

**Modification Report**  
**Improvement to More Frequent Reading Provisions to allow benefits of AMR**  
**Modification Reference Number 0202**  
**Version 4.0**

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**

Currently the UNC mandates a User must secure and provide to the relevant Distribution Network Operator (DNO) meter readings for Non-Daily Metered (NDM) sites at various timescales depending on the size and nature of the meter point. The UNC also allows the shipper to send meter reads more frequently than is mandatory under UNC.

The existing UNC provisions allow Users to submit reads weekly for Monthly Read sites, fortnightly for Annual Read meters on Larger Supply Points and on a quarterly basis (63 days) for meters on Smaller Supply Points.

With the greater use of Automatic Meter Reading (AMR) on Industrial & Commercial (I&C) meters that fall into the Smaller Supply Point category there is an opportunity for Users to provide meter reads to the relevant DNO on a more regular basis

During recent industry discussions concerns have been raised over the DNOs' agent xoserve's ability to receive substantially greater numbers of meter reads from Users. In particular it has been suggested that if there is a substantial increase in the numbers of reads from Smaller Supply Points then there is a risk that UK-Link system would not be able to cope. It has been indicated that there may be an opportunity in 2012 during the scheduled UK-Link rebuild to allow even greater numbers of meter reads to be received from Smaller Supply Points. This will allow xoserve to support the fully integrated implementation of 'smart metering' in the domestic sector.

In the I&C sector there is increasing use of AMR on all NDM Supply Points both large and small. There are a number of companies including Corona Energy who are competing to provide these AMR services to suppliers and end users. It is important that the data from these services can be supplied to Transporters by the shipper on a regular basis as it improves the accuracy of billing of both transportation and energy charges.

As most charges are billed on a monthly basis, having readings on a monthly basis from all I&C Non Daily Metered (NDM) Supply Points would improve the accuracy of the DNO invoicing of large I&C NDM Supply Points.

Whilst Corona believe that providing daily AMR data to xoserve would allow a greater accuracy of profiling and therefore more accurate invoices it accepts that providing more frequent data than currently permissible is likely to be a more efficient solution in the short-term.

Corona Energy therefore proposes that the existing UNC provisions be changed to allow a User to elect a Smaller Supply Point to be Monthly Read (current provisions of the UNC restrict the ability to make such an election to Larger Supply Points with an AQ below 293,000kWh). It is proposed that in making such an election the User will warrant that AMR is installed, is operational and

readings periodically obtained from such will be issued to the Transporter (subject to the prevailing read frequency provisions for Monthly Read Meters). Designation as a Monthly Read Meter will effectively enable the User to submit a reading up to once every 7 days. The relevant Supply Point Administration (SPA) validation processes should therefore be changed to allow Smaller Supply Points to be nominated as Monthly Read subject to the warranty detailed above. All other UNC provisions relevant to Monthly Read Meters will apply.

**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;***

The Proposer believes that increased numbers of AMR reads provided by shippers to GTs is likely to improve the accuracy of AQs as it is more likely that accurate, timely reads will be available. However Gaz de France ESS believe it is unlikely that there will be any improvement to the data accuracy of AQs by submitting additional reads to the transporter.

National Grid Distribution clarify that the Annual Load Profile for an EUC is derived within the Demand Estimation process by use of the NDM Sample and does not rely on historic Meter Reads.

The Proposer believes AMR data could also be used in the future to produce a SSP I&C profile. More accurate profiles would improve the GT's ability to accurately forecast network usage.

Wales & West Utilities do not fully agree with the benefits to Transporters identified by the Proposer.

***Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (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 better facilitate this relevant objective.

***Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;***

EdF observe that Standard Special Condition A5.5 (a) requires the GTs to develop a charging methodology so that: "compliance with the charging methodology results in charges which reflect the costs incurred by the licensee in its transportation business". As part of this cost reflective methodology the GDNs all impose different customer charges to Non Daily Metered (NDM) sites consuming between 73,200kWh to 732,000kWh depending on whether they are monthly read supply points, or not. It would appear that although SSP sites with AMR technology installed will be treated the same as monthly read

sites they will be charged as SSP sites. It would therefore appear that their charges will not be cost reflective and so implementation of the proposal would be seen to not meet this relevant objective.

***Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (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;***

The Proposer believes this change should increase the frequency that I&C metering data is provided by shippers to the GTs. This will improve the accuracy of the invoices for all NDM supply points and the RbD process would be improved through the use of more accurate profiles in invoicing. Additionally the change would encourage the provision of a monthly read for all I&C NDM supply points that have AMR equipment attached, improving the accurate allocation of energy between the market sectors. The Proposer believes that by amending terms to facilitate the provision of a greater number of reads by shippers, the Modification would therefore assist the correct apportionment of transportation and energy charges thereby facilitating competition between relevant suppliers and relevant shippers.

Gaz de France ESS believe that any reads submitted will not be used for settlement purposes as the sites affected will be subject to RbD.

E.ON UK believe that shipping/supply businesses may have associated or subsidiary businesses engaged in the provision of meter reading services, these may or may not involve AMR. Clearly the creation of industry business rules that favour certain of these businesses, would appear to conflict directly with the relevant objective, the securing of effective competition between shippers and suppliers.

***Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (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 better facilitate this relevant objective.

***Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (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 better facilitate this relevant objective.

### **3 The implications of implementing the Modification Proposal on security of**

## **supply, operation of the Total System and industry fragmentation**

The Proposer believes a small improvement in the ability of the DNOs to manage their networks would be expected due to the improved AQs that are used in profiling and modelling.

However Gaz de France ESS believe it is unlikely that there will be any improvement to the data accuracy of AQs by submitting additional reads to the transporter.

Wales and West Utilities do not fully agree with the benefits to Transporters identified by the Proposer.

National Grid Distribution clarify, the AQ of a Supply Point is currently derived from a single pair of Meter Readings weather adjusted back to seasonal normal temperatures and corrected to 365 days. The level of AQ then determines which End User category (EUC) the Supply Point is allocated. The Annual Load Profile for an EUC is derived within the Demand Estimation process by use of the NDM Sample and does not rely on historic Meter Readings.

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

#### **a) Implications for operation of the System:**

The Proposer believes an improvement in the ability of the DNOs to manage their networks would be expected due to the improved profiling and modelling allowed by the provision of this data.

Wales and West Utilities do not fully agree with the benefits to Transporters identified by the Proposer.

#### **b) Development and capital cost and operating cost implications:**

The development costs are likely to be small. The operating costs for the SSP sites under this regime should be no different than any other monthly read sites.

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

No proposals for cost recovery has been made..

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

No such consequences on price regulation have 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 such consequences on contract risk have 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**

National Grid confirmed that xoserve is currently assessing the cost and lead time for making the necessary changes to the DNOs' UK Link system. Initial indications are that this would not require a significant change to systems provided that read volumes do not exceed the current prescribed limit..

**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)*

This should allow the shippers of Supply Points with AMR attached to reduce their costs of managing the provision of meter reads to the DNOs as it will allow the sending of Meter Readings for all sites on a monthly basis.

*Development and capital cost and operating cost implications*

Some reduction in all these costs would be anticipated.

*Consequence for the level of contractual risk of Users*

If there is increased accuracy of AQ, some reduction in risk would be anticipated.

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

Benefits for Suppliers and Consumers would be anticipated.

**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**

As well as the advantages stated above this change will also provide greater accuracy of invoicing for all RbD shippers through:

- more accurate SSP AQs for sites with AMR attached
- due to the benefits of alignment incorporated with provision of AMR

Meter Readings at SSPs, this would lead to more economic provision of AMR Meter Readings for LSP NDM meters

- more Supply Points will be picked up by the must reads process.

### **Disadvantages**

EDF Energy identified a disadvantage with the Proposal in that a change to the charging methodology would be required to ensure that charges are cost reflective.

## **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 parties:

<b>Organisation</b>	<b>Position</b>
Association of Meter Operators	Supports
British Gas	Supports
BOC Ltd	Supports
Corona Energy	Supports
EDF Energy	Supports
energywatch	Supports
EON UK	Qualified Support
Gazprom	Supports
National Grid Distribution	Supports
Shell Gas Direct	Supports
Scottish and Southern Energy	Supports
Wales & West Utilities	Supports
RWE npower	Qualified Support
Scotia Gas Networks	Qualified Support
Gaz de France ESS	Not in support

Of the fifteen representations received eleven offered support, three offered Qualified Support.

E.ON UK raised a concern that the Proposal seeks to mandate the use AMR as a means of providing additional consumption information, they do not believe that it is the role of the UNC to mandate the means by which these reads are

obtained.

RWE note that “AMR” meters have not been properly defined, particularly in relation to interoperability of such meters. They would welcome some guidance from Ofgem on this matter.

Several respondents highlight concerns over the current ability of the UK Link system dealing with a potentially large increase in meter reads as it may compromise systems and/or require significant investment. Some believe it may be more appropriate to consider the scheduled UK Link rebuild in 2012 to accommodate the increased flow, rather than risk the UK Link system.

Wales & West Utilities believe that implementation may allow increased reads to be submitted for this population but it is unlikely to have any significant impact on the 4 million Supply Points that fail to have their Aqs recalculated each year. Nor will it decrease the thousands of Supply Points that are unregistered / ‘shipperless’ within the Supply Point Register and subsequently will do little to reduce the amount of energy allocated to the RbD market.

**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 enable each Transporter to facilitate compliance with safety or other legislation.

**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**

National Grid confirmed that xoserve is currently assessing the cost and lead time for making the necessary changes to the DNOs’ UK Link system. Initial indications are that this would not require a significant change to systems provided that read volumes do not exceed the current prescribed limit.

**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 Proposal can be implemented as soon as xoserve change their systems to accept Meter Readings submitted in line with the Proposal.

**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 19 June 2008, of the nine Voting Members present, capable of casting ten votes, eight votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommended implementation of Modification Proposal 0202.

**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**

**UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT**

**SECTION M: SUPPLY POINT METERING**

Amend paragraph 3.1.7. b.(ii) to read:

" ...so elected; or "

Add new paragraph 3.1.7.b.(iii):

" (iii) in respect of a Smaller Supply Point where the Registered User has so elected and has confirmed to the Transporter prior to the making of the election that there is automated meter reading equipment installed and operational as part of the Supply Meter Installation at the Supply Point."

For and on behalf of the Relevant Gas Transporters:

**Tim Davis**  
**Chief Executive, Joint Office of Gas Transporters**