CODE MODIFICATION PROPOSAL No. 0088

"Extension of DM service to enable Consumer Demand Side Management"
Version 5.0

Date: 09/11/2006

Proposed Implementation Date: 01/04/2007

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

The proposal has been sufficiently developed within the workgroup to enable this proposal to proceed direct to consultation.

Nature and Purpose of Proposal (including consequence of non implementation)

Over the last twelve months prospective and current Meter Asset Managers (MAMs) have started to offer Automated Meter Reading Services (AMRS) to Industrial and Commercial Suppliers. One of the perceived advantages of AMR Meters is that it enables Industrial and Commercial Customers to actively manage their gas consumption in response to market signals, particularly in times of system stress.

At present we believe that the current market structure, in particular system limitations, inhibits the development of consumer driven demand management and hence reduces the benefits of smart metering.

At present any Large Supply Point can become a DM site, subject to Transporter approval. In the ten years in which this has been possible few, if any, sites have taken advantage of this facility. We conclude this is due to the fact that the costs and complexity of moving to such a regime outweigh the contractual and commercial benefits of such of a reclassification.

We are proposing that the UNC, with supporting systems, are modified to enable Shippers to manage DM(AMR) Supply Points directly. Any systems changes should be undertaken to allow Shippers to collect and submit daily meter readings to the Transporter's Agent (xoserve). In order to ensure that customers are attracted to such a change the regime for DM(AMR) sites must be proportionate. Transporters and Shippers have been comfortable with such sites being subject to the NDM process since the inception of the Gas Code. It does not seem appropriate that such sites should be subject to an onerous regime akin to the DM process.

We do not anticipate removing any obligations from Transporters in maintaining and operating the current DM portfolio at present.

Consequence of non-implementation

If the modification is not implemented, the advantages which can conferred by AMR technology, such as facilitating demand side response from mid-sized I&C sites and improving energy efficiency will be not be realised and the market will not as readily adopt this technology.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters License

Allowing Consumers the ability to actively manage their gas consumption, thereby aiding Transporters in their management of the pipeline network on peak demand days, allows this modification to facilitate the achievement of the relevant objectives:

A11.1 (a) *the efficient and economic operation of the pipe-line system to which this licence relates;*

Implementation of the Proposal would provide the Transporters with additional meter readings. This enhanced information will help inform the Transporters about system demand, facilitating efficient and economic operation of both the NTS and DN pipe-line systems.

Furthermore, implementation of the Proposal would allow NDM customers to undertake demand-side reduction as actual consumption could be recorded on days when flow is curtailed, so reducing demand upon the system at times of stress. This should aid efficient and economic operation of the pipe-line system, potentially reducing the role of the residual balancer.

A11.1 (c) *so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

The Transporters are required to develop their systems in order to ensure that all firm customers are supplied except in a situation where demand is greater than that expected in 1 year in 20. Implementation of the Proposal would facilitate an increase in the number of daily metered sites and potentially promote a higher level of demand-side response when required to balance the system.

A11.1 (d) *The securing of efficient competition between relevant shippers, suppliers and DN operators.*

Suppliers are currently unable to allow an NDM customer’s variation in demand to be reflected in their supply contract because the benefits of variations in daily consumption cannot be not taken into account. Implementing the Proposal allows NDM sites to have such flexibility without the cost and complexity of being classified as a daily metered site. This would enhance the market and improve cost reflectivity, thereby promoting competition.

Furthermore, increasing the number of meter readings provided to the Transporters will result in improved data quality on which to base the underlying NDM demand calculations. Enhancing NDM demand processes would lead to more accurate cost apportionment and the improved cost reflectivity which would be consistent with facilitating effective competition.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

a. Proposed implementation timetable

Though the modification still requires a detailed system impact assessment this will not be forthcoming prior to the consultation stage and is difficult to assess at this point what is an appropriate implementation timetable.

b. Suggested legal text

None Suggested

c. Advantages of the Proposal

- Improves Shippers' ability to balance their positions, reducing the role of the residual balancer
- Potentially increases the volume and flexibility of demand side response
- Enhances security of supply
- Increases the consumption information available to Transporters and Shippers, supporting processes such as AQ derivation and reconciliation
- Facilitates the introduction of more flexible contracts into the competitive supply market
- Facilitates the introduction of new approaches to collecting meter reads
- Reduces the number of must reads required

d. Disadvantages of the Proposal

- System adjustments would be required.
- System Development Costs would be incurred..

e. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

The Modification would improve the Transporters' ability to manage the network as customers will be able to curtail consumption in response to market signals.

f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. implications for operation of the System

Xoserve will be required to a make an adjustment to its processes to incorporate DM(AMR) readings. National Grid will be able to utilise more daily information and there will be consequential improvements to the current forecasting methodology.

ii. development and capital cost and operating cost implications

There may be a cost to adapting the current systems to enable an increase in meter reading submission, in addition to the cost of creation of a new site category. .

iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

Any possible developments should be covered by currently allocated revenue. It is not anticipated that this Proposal will result in an increase in costs sufficient to require additional funding.

iv. analysis of the consequences (if any) this proposal would have on price regulation

No such consequences are anticipated.

g. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

No such consequences are anticipated.

h. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

The capacity of UK Link will need to be evaluated as a consequence of this modification.

i. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

We do not anticipate any significant implementation costs for Users beyond any costs in implementing new processes to allow nomination of DM Sites.

Code Concerned, Sections and paragraphs

Uniform Network Code, Transportation Principal Document, Section E.

Proposer's Representative

Gareth Evans (Total Gas and Power Ltd)

Proposer

Gareth Evans (Total Gas and Power Ltd)

Signature

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Appendix 1: Business Rules

1 SPA Process

1.1 When the User makes a Supply Point Nomination, the User must specify an effective Supply Point Registration Date at least 8 Business Days after acceptance of the Supply Point Offer.

1.2 At the Supply Point Registration Date, the site is designated as a DM(AMR) site within Sites and Meters.

1.3 Shippers will be responsible for the nomination/confirmation and maintenance of any DM(AMR) sites that it chooses to designate as such.

1.4 Site must have DM(AMR) equipment installed. This is defined as any site that has Remote Metering Reading Equipment, and is a Larger Supply Point.

1.5 Shippers will be not required to install dataloggers (though the Remote Metering Reading Equipment may be capable of acting as a datalogger) or telephone lines.

1.6 The Transporter's agent will assign a unique reference number to each set of DM(AMR) Remote Meter Reading Equipment installed. The Shipper will provide any information deemed necessary to facilitate this process.

1.7 If the Site has previously not been registered, then the Shipper will supply the AQ for that site as well as an SOQ.

1.8 Transporters shall not verify applications outside of the normal process.

1.9 No meters placed on a prime or sub-deduct network will be eligible to become DM(AMR), unless the site has a Primary DM Meter, or all sub-deduct meters are reclassified as DM(AMR) meters with the same Supply Point Registration Date.

2 Demand Forecast Process

2.1 Shippers will submit the forecasted gas requirements for each DM(AMR) site. The nomination timescales will be aligned with current DM sites.

2.2 Shippers will submit nominations for DM(AMR) sites with DM sites.

2.3 Energy balancing charges will be calculated in accordance with the current DM regime.

2.4 Sites may be re-nominated in accordance with the DM timescales.

3 Submission of Meter Readings

3.1 Reads can be submitted by Shippers or individuals designated by the Shipper as acting on behalf of that site. The Shipper may only submit one set of meter reading files per day for DM(AMR) sites.

3.2 As the majority of these sites are currently monthly read NDM sites it seems appropriate that Shippers are required to submit two consecutive reads at least once every 4 calendar months, and must submit at least two consecutive reads every calendar month for at least 90% of the DM(AMR) meters for which it is responsible. (This is identical to the current must read rules for such sites who are monthly read sites).

3.3 Shippers will use Best Endeavours to procure daily reads for each DM(AMR) sites.

3.4 Xoserve will publish a monthly report (with Shipper anonymity) detailing the number and percentage of DM(AMR) meter reads what were submitted on a daily basis.

3.5 If a User fails to satisfy these requirements then the Transporter will procure a meter reading and the User will pay the costs incurred for procuring that read.

3.6 If a Supply Point exceeds it maximum Supply Point Capacity it will be subject to ratchet and overrun charges.

3.7 When a Shipper submits an SOQ to xoserve as part of the confirmation process, it shall be liable for ratchet charges only if the SOQ submitted is less than the SOQ of that site, prior to it being becoming a DM (AMR). This exemption will only be in place for the period where the site has not been classified as a DM(AMR) for a full Gas Year.

3.8 Once the provisional period has expired, then the site will be liable for Supply Point Ratchet Charges and overrun charges.

3.9 A site will have its AQ derived from two meter readings 12 calendar months separate. If no meter reading is available for the applicable days, then the Transporter's agent may use any two meter readings no more than 13 and no less then 11 months separate. If still no suitable meter reading are available the previous AQ will be used.

3.10 The usual start point for AQ derivation will be the Supply Point Registration Date.

4 Demand Derivation Process

4.1 Shippers will be able to submit one set of metered readings per MPRN registered as a DM(AMR) each Gas Day.

4.2 The allocation timescales will be aligned with that of DM sites.

4.3 Shippers will be able to adjust erroneous or derived meter readings up to D+5 as under the existing UNC.

4.4 If there are insufficient meter readings supplied for a DM(AMR) site, xoserve will calculate a default value for that site.

4.5 This default value will be the values used for deriving the metered volume for that site at D-7.

4.6 If no Meter Reading is available for derivation, then the metered consumption will be $1/365^{th}$ of the submitted AQ.

5 Reconciliation Process

5.1 The reconciliation process will act in the same manner as the Daily Meter reconciliation (EBAs) process.

5.2 When a meter reading is submitted to the Transporter agent, meter point reconciliation will be undertaken if insufficient meter readings were submitted the previous day.

5.3 When a Shipper submits a read to xoserve that can be verified as a Meter Reading derived from visual inspection and the variance between this meter reading and the system meter reading exceeds 50,000 kWh then a resynchronization reconciliation will be undertaken.

5.4 The Shipper may request a resynchronization reconciliation if it has evidence from visual inspection of a misallocation of energy.

5.5 Any invoices that are created as a result of this reconciliation will be settled by the incumbent User at the time of the reconciliation.

5.6 A resynchronization reconciliation will cover the period between the date of the new meter reading submission and the date of the last resynchronization reconciliation, or if this is unavailable the date of the submission of the opening meter read.