

Modification proposal:	<b>Uniform Network Code (UNC): Meter Error Notification Process (UNC 0185VV)</b>		
Decision:	The Authority <sup>1</sup> directs that proposal 0185VV be made <sup>2</sup>		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	16 June 2008	Implementation Date:	To be confirmed by the Joint Office

## Background to the modification proposal

Errors in measurement equipment at Local Distribution Zone (LDZ) offtakes from the NTS can cause misallocation of the aggregate quantity of energy allocated to supply points through the RbD mechanism. Such errors potentially affect all users. A number of large adjustments have been applied through LDZ Reconciliation in recent years.

The existing process for notifying users of errors in measurement equipment is based on that developed by the Transco Network Code Modification Proposal 0643<sup>3</sup> in 2003. The process creates no formal mechanism for alerting users to errors and in effect creates an unrestricted timetable for the identification and reporting of measurement error. The process as detailed under this proposal has not been incorporated into either National Grid Transco (NGT)'s Network Code or the Uniform Network Code and as such remains informal, with no legal authority or requirements. In addition, the process has not evolved to reflect the changing nature of the gas industry (for example, it does not acknowledge the existence of Transporters other than NGT). Furthermore, recent examples of large errors in measurement equipment have made it clear that the existing notification process provides no flexibility to accommodate complex issues that require significant amounts of analysis and appraisal.

Four recent modification proposals have sought to address the issue of correcting historic metering errors at the LDZ offtake. Modification Proposals UNC117 and UNC122<sup>4</sup> proposed limiting the period in which a demand for charge or credit can operate retrospectively. These proposals arose from a particular event, namely the discovery of a metering error at Farningham, but also sought to establish enduring provisions that would apply to future invoicing. However, these proposals were found not to further the relevant objectives of the UNC and were therefore rejected by Ofgem.

The implementation of Modification Proposal UNC152V<sup>5</sup> in April 2008 introduced a maximum four-year cut off for the implementation of error correction. In addition, the

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

<sup>3</sup> 'Transco Network Code Modification Proposal No. 0643: "To Review the Network Code rule on withholding of Energy payments under dispute and to consider circumstances where Withholding of Energy Charge is appropriate"' at <http://www.gasgovernance.com/networkcodearchive/640-700/0643.zip>.

<sup>4</sup> 'Uniform Network Code (UNC) modification proposals 117: Amendment to Invoice Billing Period, and 122: Restriction of Invoice Billing Period to Price Control' at <http://www.ofgem.gov.uk/Licensing/GasCodes/UNC/Mods/Documents1/16530-UNC117-122D.pdf>.

<sup>5</sup> 'Uniform Network Code (UNC) 0152V, 0152AV and 0152VB: Limitation on Retrospective Invoicing and Invoice Correction (UNC152)' at <http://www.ofgem.gov.uk/Licensing/GasCodes/UNC/Mods/Documents1/UNC152D.pdf>.

implementation of Modification Proposal UNC171<sup>6</sup>, also in April 2008, introduced reconciliation of historic errors based on the AQ distribution at time of the occurrence of an error rather than its discovery.

### **The modification proposal**

UNC185VV (the Modification Proposal) was raised by EDF Energy on 27 March 2007. It proposes that the UNC be modified to include the UNC Related Document "Measurement Error Notification Guidelines for NTS and LDZ measurement installations".<sup>7</sup> The UNC Related Document is attached to the Final Modification Proposal and establishes a process for parties to follow in the event of a Measurement Error that is likely to create systematic bias being identified. Under the Modification Proposal, parties are required "to use reasonable endeavours to follow the Guidelines [in the Related Document] in respect of Measurement Errors".

### **UNC Panel<sup>8</sup> recommendation**

The UNC Panel considered the Modification Proposal at its meeting on 15 May 2008. The Panel recommended implementation of the proposal.

### **The Authority's decision**

The Authority has considered the issues raised by the modification proposals and the Final Modification Report (FMR) version 3.0 dated 16 June 2008. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposals which are attached to the FMR<sup>9</sup>. The Authority has concluded that:

1. implementation of the modification proposal UNC185VV will better facilitate the achievement of the relevant objectives of the UNC<sup>10</sup>; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>11</sup>.

### **Reasons for the Authority's decision**

We agree with the findings of the Panel that this proposal will better facilitate the Relevant Objectives of the UNC. We consider the aims of the Relevant Objectives below. Please note that unless we have directly stated otherwise we consider the proposal to be neutral to the aims of the Relevant Objectives.

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<sup>6</sup> 'Uniform Network Code (UNC) 0171 and 0171A: Amendment of 'User SP Aggregate Reconciliation Proportion' to incorporate historical AQ proportions' at <http://www.ofgem.gov.uk/Licensing/GasCodes/UNC/Mods/Documents1/171%20D.pdf>.

<sup>7</sup> A UNC Related Document is a document which is attached to the UNC. Proposed modifications to a Related Document are submitted to the UNC Committee and considered by the Uniform Network Committee or any relevant sub-committee. The modification is implemented if it is approved by a majority vote of the UNC Committee. It does not require approval by the Authority.

<sup>8</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

<sup>9</sup> UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.com](http://www.gasgovernance.com).

<sup>10</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: [http://epr.ofgem.gov.uk/document\\_fetch.php?documentid=6547](http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547).

<sup>11</sup>The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

*Relevant objective (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers, suppliers and DNs;*

We consider that implementing the Modification Proposal would enable shippers to be better informed of metering errors, by formalising the arrangements for disclosure of such errors to users. The process for notifying errors introduced by the proposal will support the economic and efficient reallocation of costs in the market.

Such a change will improve transparency and will allow users to assess the likely impact of errors upon their business at an earlier stage, providing an enhanced level of assurance to that which exists under the current guidelines. The Proposal also introduces a formal dispute resolution procedure, allowing shippers to query the reallocation of the large quantities of energy and cash sums which can be associated with measurement errors.

We consider that this increased certainty will better facilitate effective competition across the industry.

*Relevant objective (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;*

The inclusion of a Related Document will enable the meter error notification process to be updated by UNC Parties via majority vote of the UNC Committee, without reference to the Authority. We consider that implementation of the proposal will provide agreed procedures to be followed in respect of measurement equipment errors enhanced by a defined and formal governance route.

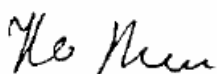
We note that the proposal incorporates a 50GWh minimum threshold for qualifying amounts of energy, ensuring that errors which require notification under the terms set out in the UNC Related Document are material. Implementation of the proposal would also require minimal extra costs to the administration of the UNC.

#### *Scope of the decision*

We consider that, for the purposes of this decision, the principle focus of the Modification Proposal is to introduce a Related Document into the UNC dealing with the notification of errors in Measurement Equipment and set out the compliance requirements. We consider that the details of the process outlined within the Related Document is beyond the scope of this decision. The inclusion of the process as a Related Document facilitates its amendment by UNC Parties without the need for Authority approval.

#### **Decision notice**

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal Uniform Network Code (UNC): Meter Error Notification Process (UNC 0185VV) be made.



**Kersti Berge**  
**Head of GB Markets**

Signed on behalf of the Authority and authorised for that purpose