Modification Report
Introduction of a Date Tolerance to Facilitate the Processing of Individual Meter Point Reconciliation at LDZ CSEPs
Modification Reference Number 0200
Version 2.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

To achieve reconciliation of applicable Transportation and Energy charges in respect of Larger Supply Points at Connected System Exit Points (CSEPs), the relevant iGT is required by the CSEP Network Exit Agreement (NExA) to periodically submit reconciliation volumes for specified periods to the Distribution Network Owner (DNO) within 30 days of receiving a reading from the relevant meter/s. This volume is then compared to the deemed volume recorded against the relevant Logical Meter Number (LMN) to derive a reconciliation value.

As a consequence of the current operational and contractual processes, there is potential for a mismatch between the DNO and the relevant iGT records in respect of applicable dates for commencement and cessation of charges. Thus, there are occasions where the iGT attempts to submit a reconciliation volume for a period which falls outside of the period for which the DNO believes the User was the Registered User for that particular CSEP Supply Point. In such cases, currently the DNO will not process the reconciliation volume.

In order to negate the negative effects of this date mismatch, it is proposed that a tolerance is introduced whereby if the relevant start and/or end dates in respect of a reconciliation volume (as specified by the iGT) are within 9 Business Days of the relevant Logical Meter Number start and/or end dates the DNOs will process the reconciliation volume. Where the tolerance is applied, the DNO will apply the volume to the LMN dates as held on its system when calculating and invoicing the reconciliation to the User. To clarify, the date window will be applied by DNOs and will not require the iGT to change any current contractual or operational processes. It is proposed that this provision is detailed with Annex A of the LDZ CSEP NExA.

The above process would facilitate the processing of reconciliation volumes for periods relevant to two specific transactions:

a) new Supply Point set up (ie: first Registered User – new LMN)

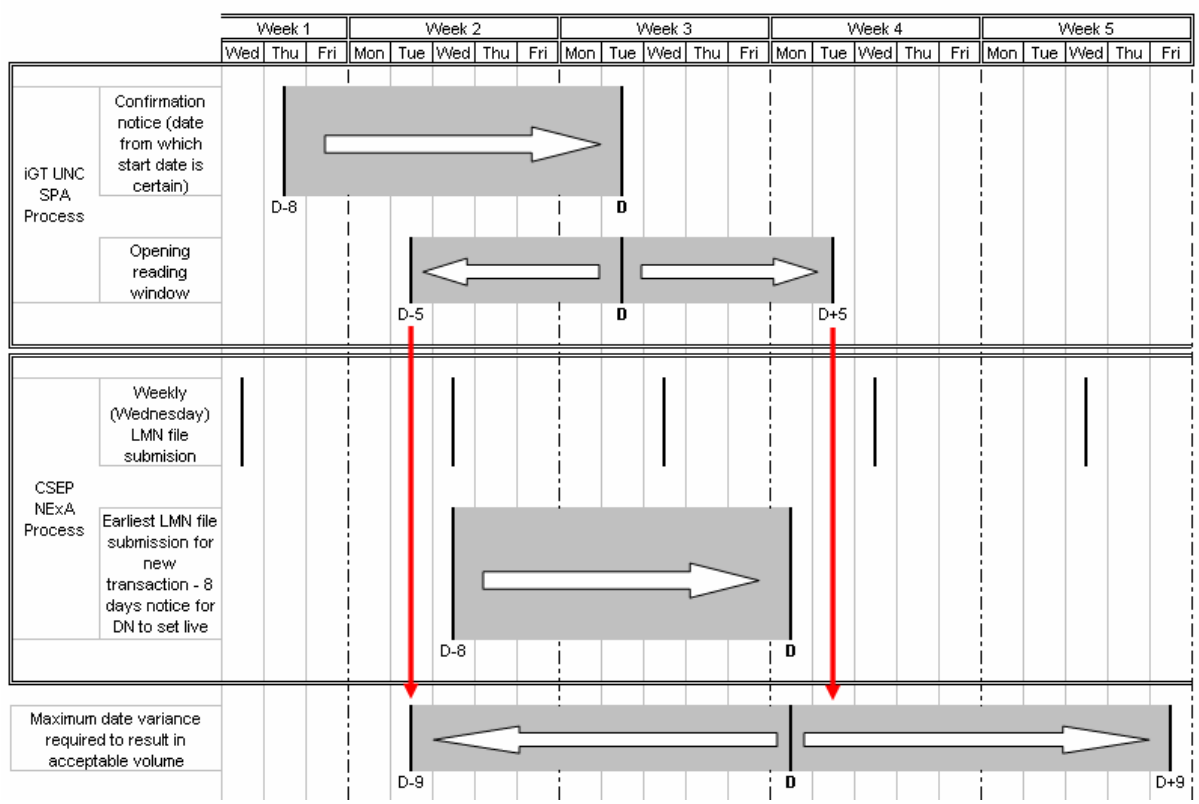
b) Supply Point Transfer (ie: change of Registered User – closure of incumbent User LMN, opening of incoming User LMN)

Whilst in the case of (b) such a process would appear to give rise to a risk of the same volume being used to reconcile two LMNs, it is anticipated that both reconciliation volumes will be derived by using the single transfer reading established during the Supply Point Transfer process as determined by the iGT UNC Part E section 6.

Rationale for 19 Day Window

The window would enable the volume start or end date specified by the iGT to be within 9 business days of (prior or subsequent to) the DNO's LMN start or end date. In respect of Supply Point Transfers administered in accordance with the current terms of the iGT UNC, the proposer believes that 9 business days is the maximum potential variance between the actual reading date and the LMN start/end date under current business processes.

The following diagram demonstrates the applicable timelines:



The above assumes the longest potential delay within the Supply Point Transfer process pursuant to the weekly submissions currently required by the CSEP NExA. In this scenario:

a) the certainty of transfer of the iGT Supply Point occurs on the day following (Thu - Week 1), the submission of the weekly LMN file to xoserve (Wed – Week 1),

b) as a consequence, the request for the closure of the incumbent User's LMN and the opening of a new LMN for the incoming User is not issued by the iGT to xoserve until the following week (Wed – Week 2),

c) the LMN opening/closure becomes effective on DNO systems 8 business days from submission (Mon – Week 4),

d) the transfer reading may be taken within an 11 business day window relative to the iGT transfer date (between Tue – Week 2 and Tue - Week 4),

e) the earliest read date of Tue - Week 2 is therefore 9 business days prior to the LMN opening/closure date on Mon – Week 4.

It is worthy of note that the CSEP NExA makes provision for more frequent submission of LMN update files to DNOs subject to agreement and in respect of such, DNOs are willing and able to receive and process LMN updates up to a maximum frequency of daily.

Implications of non-implementation

Analysis of performance reveals that the level of reconciliation of Larger Supply Points at CSEPs is poor. To date, the requirement for LMN start/end dates to match the iGT Supply Point Transfer date has been cited by iGTs as a significant factor as to why reconciliation performance is poor. Therefore in absence of a solution to this data mis-match it is likely that the current performance level will be maintained contributing an unknown level of risk to the

RbD market where any imbalance between deemed and actual quantities will manifest.

Application

The date window will only apply to volumes which are the earliest or latest reconciliation within the LMN live period. Interim reconciliations submitted pursuant to the normal cyclic reading process must represent periods which do not overlap.

The proposer acknowledges that the window proposed may not enable resolution of the difficulties associated with the submission of the first reconciliation at a New iGT Supply Points. The date mismatch in these circumstances is often longer than nine business days and therefore the primary application of this change is in respect of transfer of Registered User.

2 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

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

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the 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;

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition 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;

Implementation would not be expected to facilitate the achievement of this objective.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the 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;

By amending contractual terms to facilitate the processing of a greater quantity of individual meter point reconciliation, the Modification would assist the correct apportionment of transportation and energy charges thereby facilitating competition between relevant suppliers and relevant shippers.

Standard Special Condition A11.1 (e): so far as is consistent with sub-paragraphs (a) to (d), the 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;

Implementation would not be expected to facilitate the achievement of this objective.

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;

Implementation would not be expected to facilitate the achievement of this objective.

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

No such implications have been identified.

4 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

No such implications have been identified.

b) Development and capital cost and operating cost implications:

No such implications have been identified.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

No such cost recovery is proposed.

d) Analysis of the consequences (if any) this proposal would have on price regulation:

No consequence has been identified.

5 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 consequence has been identified.

6 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

A change will be required to the validation routine applied to reconciliation volume start and/or end dates.

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

Administrative and operational implications (including impact upon manual processes and procedures)

No such implications have been identified.

Development and capital cost and operating cost implications

No such implications have been identified.

Consequence for the level of contractual risk of Users

A greater quantity of reconciled energy will provide greater assurance in respect of the accuracy of cost apportionment and therefore reduce Users' contractual risk.

8 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

No changes will be required for iGT or Users systems and processes.

9 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No such consequences have been identified.

10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

- Enables the submission of a greater quantity of reconciliation volumes.
- No implementation requirements for Users or iGTs.

Disadvantages

- No disadvantages have been identified.

11 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations were received from the following:

Organisation	Position
British Gas Trading	Supports
National Grid Distribution	Supports
RWE Npower	Supports
Scotia Gas Networks	Supports

Of the four responses received four offered support.

12 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation is not required to facilitate such compliance.

13 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

14 Programme for works required as a consequence of implementing the Modification Proposal

15 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

Subject to the appropriate direction being provided by the Authority, this Modification Proposal can be implemented with immediate effect.

16 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

17 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 17 April 2008, of the 10 Voting Members present, capable of casting 10 votes, 10 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

18 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

19 Text

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters