

**Modification Report**  
**Facilitating the use of AMR in the Daily Metered Elective Regime**  
**Modification Reference Number 0224**  
**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**

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

This modification Proposal seeks to facilitate the use of AMR equipment in the business market for gas. Under this modification Proposal Users may elect, on a voluntary basis, to use their own AMR equipment to supply daily meter readings to the relevant Transporter for use in balancing and settlement.

The Proposal fits with the government objective to roll-out AMR to the business market above 732MWh and allows for the information provided by AMR devices to be optimised by use in settlement.

The Supply Licence obligation states:

On or from 6 April 2009, where a licensee installs or arranges the installation of a gas meter to any premises which have an annual consumption of over 732,000 kWh, the meter must either on its own or with an ancillary device –

- a) store measured gas consumption data for multiple time periods; and
- b) provide remote access to such data by the licensee.

As from 6 April 2014, the licensee must not supply gas to any premises which have an annual consumption of over 732,000 kWh other than through such a meter. In response to a request from a customer, timely access to the data from the meter must be given to the customer supplied through that meter, or to the customer's nominated agent.

**Current take-up of voluntary DM (DMSP) service**

Currently, Large Supply Meter Points who are currently Non-Daily Metered (NDM) can nominate to be Daily Metered. Such a nomination under the UNC requires that a meter point is subject to Daily Metered service provision by the appointed Daily Metered Service Provider (DMSP) i.e. the local Distribution Network Owner. This process entails installation of the DMSP datalogger equipment and associated installation and rental charges to the user. DMSP charges for datalogger equipment and daily read provision are approximately £800 per year and this has been cited by some as being a barrier to participation.

To date, numbers utilising the voluntary service have been low, as illustrated by the table below:

<b>NDM Band</b>	<b>Meter count (total)</b>	<b>Voluntary DM</b>	<b>% Voluntary DM</b>
<b>Bands 2-4</b>	413,004	42	0.01%
<b>Bands 5-8</b>	23,870	1,301	5.45%
<b>Total</b>	436,874	1,343	0.3%

Source: xoserve

### **Draft Business Rules and Business Requirements**

This modification proposes to use the established Daily Metered systems and processes to achieve a tactical solution ahead of any changes to UK-Link systems that may be delivered by Project Nexus.

The following draft business rules form the basis of this Proposal and outline the relevant processes involved.

The document provides draft requirements (indicated by R####) against the business rules developed in the development workgroup for UNC Modification 0224. Where references are made to User Pays Services and charges these are intended for illustration and not intended to infer how charges are determined and any split between transactional and fixed charges.

#### **1. Rollout**

Implementation of this Proposal will be phased as follows:

1.1 Phase 1 (12 months duration) – Phase 1 will commence on the date of implementation and end on the date of commencement of Phase 2. Meter points within the specified MPAQ range and that are within Supply Points where the SPAQ is greater than 5,860,000 kWh will be able to be nominated as DM Elective during this phase.

R001 Validation to be performed on the nominated site to ensure it is eligible to be nominated as a DME as part of the roll-out phase, if not, the nomination should be rejected. (Also applicable for phase 2).

R002 If a DME site AQ drops below the phase threshold (outside of band) during the roll-out phase the site will remain as DME. (Also applicable for phase 2).

R003 If a DME site AQ drops below phase threshold (outside of band) during the roll-out phase and is re-nominated as NDM, the site cannot be re-nominated as DME until the new EUC band is included as part of a roll out phase. (Also applicable for phase 2).

1.2 Phase 2 (6 months duration) – Phase 2 will commence on the date of implementation plus 12 months or, if later, when a satisfactory checkpoint assessment has been completed by the Transporter Agency and will end on the date of commencement of Phase 3. Meter points within the specified

MPAQ range and that are within Supply Points where the SPAQ is greater than 2,196,000 kWh will be able to be nominated as DM Elective during this phase.

1.3 Phase 3 (open ended) – Phase will commence on the date of implementation plus 18 months or, if later, when a satisfactory checkpoint assessment has been completed by the Transporter Agency and will be enduring. Meter points within the specified MPAQ range and that are part of Supply Points where the SPAQ is greater than 732,000 kWh will be able to be nominated as DM Elective subject to a prescribed limit on the number of DM Elective meter points. This limit will initially be set at 25,000 but may be varied and will be subject to the appropriate Uniform Network Code governance as specified within the Modification Proposal.

- R004 A ceiling level maximum to be introduced to Sites and Meters, initially 25,000 DME meter points.
- R005 Once the ceiling level maximum has been reached any future site nominations should be rejected back to the Shipper.
- R006 Following a site being un-elected as DME and the uptake being reduced below the ceiling level maximum, subsequent meter point nominations as DME will be accepted.
- R007 There is no requirement for the Transporter Agency to report that the DME uptake has reduced beneath the ceiling level maximum other than in the monthly published report.
- R008 The ceiling level maximum should be parameterised and should remain flexible so that this value can be increased or decreased dependant upon system performance.

1.4 Starting in the month following the commencement of Phase 3, the Transporter Agency will report to Shippers on a monthly basis the number of DM Elective meter points and the prescribed limit.

- R009 Monthly report to be developed and published detailing the prescribed limit and current uptake of DME meter points.

## **2. Eligibility for DM Elective DME**

2.1 Participation as DME will be voluntary and limited to Large Supply Points who's Annual Quantity is greater than 732,000 kWh. The timings of eligibility for participation as DME will be subject to the rollout programme as defined above (1.1 to 1.4). Supply Points who are Daily Metered Mandatory (DMM) will not be included in these arrangements.

- R0010 DM Elective market shall not include DM Mandatory sites where the Supply Point AQ is in excess of 58.6 GWh and the Meter Point AQ is greater than 2,196,000 kWh or is less than the defined MPAQ value limit of DME eligibility defined in R0011.
- R0011 At initial roll out DM Elective meter points must have a Meter Point AQ greater than 732,000 kWh. This value will be subject to review and should be parameterised.

2.2 During the rollout period incoming Shippers may need to check the

eligibility of new meter points on their portfolio to assess whether they can be nominated as DM Elective.

- R0012 DM Elective market shall not include Interruptible supply points.
  - R0013 DM Elective market shall not include Unique Sites.
  - R0014 Where a Shipper elects a DM Mandatory site as DM Elective this nomination must be rejected.
  - R0015 Eligible Prime and Sub meter points may elect to become DM Elective, where a meter point elects to become DM and is part of Prime and Sub metering arrangement, it is not required that all meter points within such configuration become DM (Elective or Mandatory/Voluntary).
  - R0016 Impact of Rolling AQ – It is assumed that the DM meter points shall only be recalculated on an annual basis as currently. Sites that are nominated as DM Elective shall be subject to the DM market AQ review criteria. Where a DME site breaches the DM Mandatory threshold this shall need to be reconfirmed by the relevant Shipper as DM Mandatory.
  - R0017 The DM Elective service will only include Supply Points directly connected to Large Transporters' Distribution Networks.
- 2.3 EUC band information can be checked by incoming Shippers via an enquiry file submission to the Transporter Agency.
- R0018 EUC band information for NDM sites can be checked by incoming Shippers via the existing enquiry submission file to the Transporter Agency; there should be minimal changes to the existing file format. Note: The response file S59 record contains a new GNT code of 'DME' which will be provided on the enquiry file to the enquiring Shipper where existing meter point is DM Elective.
  - R0019 MPAQ information can be checked by incoming Shippers via the existing enquiry file submission to the Transporter Agency; there should be minimal changes to the existing file format. Note: The response file S75 record contains a new GNT code of 'DME' which will be provided on the enquiry file to the enquiring Shipper where existing meter point is DM Elective.

### **3. Registration as DM Elective DME**

- 3.1 Existing NDM meter points will remain as NDM meter points unless actively nominated and confirmed by the Shipper as DM Elective. Once nominated and confirmed as DM Elective, meter points will remain DM Elective unless actively nominated and confirmed otherwise.
- R0020 A new report shall be required to notify the DMSP where a meter point has transferred from DM Mandatory/Voluntary to DM Elective and visa versa.
- 3.2 Nomination of a DME meter point will be notified to the Transporter Agency using existing SPA processes (NOM File).
- R0021 The Shippers must be able to nominate a site as DME using the existing SPA processes (Nomination file).

- R0022 DM Elective meter points must have a clearly defined start date when these supply meter points have become DM Elective.
- 3.3 Meterpoint classification of DME will be recorded by the Transporter Agency on the supply point register following nomination by the Shipper.
- R0023 DM Elective meter points must be identifiable within the system from DM Mandatory/Voluntary and NDM sites.
- 3.4 Shippers will nominate DME meterpoints in line with the current Daily Metered process with regards to DM SOQ and SHQ.
- R0024 Where a DM Elective site is nominated, the Shipper must – as with DM Mandatory meter points – define the SOQ and SHQ values.
- 3.5 The Transporter Agency will populate the BSSOQ following the first winter as a DME; this is in line with the current process for DM supply points in G5.2.3b.
- R0025 The BSSOQ to be automatically populated following the first winter as a DME, this is in line with the current process for DM supply points in G5.2.3b.
- R0025a Where a BSSOQ already exists for such meter points, the existing BSOQ value shall be utilised.
- 3.6 The Transporter Agency will apply DM validation rules to SOQ information provided by Shippers under 3.4 above.
- R0026 The existing referral validations and rules must be adhered to – for example, where one or both of these values is increased, a referral is initiated.
- 3.7 Nomination of a DME meter point will not be referred to the relevant Transporter on grounds of SOQ, unless the nominated DM SOQ is greater than the previous NDM SOQ.
- R0027 Where the nominated DM SOQ is greater than the previous NDM SOQ the nomination of a DME meter point should be referred to the Transporter.
- R0028 Where the nominated DM SOQ is less than or equal to the previous NDM SOQ this will not be referred.
- 3.8 Nomination as a DME meter point will be taken as confirmation that equipment capable of providing daily reads is present at the meter point.
- R0029 Existing DM functionality requires a ‘Kick Off Date’ to be set for a nominated DM meter point, from this date daily reads are expected and an incentive charge will be incurred if the required percentage to supply reads is not achieved. This date will be set to correspond with the DM Elective Confirmation Effective Date.
- 3.9 The Transporter Agency will not be required to keep or maintain records of assets relating to equipment capable of providing daily reads at DME meter points.
- R0030 Where a meter point is nominated as DM Mandatory/Voluntary existing functionality will reject the nomination unless Daily Metering Equipment is recorded at site. Where a meter point is nominated as DM

Elective this condition is not required and the validation is to be circumvented.

R0031 If requirement R0030 cannot be facilitated then Transporter Agency will be required to manually input asset and datalogger information on behalf of the Shipper, this will be managed as a User Pays Service.

#### **4. Read Provision**

4.1 Shippers will provide daily readings to the Transporter Agency using a defined format.

R0032 Daily DM Elective Reading files will be submitted to Transporter Agency via secure I'X connection using the standard 5.8.3 format.

R0033 Following successful submission of the Daily DM Elective file the Shipper will be provided with an IX delivery receipt.

R0034 A deadline time for receipt of the reading file from Shippers must be available to be provided to Shippers. This deadline should take account of any processing that needs to be undertaken prior to presentation at the application (e.g. I'X gateway and Batch Router, file level checking). The batch must not be initiated prior to this time.

R0035 The batch process needs to be run on working and non working days. Note: delivery receipting of files should be consistent with other Shipper files.

R0036 Where a file is received after the initiation of that day's batch processing run, this shall be held and processed within the batch run on the following day.

R0037 It is expected that a maximum of 10 files could be processed per Shipper in a given day, but that these will only be processed in a single batch run.

4.2 Shipper submitted reads will be accepted as actual readings by the Transporter Agency subject to the prevailing DM validation rules.

R0038 Actual readings must be provided by Shippers. These actual readings do not need to be differentiated from readings obtained by DMSPs.

R0039 Standard file level validation shall be applied to files – e.g. ERR and FRJ validations. Failures shall be passed to Shippers.

R0040 Validation will be applied by Transporter Agency in line with the UNC Validation Rules – excluding UNC Validation 4.3, which is described in R0042 below.

R0041 The validation will apply sense checks, such as (but not limited to) to ensure that the Shipper providing the reading is the RSU, and that the reading has the correct number of digits.

R0042 Zero consumptions submitted by the Shippers (where the Start and End Reads match) will not be subject to validation and will be accepted based on Shippers completing validation prior to submission and deeming that the zero consumption is valid.

R0043 Zero reads submitted by the Shippers (where the index of the reading is

- 0) will be accepted subject to UNC validation rules.
- R0044 Where a DM Elective reading has not been received from the RSU, this reading shall be rejected.
- 4.3 Where the Shipper provided read is not accepted the Transporter Agency will inform the Shipper on the day the unacceptable read is processed.
- R0045 Where a reading fails validation, this shall be rejected to the Shipper on D (where D is the processing date).
- R0046 A response file shall be generated to provide accepted and rejected readings on D.
- 4.4 Where the Shipper does not provide a valid read for Day (D) the Transporter Agency will provide and load an estimated read:
- i) The estimated read will be provided to the Shipper by the Transporter Agency on the day it is produced.
  - ii) The estimated read service will follow the existing DM read estimation process; D-7 or where no D-7 is available then AQ/365.
  - iii) The estimated read service will be subject to an incentive charge where agreed meter read performance targets are not achieved. (similar to TPD M 5.5).
  - iv) The incentive charge performance targets shall be as follows:
    - Phase 1 of rollout = 90%
    - Phase 2 of rollout = 95%
    - Phase 3 of rollout = 97.5%
  - v) The incentive charge will be £2 per read
- R0047 Where a reading is not provided by the Shipper an estimate (following the existing DM read estimation process) must be generated by Transporter Agency.
- R0048 System generated estimated readings shall need to be communicated back to the Shipper on D (where D is the processing date); this will be via the newly developed MDE file.
- R0049 Where an actual reading is provided, but fails validation, an estimate (following the existing DM read estimation process) shall be generated on D (where D is the processing date).
- R0050 Where the Transporter Agency needs to communicate readings to Shippers the MDE file will be used. Existing batch file processes provide actuals, estimated, better and prorated readings to Shippers – the MDE will be used to provide DM Elective.
- R0051 Where an estimate is generated this estimated reading will be included in the incentive charge calculation. This information must be available for generation of any transactional charge associated with provision of this estimate.
- R0052 Read provision failure charges will be applicable where the Shipper has failed to provide reads in line with the incentive charge performance

targets for their portfolios reads for the previous calendar month.

R0052a The failure rate must be a parameterised value so that this may be changed between calendar months where the failure rate is required to be increased or decreased,

R0053 Failure charges are to be calculated on a monthly basis using the formula:

$(\text{Total Actual Reads Required} - \text{Total Actuals Provided}) * \text{Failure Charge Rate}$

Example

Shipper DME Portfolio Total = 100 meter points

Read Provision Rate = 97.5% (phase 3 of rollout)

Max Actual Reads = 3100 (Shipper Portfolio Total \* Number of Days in Month)

Total Actuals Required = 3022 (Max Actual Reads \* 0.975) – Shipper Transfer Reads Generated (0)

Total Actuals Provided (on D) = 3000

Failure Charge Rate = £2

Failure Charge =  $(3022 - 3000) * 2 = £44$

R0053a The failure charge rate must be a parameterised value so that this can be changed between calendar months where the failure charge is required to be increased or decreased.

R0054 There is no requirement for a continuing fail charge, only the flat rate charge detailed above will be applicable.

R0055 There is no requirement for a read failure exclusion process; all reads not provided below the failure rate percentage will be subject to charge.

R0056 Where an estimate reading is loaded these readings shall be subject to the automatic proration logic on receipt of the next Actual read loaded, as currently. The automated proration of estimates will not impact read performance and will not be subject to charge.

4.5 Actual reads may be submitted by the Shipper up to D+5 to replace any estimate as per current DM rules.

R0057 Where an Estimate reading is loaded, this may be replaced via a Shipper submitted file up to D+5 by an Actual reading.

R0058 Where an estimate reading is loaded, is subsequently replaced with an Actual reading, this Estimated reading shall remain included within the read performance requirements.

4.6 Once an actual read has been accepted by the Transporter Agency this cannot be changed subsequently, the volume can be amended via a Consumption Adjustment.

R0059 Once an actual read has been accepted by the system this cannot be changed subsequently, the volume can be amended via a Consumption Adjustment as per the current DM process.

R0060 (a) Base Level Service Requirement - Shippers contact Transporter



Agency with Consumption Adjustment reads up to D+5 for manual input into UK Link, these transactions will be subject to a User Pays Charge. If Shippers contact the Transporter Agency after D+5 this should be rejected.

(b) Additional Service Requirement – The DMI file as defined within the UK Link manual to be used by the Shippers to submit online Consumption Adjustments via IX up to D+5. If a Consumption Adjustment is received after D+5 this should be rejected.

R0061 Consumption Adjustments required after the D+5 closeout window should be raised as offline Consumption Adjustments as per the current DM process and will be subject to a User Pays Charge.

4.7 The Consumption Adjustment service will be a User Pays Service and will be chargeable in accordance with the Agency Charging Statement.

R0062 Where Consumption Adjustments are undertaken after D+5 these become more complex to administer, so a differentiated User Pays Charge will be attracted.

## **5. Shipper Transfer**

5.1 Upon Shipper Transfer the incoming Shipper of the Daily Metered Elective meter point will provide an opening (transfer) read to the Transporter Agency by 10am on the day.

R0063 Transfer reading shall be loaded by the incoming Shipper by provision of the daily reading by the defined cut off time.

R0064 Provision of readings to the outgoing Shipper shall be the responsibility of the Transporter Agency.

R0065 Files issued to the outgoing Shipper (when the incoming Shipper has nominated the site as DM Elective) should not be amended.

R0066 Treatment of readings around transfers need to be determined to utilise existing reading files.

5.2 Where the incoming Shipper of the Daily Metered Elective meter point is unable to provide an opening read on Day 1 the Transporter Agency will provide an estimated read.

R0067 Following a Shipper transfer if an opening read is not provided on Day 1 an estimate should be generated.

R0067a Where there is insufficient information for calculation of the estimated reading using the rules described in 4.4 above, the NDM approach shall be used as described in M3.8.5(a).

5.3 The initial opening read estimate provided by the Transporter Agency in 5.2 above shall not be chargeable to the Shipper – any further estimated reads will be included in the incentive charge payable by the Shipper as per 4.4(iii) above.

R0068 If an estimate is generated for the opening read on Day 1 following Shipper transfer this estimate will not impact read performance and not be included in the incentive charge calculation.

- 5.4 The incoming Shipper will have access to the outgoing supplier ID at point of transfer (confirmation).
- 5.5 The incoming Shipper should request historic consumption data from the customer.
- R0069 There is no requirement for the Transporter Agency to pass historic consumption data to the incoming Shipper.
- R0069a Where the site is unelected as DM Elective and becomes an NDM meter point, the opening reading will be loaded in line with DM Estimation routine on D, where D is the confirmation effective date.
- R0069b Where the incoming shipper obtains a transfer reading, this may be provided without agreement with the outgoing shipper (contrary to existing M3.8.7), if this reading is replaced before Exit Close Out date.
- R0069c Incoming shipper must be able to provide a replacement opening reading such that the Transporters agent is able to process this reading prior to D+5. This will utilise the existing NDM reading routines. The timing of this batch job requires that this replacement reading is provided by the business day prior to the D+5 closeout period.
- R0069d Where the Exit Closeout period is passed, the incoming shipper must agree the revised transfer reading with the outgoing shipper using the principals of the existing Shipper Agreed Reads process.

## **6. Reconciliation and Resynchronisation**

- 6.1 When a resynchronisation has been undertaken this needs to be flagged to the Transporter Agency on the day of the resynchronisation.
- R0070 When a DM Elective site transfers ownership, responsibility for Reconciliation shall follow the DM Mandatory rules – i.e. the incoming Shipper shall bear the risk. This shall be regardless of whether the site transfers from DM Elective to DM Elective; DM E to DM M/V or vice versa.
- R0071 (a) Base Level Service Requirement - The resynchronisation flag is set by a representative of the Shipper (IDC or Field Engineer) calling the Transporter Agency to set via an existing UK Link screen, this service would be subject to a User Pays Charge.
- (b) Additional Service Level – The DMI file as defined within the UK Link Manual to be used to flag that a site has been resynchronised.
- R0072 If the Transporter Agency is tasked with setting the resynchronisation flag an audit trail for the notification provided by the Shipper shall need to be held.
- 6.2 Shippers will validate resynchronisation readings prior to submission to the Transporter Agency.
- R0073 The Transporter Agency will complete sense checks on the resynchronisation reads provided by the Shipper.
- 6.3 Where Shippers identify a resynchronisation read is due, the Transporter Agency will flag the subsequent read as an estimate (E).

- R0074 Where a resynchronisation has been flagged within the system the subsequent read should be a system generated estimate.
- R0074a Where a resynchronisation has been flagged within the system if the subsequent read provided by the Shipper is an actual, this should be rejected.
- R0074b If the Shipper submits resynchronisation reads prior to setting the resynchronisation flag these resynchronisation reads should be rejected.
- 6.4 Shippers will submit resynchronisation readings with the effective date of the reading to the Transporter Agency. Resynchronisation readings may be submitted up to D+5.
- R0075 (a) Base Level Service Requirement - Shipper contacts the Transporter Agency and provides resynchronisation reads to be manually input into an existing UK Link screen, this service would be subject to a User Pays Charge.
- (b) Additional Service Requirement – The DMI file as defined within the UK Link Manual to be used to allow the Shippers to submit resynchronisation reads. This would require the ability to provide the readings before resynchronisation (Site Meter, DL Meter, Uncorr, Corr and DL Corr) and the readings after resynchronisation (Site Meter, Uncorr and Corr), system to determine whether drift has occurred and determine whether Reconciliation is required.
- R0076 Where Resynchronisation readings are provided by Shippers these would not need to be differentiated from Resynchronisation readings provided by DMSPs. These readings should be used to generate On Line Reconciliation.
- 6.5 Rollover reconciliation is currently set to 100,000 kWh for DM Mandatory meter points. For DME meter points rollover size will be scaled to that meter point's previous EUC band.
- R0077 A relationship needs to be established between MPAQ band and kWh, where the kWh for the reconciliation period is below the set value for the MPAQ band the kWh value should be rolled over to the next reconciliation.

<b>MPAQ Band (kWh)</b>	<b>Roll Over Reconciliation Value (kWh)</b>
0 – 732,000	N/A
732,001 – 2,196,000	10,000
2,196,001 – 5,860,000	20,000
5,860,001 – 14,650,000	40,000
14,650,001 – 29,300,000	60,000
29,300,001 – 58,600,000	80,000
>58,600,000	100,000

R0078 A relationship needs to be established between MPAQ band and kWh, where the kWh for the reconciliation period is below the set value for the MPAQ band the kWh value should be written off.

<b>MPAQ Band (kWh)</b>	<b>Reconciliation Write off Value (kWh)</b>
0 – 732,000	N/A
732,001 – 2,196,000	0
2,196,001 – 5,860,000	0
5,860,001 – 14,650,000	0
14,650,001 – 29,300,000	0
29,300,001 – 58,600,000	0
>58,600,000	0

## 7. Check Readings and Meter Inspection

7.1 Shippers will continue to perform check readings and meter inspections in line with their obligations. An annual check reading will be submitted (see M4.7.1).

R0079 Where Check Readings are provided by Shippers this shall need to be treated as per existing functionality, in that it closes out the period – from the previous check reading – for the purposes of reconciliation.

R0080 (a) Base Level Service Requirement - The check read date and flag would be set by a representative of the shipper (IDC or Field Engineer) calling the Transporter Agency to set via an existing UK Link screen, this service would be subject to a User Pays Charge.

(b) Additional Service Level Requirement - The DMI file as defined within the UK Link Manual to be used to flag that a site has had a Check Read.

7.2 Subject to the development of the appropriate provisions within the Agency Charging Statement, the Transporter Agency will make available to Shippers a report on a Non Code User Pays Service to detail check reading and inspection due dates.

R0081 Ad-Hoc report to be designed to notify Shipper of the Annual Check visit date for DM Elective sites within their portfolio.

R0082 Ad-Hoc report to be designed to notify Shippers of Meter Inspection dates for meter points within their ownership.

R0083 Meter Inspection notification will be as per existing functionality using the MIN file.

## 8. Datalogger faults

8.1 Where the equipment used to provide daily reads is found to be faulty, the Shipper will notify the Transporter Agency on the day it becomes aware of the fault, and the Transporter Agency will record that a fault has been identified.

R0084 (a) Base Level Service Requirement - Shippers to contact the Transporter Agency on the day a fault is identified, Transporter Agency will set the flag via an existing UK Link screen; these transactions will be subject to a User Pays Charge.

(b) Additional Service Requirement - The DMI file as defined within the UK Link Manual to be used by the Shipper to flag dataloggers as faulty.

N.B Options for the above two requirements need to be considered, dependent on analysis outcome and associated cost they may be de-scoped and Shippers will be responsible for ensuring that faulty reads are not submitted.

8.2 Any reads submitted by the Shipper whilst the equipment has been recorded as faulty will be rejected by the Transporter Agency and replaced by estimates as described in 4.4.

R0085 Where a DME site has been flagged as faulty, any subsequent actual reads submitted by the Shipper should be rejected as per the current DM process up to the point where the site is un-flagged.

8.3 Replacement reads provided by the Transporter Agency under 8.2 above will be included in the incentive charge payable by the Shipper in accordance with rule 4.4 (iii).

8.4 Where a datalogger fault has been fixed the Shipper will notify the Transporter Agency on the day it becomes aware it has been fixed and undertake resynchronisation, and provide such detail to the Transporter Agency.

R0086 (a) Base Level Service Requirement - Shippers to contact the Transporter Agency on the day a fault is resolved, Transporter Agency will un-flag via an existing UK Link screen and set the datalogger resynchronisation flag; these transactions will be subject to a User Pays Charge.

(b) Additional Service Requirement - The DMI file as defined within the UK Link Manual to be used by the Shipper to un-flag dataloggers as faulty, system will automatically set the datalogger resynchronisation flag.

R0087 Following resolution of a datalogger fault the Shipper must as per the current DM process complete a resynchronisation and provide the reads to the Transporter Agency.

8.5 Where a Shipper provides a zero read and the datalogger has been flagged as faulty the Transporter Agency will reject this read.

## **9. DME Ratchets**

9.1 Ratchet charges will not be levied for a DME meter point until the meter point's initial 12 month anniversary as a Daily Metered Meter Point where:

- i) The nominated DMSOQ is equal to or higher than the previous NDMSOQ

Where 9.1i is satisfied the ratchet alert will be sent to the Shipper but no charges will be levied.

R0088 Ratchet charges should not be levied for a DME meter point until the meter point's 12 month anniversary as a DME when the nominated SOQ is equal to or greater than the previous NDMSOQ.

R0089 During the first 12 months of a site being confirmed as DME where the nominated DMSOQ is equal to or higher than the previous NDMSOQ, a ratchet alert should be sent to the Shipper but no charges levied. The SOQ should increase in line with the ratcheted SOQ.

R0090 Following the initial 12 month anniversary Ratchet charges for a DME meter point should be applied.

R0090a Soft landing is NOT required if the site is transferring from the DM regime – as they will be aware of the correct SOQ detail. This would be true of sites that were DM, even if they transferred back into being NDM for a period prior to becoming DME. A parameterised value will be held to provide this period, that where the site has been exclusively NDM in this period the soft landing shall apply.

R0090b The 'Ratchet Soft Landing Date' will be applied up to the first anniversary of the first DM(E) confirmation – regardless of whether the site nominates in and out and back in during this time.

9.2 Ratchet charges will be applied according to the current UNC provisions where the nominated DMSOQ for a DME meter point is lower than the previous NDMSOQ.

## **10. Changes to classifications**

10.1 Where a supply meter point no longer meets the criteria of a DM mandatory supply meter point the Shipper may elect to reconfirm such meter points as DME or NDM.

R0091 Where a Supply Meter Point no longer meets the criteria of a DM Mandatory Supply Meter Point the Shipper may elect to reconfirm such meter points as DM Elective or NDM. The supply meter point may also remain as DM Voluntary– i.e. DM Services provided by the Network's DMSP.

10.2 Where such meter points (as per 10.1 above) remain to be read by the DMSP these shall be DM voluntary meter points and prevailing charges will be applied.

10.3 Where a DME supply meter point meets the criteria of a DM mandatory supply meter point the Shipper must reconfirm that meter point as DM mandatory.

R0092 Where a DM Elective Supply Meter Point meets the criteria of a DM

Mandatory Supply Meter Point the Shipper MUST reconfirm as DM Mandatory.

10.4 Where a DM voluntary supply meter point is nominated as DME any future change back to DM mandatory/Voluntary will incur relevant charges from the DMSP to the Shipper.

10.5. For the purposes of “gas protected by monitor” calculations, volumes associated with DME load should be treated the same as NDM loads.

### **General Business Requirements**

R0093 Information related to DM Elective sites cannot be visible to DMSPs via DNLink.

R0094 The reading file must be processed so that the energy may be calculated and passed to Invoicing 95 and Gemini at the same time as the existing propagation of data to these systems by the existing DM regime.

R0095 The processing of the DM Elective reading file should not impact provision of the MDR file to Shippers for meter points included as part of the DM Mandatory regime.

R0096 The ‘early’ (before 11.00am) MDR file that is monitored for determination of liabilities shall not be issued for DM Elective meter points.

R0097 New invoicing mechanism required for transactional / subscription charges.

R0098 Readings from DM Mandatory and DM Voluntary sites shall continue to be provided by DMSPs, DM Mandatory and DM Voluntary sites will still be subject to liability payments.

R0099 Readings received from Shippers for DM Elective meter points will not be provided to Shippers in an \*.MDR file. Consequently, liabilities associated with non provision of readings within the ‘early’ (pre 11:00am) \*.MDR are not relevant.

R00100 Transporter Agency shall maintain existing operating hours – Monday to Thursday 9am – 5pm and Friday 9am – 4:30pm. Transporter Agency shall not be required to offer a 365 day a year out of hour’s service.

R00101 There is no requirement for specific DM Elective related information such as IDC identity to be visible on IAD.

R00102 There is no requirement for DME related information to be provided to the incoming Shipper at transfer.

R00103 Shippers to notify Transporter Agency the day following a site visit to a Prime site (DME Prime or DME Sub) in order for the Transporter Agency to arrange a site visit for any linked NDM Prime or Sub meters to obtain coterminous reads.

### **Reporting Requirements**

There are no reporting requirements other than those detailed below:

- Section 1.4 Requirement R009 – DME prescribed uptake volume.

- Section 7.2 Requirement R0081 – Provision of check read date.
- Section 7.2 Requirement R0082 – Provision of meter inspection date.

2 a) **Classification of the Proposal as User Pays or not and justification for classification**

This Modification Proposal will introduce the Daily Metered Elective regime as an optional user pays based service for all eligible meter points. This will be defined as a code service and prices will be determined by the Agency Charging Statement (ACS) methodology and published in the ACS.

b) **Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification**

Allocation of costs will be 100% Shipper, 0% Transporter.

c) **Proposed charge(s) for application of Users Pays charges to Shippers**

Charges will be fixed initially and reviewed annually by the transporters via the ACS. The proposed menu of charges will comprise:

- i) **Fixed charges** – These charges will reflect the system development costs incurred by the transporter agency in relation to the implementation of this modification. The charges will be applied on a one-off basis as described below:

- a) Costs will be targeted at those shippers who have eligible meter points on the date of implementation.

- b) Charges will be banded using the following method:

Eligible Meter points within EUC bands 6,7,8 will be subject to a cost multiplier of 2 (relative to the base cost)

Eligible Meter Points within EUC band 5 will be subject to a cost multiplier of 1.5 (relative to the base cost)

Eligible Meter Points within EUC band 4 will pay the base cost with no additional multiplier (i.e. multiplier of one).

**Given the detailed cost analysis in table 2a, the indicative base cost will be £11 per meter point based on the number of all eligible meter points.**

**Example:**

For ease of working, assume the base charge for an eligible meter point is £10, the one-off costs would be:

- For an eligible meter point within EUC Bands 6-8 inclusive  $£10 * 2 = £20$
- For an eligible meter point within EUC Band 5  $£10 * 1.5 = £15$
- For an eligible meter point within EUC Band 4  $£10 * 1 = £10$

- ii) **Operational Charges** – Operational charges will be charged only to those Supply meter Points who take up the DME service. These charges will be applied daily and billed on a monthly basis for each supply meter point for



the duration of the service. These charges aim to recover the additional operational costs incurred by the Transporter Agency from the DME service.

- iii) **Transaction Charges** – Transaction charges will be charged only to those Supply meter Points who take up the DME service. These charges will be applied daily and billed on a monthly basis. These charges aim to reflect the costs incurred by the Transporter Agency for the provision of additional services within the UNC regime. For example; R00080(a).
- iii) **Incentive Charge** – Incentive charges will be charged only to those Supply meter Points who take up the DME service and only where applicable under Business Rule 4.4 relating to the estimated read service provided by the transporter Agency in the event that the Shipper fails to provide readings.

### Cost Estimates

Following detailed review by xoserve the Development costs for this Proposal have been identified as follows:

**Table 2a**

#### Development Cost Estimate

Service	ROM Range		Cost
<b>Base + Additional Level Service</b>	<b>£ 250,000</b>	<b>£ 300,000</b>	<b>£ 385,000</b>
<b>xoserve Direct Project Analysis + Delivery Costs</b>	<b>£ 70,000</b>	<b>£ 95,000</b>	<b>£ 2,000</b>
<b>Offline System Replacement</b>	<b>£ 40,000</b>	<b>£ 60,000</b>	<b>£ 81,000</b>
<b>UK Link Ancillary Change</b>	<b>£ -</b>	<b>£ -</b>	<b>£ 54,500</b>
<b>Total</b>	<b>£ 360,000</b>	<b>£ 455,000</b>	<b>£ 522,500</b>

Source: xoserve

The table (2a) above shows the detailed cost estimate compared to the range of costs estimated by the Rough Order of Magnitude previously identified. Table 2a contains the costs associated with the additional service levels identified in the requirements specification eg. R0080 and R0084. It is anticipated that considerable savings in operational costs are likely as a result of systemising these and therefore it is the proposer's preference to proceed with the additional service levels as set out. However views are welcome in consultation responses on this issue.

Table 2b below sets out the development costs associated with the base service level.

**Table 2b**

Service	ROM Range		Cost
Base Level Service	£ 200,000	£ 250,000	£ 362,500
xoserve Direct Project Analysis + Delivery Costs	£ 70,000	£ 95,000	£ 2,000
Offline System Replacement	£ 40,000	£ 60,000	£ 81,000
UK Link Ancillary Change	£ -	£ -	£ 54,500
<b>Total</b>	<b>£ 310,000</b>	<b>£ 405,000</b>	<b>£ 500,000</b>

Source: xoserve

### Operational Costs

A detailed estimate of the operational costs associated with this Proposal will follow from xoserve. Table 3 below shows the Rough Order of Magnitude Costs that have previously been identified as an estimate of the annual operational costs:

#### Rough Order of Magnitude Costs £000s

Operational Costs (Annual)		Operational Costs	Operational Support	----	Total Costs (Annual)
	<25,000	£135k-£348k	£20k-£30k	----	£155k-£378k

Source: Scotia Gas Networks

British Gas, EDF Energy, Shell Gas Direct, Scotia Gas Networks, Scottish and Southern Energy and Wales & West Utilities all question the suitability of proportioning the development costs to all Shippers whose portfolios contain LSPs in EUC Bands 4-8.

British Gas highlight that the Proposal would impose significant development costs of over £565k based upon xoserve's ROM, upon all Shippers with eligible meter points, regardless of whether or not they intend to take up the service. This is clearly inequitable as the majority of the development costs would be borne by Shippers who have been clear that they do not intend to take up this service and will derive no benefit from it. This approach is not compatible with the User Pays principle and British Gas believe it would set a dangerous precedent whereby Shippers can introduce change with a benefit to only a small minority of Market Participants and have the development costs cross-subsidised by Shippers who have no interest in taking up the service.

EDF Energy does not support the proposed apportionment of the development costs to all LSP points in EUC Bands 4-8. They believe that this creates a cross subsidy between those sites who choose to be DM Elective and those who do

not. They consider the charges should be targeted at those supply points who wish to use this service – or at those Shippers who wish to use this service. This would be consistent with the intent of User Pays.

**d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve**

To be published.

**3 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;*

Increasing the range of supply points which can nominate to become Daily Metered:

- Increases the level of information available to transporters relating to locational daily gas flows on their network.
- Increases the likelihood of available demand side response.
- Enables a mechanism for validation of volume cessation at DME Large Firm Supply Points in an emergency

EDF Energy agrees with the benefits identified. However given that only 4,600 site have indicated that they are likely to take this service EDF question the materiality of these benefits, which appear marginal.

Scotia Gas Networks agree that an increased number of Supply Points participating in the Daily Metered regime would result in an increased number of reads provided to the Transporters' agent which in turn would provide more detailed information on the daily usage profile of such Supply Points. However it is unclear to what extent many of the eligible supply points in the proposed regime would modify their gas consumption away from the current NDM profile and as such the magnitude of the resulting change. Where Supply Points do not modify their usage the information available to Transporters will not be significantly increased beyond what is currently available. It should be further noted that Transporters currently utilise daily metered information when validating and modelling their gas network information. This information is currently available to Transporters on an hourly basis and allows a more detailed analysis of gas consumption patterns across a network. It is unclear from the Proposal whether this information will be made freely available by Shippers to Transporters as it is currently not proposed that such detailed data will be transmitted in the DM Elective regime.

Scottish and Southern Energy considers this modification Proposal does not increase the range of supply points that can nominate as DM, as the DM Voluntary regime is available and applicable to the same supply points. However, through cost advantages in using the shipper's own AMR equipment rather than that provided by the DMSP and other cost advantages, an outcome of

this modification Proposal may be to increase the numbers participating in the DM regime. This will increase the proportion of the total portfolio subject to daily reconciliations. However, this will coincide with a rapid change in the size of the NDM portfolio, NDM modelling may become more difficult leading to greater inaccuracy in managing demand for this portfolio.

Wales and West Utilities do not consider implementation of this Modification Proposal will better facilitate this relevant objective. DNO's receive information from various points on the network relating on a daily basis. They do not believe that the additional information from these sites will provide any significant benefit to the way in which they operate the network. They also disagree that implementation of this Modification Proposal would allow for greater demand side response or that the DME regime would bring any significant benefits to the Firm Load Shedding process.

***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;***

Shell Gas Direct considers there will be an unnecessary smearing of development costs, some shippers and suppliers will effectively end-up subsidising others. For that reason, they do not think this particular objective will be better facilitated. In making this comment, Shell Gas Direct does not consider that shipper and suppliers will not be able to offer different products and services if this Proposal is rejected - it is just that they will have to pay the full costs of doing so.

***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;***

Reduces the number and volume of NDM reconciliations enabling Transporters to more accurately target costs.

EDF Energy considers implementation of this Proposal is actually detrimental to this relevant objective. In particular they note that this Proposal requires all LSP in EUC Bands 4-8 to fund implementation of this Proposal. They are not clear how this is cost reflective given that the majority of sites will be funding a service that they do not want. It would be more cost reflective to target costs at those sites opting in or those Shippers who want to use this service. They also understand that charges have been developed for inclusion in the ACS so that they are cost reflective over 2 years. This is different to the treatment of other costs and charges within the ACS. They therefore also question whether this element is cost reflective.

SGN agree with the proposer that where Shippers elect for NDM Supply Points to participate in the DME regime costs will be allocated on a more targeted basis. However, it is likely that only a small percentage of NDM Supply Points are likely to participate in the DME regime and as a result Transporters will still be required to maintain the NDM reconciliation process and the associated NDM sampling point data collection process. Further to this requirement the UNC Demand Estimation Sub-Committee discussed the use of data recorded at a DME Supply Point for inclusion in the NDM profiling exercise. Their discussion

concluded that DME Supply Points should not be included within the profiling exercise as DME Supply Points would have the ability to adjust their profile and would not be representative of other NDM Supply Points within a particular EUC band. This would require Transporters to exchange out NDM profiling points from DME Supply Points to alternate sites which would in turn increase costs to Transporters and also increase the risk to the NDM profiling process that insufficient data is available.

*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;*

Also, this modification Proposal better facilitates Standard Special Condition A11.1d “securing of effective competition between shippers and suppliers” as it:

- May increase commercial incentives to extend the range of contracts available to customers e.g. day-ahead price.
- Extends the market for demand side response.
- Improves the economic case for AMR rollout and increases the likelihood for early roll-out of AMR equipment over and above statutory deadlines.
- Reduces reconciliation risk for suppliers associated with the NDM regime.
- Some Shippers felt the Proposal has the potential to reduce carbon emissions through better Energy Management.
- Provides an industry process in which AMR can operate as there are currently no defined processes.

British Gas considers this Proposal creates a misallocation of costs and a barrier to competition by limiting access to a new market. It therefore does not better facilitate competition.

EDF recognises that this Proposal may create the incentive to extend the range of contracts available to consumers, however they question whether this would be better facilitated through a competitive market place, and so this Proposal only creates a mechanism to back off this risk for Shippers. EDF also note that it appears that this Proposal will only create the incentive if it is cross subsidised by other Shippers. This would therefore not appear to be beneficial to competition in that it creates a cross subsidy to a niche market at the expense of other market participants.

Scotia Gas Networks considers the Proposal may offer benefits to Shippers and

Suppliers in terms of the range of contracts Shippers would be able to offer their end user consumers. However, the benefits which would be afforded to Shippers (and potentially end users) through the introduction of DME are not transparent over and above what is currently available through the NDM market.

Scottish and Southern Energy do not feel there will be a consumer demand for a product which utilises frequent reads (half hourly) as experience from the electricity market has indicated that consumers are unwilling to be exposed to the risks and volatility of daily commodity markets. They highlight that consumers opt for contract packages from which they can reasonably forecast their energy costs and fully understand their exposure and as a consequence they do not consider this modification Proposal will further support competition between shippers or 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.

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

This Modification Proposal contains detailed business rules on which to base changes to UNC legal text.

It is anticipated that the required changes could be incorporated into the February 2010 UK Link release to enable this Proposal to be implemented.

The Proposal potentially increases security of supply through greater levels of demand side response.

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

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

No implications for operation of the system.

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

System development costs and transactional charges are to be developed for inclusion in the ACS in line with the recommendations of the Proposal.

Scotia Gas Networks agree that the User Pays approach to funding both the development costs of the Proposal and the future operating costs should be

funded on a User Pays basis. Future demand information has been made available by Shippers which gives an indication of expected take up and thus expected cost recovery, there remains a risk that large development costs may not be recovered in a timely manner if expected demand is not realised.

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

System development costs and transactional charges are to be developed for inclusion in the ACS in line with the recommendations of the Proposal.

Wales and West Utilities consider there are no benefits to Transporters from the implementation of this Modification Proposal. It is therefore appropriate to recover all development, implementation and operating costs from the Users that could benefit from this and those that will utilise this DME regime.

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

No consequence for price regulation has been identified.

**6 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 consequence is anticipated.

**7 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**

xoserve are currently developing an impact assessment and the ROM costs are published in the Proposal. System impacts are being discussed in the UK Link Committee and detailed costs derived from the impact assessment should be available prior to consultation.

**8 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)*

Minor system changes are required by all Users irrespective of whether they will take the service.

*Development and capital cost and operating cost implications*

Costs are identified in the User Pays methodology identified in the Proposal. Shippers who do not wish to use the process will incur a minor development cost.

***Consequence for the level of contractual risk of Users***

Reduces reconciliation risks to Shippers who use the process.

EDF Energy highlight that Shippers will be required to fund the development cost of implementation of this Proposal regardless of whether they choose to take the service or not. They therefore need to ensure that these additional costs are built into their cost base which creates a contractual risk to Shippers.

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

Increases consumer choice for services provided by Shippers.

There is a cost stranding risk for existing DM service providers where non mandatory DM loggers are replaced by DME loggers.

**10 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**

The Proposal aligns with the requirements of the Supplier licence for the provision of AMR to the LSP market.

**11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

- Better facilitates competition between Shippers and Suppliers in the provision of services and information offered to customers.
- Increases the availability of locational based gas flow information to Transporters.
- Phased roll out reduces operational and system implementation risks.

**Disadvantages**

- Reduces the number of supply points available for NDM demand modelling.
- Increases the cost of managing the NDM pools as NDM demand modelling equipment may need to be relocated.

EDF Energy provided the following disadvantages

- Anti-competitive
- Creates a cross subsidy in favour of niche market players
- Not cost reflective
- Potentially closes out development of alternative options under Project Nexus



**12 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>
British Gas	Not in support
Corona Energy	Supports
EDF Energy	Not in support
E.ON UK	Supports
Gasprom Marketing and Trading	Supports
GDF Suez Energy UK	Supports
National Grid Distribution	Supports
RWE npower	Supports
Scotia Gas Networks	Comments
Shell Gas Direct	Not in support
Scottish and Southern Energy	Not in support
Wales & West Utilities	Comments

In summary, of the 12 representations received: 6 offered support, 4 were not in support and 2 offered comments on the modification Proposal.

British Gas considers this Proposal is significantly flawed in that it seeks to impose development costs on parties that do not intend to take up the service. This modification creates misallocation of costs and a barrier to competition by limiting access to a new market. It is also questionable as to whether actual benefits shall outweigh costs. British Gas explain that the ‘Ceiling Limit’ on the number of DME Nominations would, once reached, create a competitive barrier, which would prevent new Supply Points or New Market entrants from participating in this market, meaning that where there are New Supply Points consuming gas during low SAP periods would be forced to settle based on the NDM average profile or elect into the DM market at significantly higher costs.

British Gas do not agree this Proposal will ‘Reduce reconciliation risk’ associated with the NDM market. Suggesting that as there sites would have AMR devices fitted there should be no reconciliation risk as Shippers are able to submit regular meter reads to xoserve such that the monthly allocation of energy can be based on actual meter readings.

Corona Energy is not clear if the levels of costs quoted by xoserve reflect a fair market value for the work required to enact the service. This raises a number of

questions regarding the ability of a Shipper to challenge prices quoted by xoserve during the modification process. However despite this concern Corona Energy considers there is no justifiable reason why competition in the provision of a Daily Metered service cannot be introduced. They note that the competitive service would still be significantly cheaper than procuring the Voluntary Daily Metered service.

EDF Energy consider the barriers in the UNC need to be removed to facilitate the use of AMR equipment, however they have three fundamental concerns that prevent them supporting this modification. These are; the Proposal closes the market to several participants, that the funding arrangements create cross subsidy and the interactions with project Nexus particularly the funding.

EON UK has some reservations relating to the degree of benefits outlined. However, E.ON UK consider the increase in data that will result from the installation of AMR as part of the initiatives will ultimately lead to a better understanding and management of energy consumption by customers.

GdF Suez considers the introduction of this Proposal creates an economic incentive which should encourage the early installation of such equipment and therefore bring forward tangible and intangible benefits of AMR as outlined in legislation e.g. EU Energy Services Directive. Studies supporting the ESD by the Carbon Trust have estimated potential of 9% annual carbon savings attributable to changed behavioural patterns amongst business customers.

National Grid Distribution has provided a number of comments on the legal text to facilitate progression of the Modification Proposal.

RWE npower, National Grid and Wales & West Utilities highlight a disadvantage in relation to the number of supply points available for NDM demand modelling which RWE npower suggest is likely to be accompanied by a rise in the cost of managing this. Nevertheless RWE npower consider that the benefits to the market as a whole are greater than the disadvantages and National Grid confirmed that they will closely monitor the possible effects and take action accordingly.

Shell Gas Direct whilst supportive of the Proposal's intent have a number of concerns with the way in which the Proposal intends creating a Daily Metered Elective (DME) regime for NDM sites. They also express concern about the funding of the development costs; they consider the costs should be focussed on the basis of those who use the service. Shell Gas Direct considers the DME service provision ought to be taken forward as part of Project Nexus, suggesting this would be a much more cost and resource effective approach.

Scotia Gas Networks are aware that there may be benefits to certain Shipper organisations and agree Shippers in principal should fund 100% of this change. However, they consider a full cost benefit analysis exercise should be under taken to fully justify development costs against the benefits.

Scottish and Southern Energy considers the main incentive for using the DM elective service is to avoid costs which look likely to be applied through other modifications to Large NDM Supply Points. Avoiding these potential costs could provide an incentive for Shippers to move elements of their portfolio into the DM sector thereby avoiding any future charges on their Large Supply Point

portfolios through the reappportionment of energy.

Scottish and Southern Energy considers it is important that the costs are attributed to the actual users as opposed to eligible users. They do not plan to use this service.

Wales & West Utilities highlight that if LSP Shippers who have an eligible portfolio are not supportive of this Modification Proposal there may be questions over the suitability of the proposed User Pays charging arrangements.

Wales & West Utilities felt that there may be additional costs placed upon Transporters if sample NDM Supply Points or DM voluntary Supply Points become DME. They explained that NDM Supply points which become DME would no longer be eligible to be used as a sample NDM Supply Point and that this may lead to the situation where the DNOs have a stranded asset and also need to find a suitable replacement NDM Supply Point. A similar scenario can occur for current Daily Metered sites that do not meet the Daily Read Requirement (these sites are often referred to as DM voluntary). If a DM voluntary site becomes DME, the DNO will not need to replace the Supply Point but would again suffer from the potential to have a stranded asset. If this Modification Proposal is directed for implementation then they hope to work with the participating Users in an attempt to manage any transition from NDM sample Supply Points, or DM voluntary Supply Points, to the DME regime. If this is not possible, or is unsuccessful, then they will need to consider other options such as introducing 'swap-out' charges within our Metering Charging Statement (subject to industry discussion / consultation).

**13 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.

**14 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.

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

A detailed programme of works would need to be developed and presented to the UK Link committee.

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

Implementation timetable would need to be developed and presented to the UK Link Committee.

**17 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.

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

At the Modification Panel meeting held on 18 June 2009, of the ten Voting Members present, capable of casting ten votes, seven votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal

**19 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.

**20 Text**

The legal text has been provided as separate documents.

For and on behalf of the Relevant Gas Transporters:

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