferred approach would be for both UNC and IGT Modifications to be implemented at the same time. Adds if the implementation date for the Modification is June 2021, there should be adequate time to bridge this gap.
Gazprom	Support	d) – positive	<ul style="list-style-type: none"> • Supports the Modification. • Believes the centralised provision of a Class 1 read service via the CDSP will provide a common service and charge across GB rather than having a separate service from each DN as well as providing Shippers with more control over the future arrangements for Class 1 read services. • Agrees the Modification meets Self-Governance criteria. • Agrees with the proposed effective target implementation window in mid-2021, preferably, 01 June 2021.
National Grid NTS	Support	d) – positive f) – positive	<ul style="list-style-type: none"> • Supports the Modification as it enables the delivery of the reading service (for the Supply Meter Points in scope across the Total System) by the single most efficient means possible and for the key beneficiaries of this

			<p>service to have a greater degree of control in how that service is delivered.</p> <ul style="list-style-type: none"> • Agrees that implementation would further relevant objectives f) <i>efficiency in the administration of the Code</i>, and d) <i>the securing of effective competition between shippers</i>. • Agrees that the Modification meets the Self-Governance criteria for the reasons outlined in the Draft Modification Report and notes the previous Ofgem comment (referred to in the Report) that it was comfortable with this approach. • Requires a minimum implementation lead time of three months in order to make the necessary changes to the contract with their service provider for the single datalogged Class 1 Supply Meter Point on the Network. • Negligible administration costs may be incurred as a consequence of the transition to a CDSP provided service. Ongoing costs are not anticipated. • Is satisfied that the legal text delivers the intent of the solution. • Notes, that whilst direct reference is made to the one datalogged Class 1 Supply Meter Point on the NTS, and the fact that the reading arrangements for this falls within scope of the proposed transition to a CDSP provided service, in some parts of the Draft Modification Report the current service is referred to as a 'DNO provided service'. This should be more accurately described as a 'Transporter provided' service currently as is reflected elsewhere in the Draft Modification Report.
Northern Gas Networks (NGN)	Support	d) - positive f) - positive	<ul style="list-style-type: none"> • Supports the Modification as the change of the Class 1 read service provision to the Shippers, via CDSP central procurement, will give the shippers more influence over this read service. This is more in line with how other read services are managed and Furthers Relevant Objectives d) and f). • Agrees that the Modification proposal meets the self-governance criteria, due to this being a transfer of existing service rather than introduction of a new service. • Agrees with the suggested implementation of Summer 2021 as this proposal requires novation of existing contracts, and work by the CDSP to effectively set up the management of the service. • Confirms they will incur no costs.

			<ul style="list-style-type: none"> • Believes the legal text provided should deliver the solution set out in the modification and acknowledge that it has been discussed and developed at a number of Workgroups. • Notes the Modification seeks to offer an ongoing service using the collective bargaining power of the shippers. Due to the decline of Class 1 sites, it is no longer feasible for any network or Shipper to procure the service on an individual basis due to the low volume of sites at these levels, giving weight to the argument for a centrally procured service. This will also allow the Shippers to shape the service and monitor it, which, as the parties with direct relationships with the Class 1 sites, should allow for a smoother more efficient install and maintenance of the Class 1 read equipment. • Adds that Transporters need to be consulted when any new contract is being procured to ensure that the data feed frequency and method of delivery to Transporters meets, at a minimum, the current levels of service.
SGN	Comments	d) - positive f) - positive	<ul style="list-style-type: none"> • Agrees with the principle of the Modification as whilst Meter Reading activities in relation to Class 1 Daily Metered sites are currently a Transporter obligation, Shippers are the recipient of the service. • Supports the principle of enabling Shippers to have a greater influence over the service they receives. Also notes that the meter reading process for other classes of sites has been subject to competition for a significant period of time, with Class 1 meter reading remaining the only area which has not been opened up to competition. • In developing the solution, it was noted that the volume of Class 1 sites is in decline, which may in future make the service unviable to be undertaken by multiple parties. As such, moving the service to Shippers was discounted in favour of a service managed by the CDSP, which may provide economies of scale and retain the intended competitive benefits. • Notes that at present the full costs associated with the change to the procurement of this process are unknown. Without the visibility of the cost benefit analysis from implementing the Modification, SGN provides comments rather than support for the Modification. • Supports the view of the UNC Panel that the Modification fulfils the Self-Governance criteria. However, adds the caveat that this view is without any cost benefit analysis which could ultimately influence the judgement of the

			<p>UNC Panel.</p> <ul style="list-style-type: none"> • Agrees with the proposed lead times in the Modification that would see the new service taking effect from summer 2021. Believes that this lead time allows for the novation of the existing contracts and for the CDSP to set up its management of the service. • Does not anticipate material costs to the business because of the Modification. However, at present these costs cannot be assessed any visibility of the cost of procuring data from the CDSP for strategic DM sites. • Is satisfied that the legal text will deliver the intent of the Modification. • Notes, they would like to see a cost benefits analysis undertaken in support of the Modification.
SSE	Support	d) - positive f) - positive	<ul style="list-style-type: none"> • Agrees the Modification will centralise the provision of this very important service and give Shippers more control over it. Also, having the Class 1 read service under the control of the CDSP is likely to improve the amount of Class 1 readings that are processed by the central settlement systems which will improve gas settlement data quality. • Agrees that the Modification meets the Self-Governance criteria. • Agrees the Modification should be implemented in mid-2021. • Is satisfied that the legal text will deliver the intent of the solution.
Wales & West Utilities (WWU)	Support	d) - positive f) - positive	<ul style="list-style-type: none"> • Supports this implementation as it will: <ol style="list-style-type: none"> 1. provide a sustainable service going forward; 2. give Shippers collectively, more influence in determining the service provided by the CDSP; and 3. mean that Shippers have a common service and charge across GB rather than having a separate service from each DN. • Believes points (1) and (3) further relevant objective f) and point (2) furthers relevant objective d). • Supports the view that this proposal satisfies the Self-Governance criteria. • Agrees that implementation should take place in Summer 2021 and that 1st June 2021 is a sensible implementation date as this allows for implementation well before the start

			<p>of the following winter.</p> <ul style="list-style-type: none"> • Notes there is an IGT Modification is being proposed to amend the IGT UNC so it is aligned to the UNC following the implementation of UNC 0710. Additionally, IGTs will also need to put in place arrangements either to mirror the arrangements of UNC 0710 in the IGT UNC or to provide a Class 1 read service themselves direct to Shippers. If this IGT change is not put in place Shippers will no longer receive daily reads for the handful of Class 1 Supply Meter Points on IGT networks. • Notes that the IGT Modification should have sufficient time to be completed before the proposed implementation date of UNC 0710. • As the Proposer of the Modification, wishes to have a decision on this Modification so that the CDSP can proceed with the necessary contractual arrangements with the current Daily Metered Service Providers and commence discussions with Shippers regarding the future arrangements once the current contracts are terminated. • No costs will be incurred. • Is satisfied the legal text will deliver the intent of the solution. • Additionally, supports the Modification as it will put the service on a sustainable basis going forward following the considerable decline in the number of Class 1 Supply Meter Points since network sale in 2005. As neither Transporters nor Shippers are in a position to provide an ongoing service individually because the volume of sites would not be sufficient to provide a cost-efficient service and therefore the sensible solution is to have a centrally provided service from the CDSP. This arrangement will allow Shippers to define the scope, KPI, and service levels they require when the CDSP procures a service on termination of the current contracts that will be novated. Currently Shippers have to take the service that the DNs offer them that fulfils the DN's UNC obligations. • Points out that the majority of meter reading services were opened to competition about 20 years ago and making this change to the Class 1 read service is consistent with that approach of more user choice. • Believes the Modification may enable Shippers to provide new services to their customers as they will be able to design the daily read service to meet their requirements.
--	--	--	---

Please note that late submitted representations will not be included or referred to in this Final Modification

Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

Discussion

The Panel Chair summarised that Modification 0710S proposes that the Central Data Service Provider (CDSP) provides the Class 1 Supply Meter Point read service. It will remove the Transporter obligation to provide a Daily Read service to Shippers for non-telemetered Class 1 Supply Meter Points. This does not affect arrangements for directly connected telemetered Supply Meter Points on Distribution Network Operators (DNOs) or National Transmission System networks.

Panel Members considered the representations made noting that, of the 8 representations received, 7 supported implementation, and 1 provided comments.

Two respondents raised concerns around IGT impact as currently there is no corresponding IGT Modification raised:

- o NGN - If this IGT change is not put in place Shippers will no longer receive daily reads for the handful of Class 1 Supply Meter Points on IGT networks.
- o E.ON - concerned that an IGT change has not been developed in full as this solution may have an impact, although this modification should not be held back because of IGT development, E.ON would prefer that both Modifications are implemented at the same time, and should the implementation date be June 2021, they believe there is adequate time to bridge this gap.

The Independent UNC Modification Panel Chair invited the IGT Representative to speak, who confirmed an IGT Modification will be required. ESP is proposing the change which will be raised shortly and will progress to the IGT October Panel. Two IGT Workgroup meetings will likely follow and it is hoped that implementation can be aligned with the UNC Modification.

The CDSP representative confirmed the Xoserve contractual transfer will define the implementation date (XRN 5218).

A Panel Member noted their Consultation representation which pointed out that there is not any visibility of the cost benefit analysis, and whilst they support the principle, the full costs associated with the change to the procurement of this process are unknown. For this reason, SGN provided comments rather than support. In summary, the solution must deliver an improvement in order to further the Relevant Objectives.

A Panel Member noted that a procurement exercise is needed to deliver a more effective service to Shippers. There is a substantial commercial case for the cost of these services to decrease over time.

The CDSP representative confirmed that the review of the service and the re-tendering in the future have to take place and until that happens any cost reduction cannot be confirmed. The CDSP will be reliant on changes to the existing service to achieve the benefits that people are hoping for (e.g. timings). He noted that this Modification avoids significant system cost (in contrast to several other proposals previously) so the avoided cost must be considered as well as the move away from price capping under Transporters and the opportunity to tailor the service.

A Panel Member noted that the Transporters are price capped for what they can charge for this service and she confirmed they are currently not even recovering their costs. There are a number of players in the market that can provide this service and a single tender for the whole market can potentially be more efficient.

The volume of Class 1 meter points after Nexus was known and the likelihood of this dropping was known.

A Panel Member noted this Modification provides an opportunity for a more competitive service.

A Panel Member wished to note that this should have been resolved at Workgroup; other Panel Members confirmed it was covered appropriately at Workgroup.

In its consultation response, NGN asked for it to be noted that the Transporters need to be consulted when any new contract is being procured to ensure that the data feed frequency and method of delivery to Transporters meets, at a minimum, the current levels of service.

Consideration of the Relevant Objectives

Panel Members considered that two Relevant Objectives d) and f) are the most pertinent to this Modification, agreeing with the Proposer and all consultation respondents.

Panel Members considered Relevant Objective *d) Securing of effective competition between Shippers and/or Suppliers*, agreeing that implementation would have a positive impact on competition because the Modification will give Shippers, collectively, more influence in determining the service provided by the CDSP.

Panel Members considered Relevant Objective *f) Promotion of efficiency in the implementation and administration of the Code*, agreeing that implementation would have a positive impact on efficiency because the Modification will provide a centralised service at market rate going forward and it is hoped that Shippers should have a common service and charge across GB rather than having a separate service from each DN.

Determinations

Panel Members voted unanimously that no new issues were identified as part of consultation.

Panel Members voted with 13 votes in favour (out of a possible 14), to implement Modification 0710S.

12 Recommendations

Panel Determination

Panel Members agreed:

- that Modification 0710S should be implemented