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Modification Panel Secretary  
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Dear Julian,

**Modification Proposals: 0185 / 0185A Meter Error Notification Process**

Thank you for the opportunity to comment on these Modification Proposals.

Scotia Gas Networks supports the principle behind both Modification Proposals. We believe the proposal to formalise arrangements relating to communication of meter errors and preparation of meter error reports through the UNC and a UNC Related Document (Measurement Error Notification Guidelines for NTS to LDZ and LDZ to LDZ Measurement Installations) could provide greater clarity and transparency for all parties concerned. However, due to lack of clarity regarding the status of the guidelines document and failure to address current provisions set out under UNC OAD, SGN is not able to support Modification Proposal 0185 at this stage. Whilst National Grid UKD has attempted to address this latter point in Modification Proposal 0185A, we note that timescales set for raising alternative proposals are very tight, and have made it difficult to provide the detail required. As such SGN is only able to offer qualified support for Modification Proposal 0185A and could not recommend implementation at this stage. Further detail would be required, for example through the provision of legal text.

We have provided general comments and concerns relating to the Modification Proposal and guidelines document below. Detailed drafting issues associated with the guidelines document are also attached for additional information.

We hope you find these comments helpful.

Yours sincerely

Joel Martin

Scotia Gas Networks.

## 1. General Comments

### The Modification Proposal - 185.

The proposal has been raised to modify the UNC to make reference to the 'Measurement Error Notification Guidelines for NTS to LDZ and LDZ to LDZ Measurement Installations'. If approved, the Guidelines document would be added to the list of UNC Related Documents detailed in section V12.1 of the UNC TPD. We note that the Draft Modification Report states that if implemented, the proposal requires immediate 'adherence to the suggested ancillary document attached'. SGN seeks further clarification on this point. Firstly SGN is not clear as to the level of "adherence" required. Some references in the proposal and guidelines document suggest absolute compliance is required, yet others and the use of the term guideline suggests there is scope for manoeuvre.

SGN also notes that the proposal does not provide any information as to how or where within the UNC obligations to comply would be set out. The Modification Proposal appears to be to amend UNC TPD Section V to include the guidelines document within the current list of UNC Related Documents, but no more.

The proposal does not make corresponding changes to the UNC OAD, to amend or remove current obligations set out between Upstream and Downstream Transporters to identify and resolve meter errors. Without corresponding changes to the OAD the proposal could reduce clarity and result in duplication and potentially parallel processes. Transporters would be subject to two separate arrangements that could follow two separate processes and ultimately result in two different outcomes. This would not be efficient. SGN believes this is a material issue and as such SGN is unable to support implementation of Modification Proposal 0185.

### The Modification Proposal - 185A.

The proposal has been raised as an alternative to Modification Proposal 0185. It is very similar in nature. We welcome the additional clarity it provides in relation to status of the guidelines document; the proposal is simply to "give effect" to the document within the UNC. More importantly, it also recognises and makes reference to required changes to the OAD. However given the very limited timescales for raising an alternative Modification Proposal it has not been possible to stipulate the precise changes needed. SGN believes this level of detail is required. Until a detailed examination can be carried out of the precise changes to be made to the OAD SGN can only offer qualified support for the principle behind this proposal.

Extent to which implementation of the proposed modifications would better facilitate the relevant objectives.

### ***Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:***

SGN agrees that both proposals and the associated guidelines documents offer the opportunity for Shippers to become more involved in the meter error report process at an earlier stage and to actively engage in the process. This may enhance wider understanding of the process and potential outcome at an earlier stage. As such, Shippers should be better placed to manage any subsequent impact on their business. This should help facilitate competition. However, current lack of clarity and inconsistencies in drafting of the proposals and guidelines would not allow these benefits to be realised. If implemented as they stand, there could be a detrimental impact.

***Standard Special Condition A11.1 (f): so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;***

SGN considers that Modification Proposal 0185 doesn't offer sufficient detail as to the standing of the guidelines document. The proposal states that the guidelines should be adhered to but does not state which specific part (s) of the UNC require to be modified or how to allow the guidelines document and the processes within the guidelines document to be treated as specific rules. The proposal does not make the necessary changes to the Offtake Arrangements Document to remove any inconsistencies or conflicting obligations.

Modification Proposal 0185A provides for changes to be made to the OAD but there is insufficient detail to allow comment or legal drafting to be provided.

**Development and capital cost and operating cost implications:**

SGN is concerned that Modification Proposal 0185 does not recognise costs associated with implementation of the guidelines document. SGN would wish to highlight that significant effort has gone into providing and developing resource and systems to manage meter errors and meter error reports. As Transporters would be required to fund any Independent Expert, this could potentially be at significant additional cost to SGN. SGN welcomes the identification of these additional costs within the Draft Modification Report under 0185A. We also welcome clarification that involvement of the Independent Expert should be limited to meter errors over 50 GwH or where there is a significant likelihood that once completed the meter error report would identify the meter error to be above 50GwH or if there is a significant issue affecting the whole gas industry. This should help mitigate risk and additional cost for Transporters. SGN would be concerned if the Significant Meter Error process were to be extended to meter errors below the 50 GwH except in the circumstances detailed. We believe this would significantly reduce the efficiency and effectiveness of the proposal.

SGN welcomes the fact that the Independent Expert's decision is final and binding as this would eliminate the potential for disputes of a technical nature which can be time consuming, costly and cause delays to the reconciliation process.

**Level of Contractual Risk of Each Transporter**

SGN note that the Transporter could face increased contractual risk compared to current arrangements as a result of obligations to contract with the Independent Expert to provide the SMER.

**Implementaiton Timescales**

The Proposer of Modification Proposal 0185 has requested implementation on the day following approval by the Authority. As an Independent Expert List has still to be compiled along with standard terms and conditions for contracting with the Independent Expert a 2 - 3 month implementation timescale would be required. Also, arrangements need to be put in place for reporting on and updating the Offtake Arrangements Workstream on meter errors.

**2. Detailed Drafting Comments**

**The Modification Proposal**

A number of detailed drafting issues were raised by SGN at the Modification Panel meeting in January. There were a number of areas of inconsistency within the Modification Proposal and

between the Proposal and attached guidelines document e.g. whether matters should be considered by the Offtake Arrangements Workstream or Offtake Committee, whether Users or Users and Transporters would be able to raise changes to the guidelines document etc. Some issues were addressed by the Proposer at the Modification Panel meeting but it is concerning that a proposal should require such significant amendment at this late stage. SGN suggested further time should be taken to consider and address remaining concerns. We believe issues raised at the meeting and in this response could have been addressed in time for the February Modification Panel meeting. It is regrettable that this opportunity was not pursued by the Proposer.

We believe further clarification is required to ensure the Independent Expert is not overwhelmed answering spurious and inappropriate questions that could delay the conclusion of the Significant Meter Error Report (SMER) without adding any significant value.

We note there are no specific provisions for setting a time limit to the process, particularly in relation to the Independent Expert's compilation of the SMER. As a contracting party we would wish to see some time limit applied, as appropriate for the individual situation, to ensure the process is managed efficiently, bearing in mind the potential for significant costs to be incurred by the Transporter. SGN believes there is scope within the guidelines document for the contracting Transporter to do this, but would appreciate clarification.

#### Guidelines Document.

References to Uniform Network Committee should be Uniform Network Code Committee

**1. "Definitions"** It is stated that the Appointed Technical Expert (ATE) can not be in direct employment of the Upstream or Downstream Transporter. By the very nature of being required to contract with the ATE the ATE will be employed by a Transporter. Further to this the definition does not specify that the ATE should not be in direct employment by a Shipper at the time of appointment. The definition should specify that the ATE should not, at the time of consideration of appointment, be employed by the Upstream Transporter, Downstream Transporter or Shippers but as a consequence of appointment will subsequently be in employed by means of a contractual arrangement by a Transporter for the purposes of the compilation of the SMER only.

**4. "Action on Identification of a Measurement Error"** - We believe reference to "Network Code Ancillary Document" should be "UNC Related Document".

References to **Listed Technical Experts** throughout should be Listed Independent Technical Experts to tie in with definitions section.

#### **7. Determination of Significance of Measurement Error and Appropriate Path**

The Offtake Arrangements Workstream is required to collate aggregated scores for nominated Independent Technical Experts and propose the highest scoring to the Offtake Committee for "consideration". We believe consideration should be replaced with endorsement.

#### **8. Business Rules for the Authorisation of Significance of Measurement Error by the Offtake Committee**

This sections does not make sense. It states that upon endorsement of a SMER request the Offtake Committee will.....submit the highest scoring Independent Technical Expert to the Offtake Committee for approval. It does not make sense that the Offtake Committee submit something to themselves for approval. This needs to be reviewed in conjunction with Section 7.



Where there is a conflict of interest any User or Offtake Committee member may object to the appointment of the Appointed Independent Technical Expert. We do not believe that it is appropriate or necessary for the AITE to automatically cease to be appointed. We believe a process is required to investigate the objection and determine an appropriate course of action.

The last bullet commencing "The Offtake Committee, upon the receipt of a request for a ...." is not relevant and should be deleted.

**Framework for Approved List of Independent Technical Experts**

To tie in with other provisions in this section the first bullet should provide for the Joint Office to invite all Shipper Users and Transporters to nominate up to 3 persons per meter technology.