

Draft Modification Report
Changes to the window for the submission of Valid Meter Readings
Modification Reference Number 0242
Version 1.0

This Draft Modification Report is made pursuant to Rule 9.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

Introduction

The rules for the submission of Valid Meter Readings by Suppliers to the Transporter are set out in Section M 3.3 of the Uniform Network code.

Section M 3.3.1 requires users to submit not less than 50% of Valid Meter Readings by the 10th Business Day after the Meter Read Date and not less than 100% by the 15th Business day.

The Transporter is not required to accept any Valid Meter Readings obtained by the Supplier but submitted outside of these timescales except where;

“it is feasible for the Transporter to accept such Meter Reading and in the Transporter's reasonable opinion the circumstances make it appropriate that it should do so;”

During November 2005, a number of modification proposals were implemented to protect UK Link system integrity and capacity from the potential submission of volumes of Meter Readings greater than the 400,000 readings per day.

At that time a validation routine was applied to the system to identify the variance in Business Days between the Meter Reading date and file submission date.

Prior to November 2005, there were no such validation routines in place, relating to Meter Reading dates and submission dates, and UK Link accepted all Meter Readings provided by Shippers subject to normal Meter Reading validation rules.

On the 10 March 2006, Xoserve issued a communication to Shippers, numbered and entitled NR/610/DA – Temporary Change to Cyclic Meter Reading Validation Routine.

Within this communication Xoserve advised that a number of Shippers had highlighted to them that they had volumes of Meter Readings which fell outside of the 10- Business Day parameter and had requested that validation be relaxed to enable readings to be submitted.

Following the reinstatement of these validation rules, Shippers continued to find that, operationally, the 10 Business Day parameter was not sufficient to enable the provision of all validated Meter Readings to Xoserve and so British Gas raised modification proposal 0124 to amend the parameters to allow Shippers to ensure that as many Meter Readings as possible are able to be validated and provided to Xoserve.

In March 2007 Ofgem directed implementation of Modification 0124 and the

window for Valid Meter Reading submission was amended from 10 Business Days to the current 15 Business Days.

In its original proposal, British Gas proposed that the window be extended to 20 Business Days, as this was believed to be the optimal level between ensuring the maximum number of Meter Readings could be Validated and received by Xoserve, balanced against the need to protect UK Link system integrity at that time.

Following conversations with Xoserve and the Transporters British Gas amended proposal 0124 to set the Meter Reading window at 15 Business Days. This change was made following concerns around UK Link performance and stability.

Since that time several significant changes have taken place to the UK Link system, such as the move to a new server system with increased performance and stability and change to a new operating system.

It is our understanding that the concerns around the stability of UK Link expressed by Xoserve in 2006 are no longer valid and so barriers to extending the Meter Reading window to ensure the maximum number of Readings are processed have been removed.

Our proposal

The intention of this modification proposal is to allow a greater number of actual Meter Readings to be accepted by Xoserve, acting as the Transporters' agent, than is currently provided for under the Uniform Network Code (UNC).

The processing of Meter Readings and their Validation is a complex Supplier process and Users can, at times, struggle to ensure that all actual Meter Readings are submitted within the timeframe currently set out in the UNC.

Numerous Validation processes are undertaken by Suppliers, to ensure that Meter Readings received are indeed valid, this process subsequently produces exceptions or queries which need to be communicated back to, and addressed by, the meter reading agent for reprocessing.

We therefore propose that Section M 3.3.4(b) is amended to require Users to submit 100% of Meter Reads by the 25th Business Day after the Meter Reading date.

This will allow a much higher proportion of Valid Meter Readings to be accepted by Transporters and this in turn will improve the accuracy of the allocation of energy through the reconciliation process.

It would also provide for a greater number of Meter Readings to be accepted for purposes of setting Annual Quantities (AQ) which itself will improve the accuracy of deeming volumes of energy at supply points.

We do not propose any changes to the timescale within which the first 50% of reads are to be submitted and this will remain at 10 Business Days (paragraph M3.3.4(a)).

Suggested Text

Provided by Northern Gas Networks:

TRANSPORTATION PRINCIPAL DOCUMENT

SECTION M - SUPPLY POINT METERING

Paragraph 3.3.4(b) amend to read as follows:

"not less than 100% are provided (in accordance with paragraph 3.3.1) by the 25th Business Day after the Meter Reading Date."

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 better facilitate this relevant 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 better facilitate this relevant 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 better facilitate this relevant 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;

Implementation of this proposal would provide for a greater number of Valid Meter Readings to be accepted by the Transporters. In turn this would:

- improve the accuracy of the allocation of energy through the reconciliation process;
- provide for a greater number of Meter Readings to be accepted for the

purposes of setting Annual Quantities (AQ);

- improve the accuracy of deeming volumes of energy at supply points.

By facilitating acceptance of more Valid Meter Readings, implementation would facilitate more accurate allocation of energy and transportation charges between Users. This would permit improved targeting of energy balancing charges and increase the cost reflectivity of Transportation Charges.

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

No implications on security of supply, operation of the Total System or industry fragmentation 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 implications for operation of the system have been identified.

b) Development and capital cost and operating cost implications:

No development and capital cost and operating cost 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 cost recovery mechanism is proposed.

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

Where a User is able to supply further Meter Readings in line with its cyclic Meter Reading obligations this reduces the likelihood of the Transporter being required to procure a 'must read' pursuant to TPD Section M3.6.

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

Prior to the 16th June 2006 the Meter Reading window period was set at 99 days and was only reduced because of concerns over the stability of the UK Link system prior to the UK Link Technology Refresh and server replacement.

Both the UKLTR and the server upgrade took place during 2007/8 and no further concerns over the systems stability have been raised.

Implementation of this proposal would result in an increase in the number of Meter Readings submitted by Shippers, currently Meter Readings submitted outside of the 15 Business Day window are submitted as part of automated processing but are rejected by Xoserve's systems.

Therefore any additional processing of Valid Meter Readings would also lead to a reduction in processing of Meter Reading Rejections by both Xoserve and Shippers as well as a reduction of manually processed Meter Readings through the AQ Review process.

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)

Where Meter Readings have been rejected by Xoserve's system because they fall outside the current 15 Business Day window, UNC rules allow for these Meter Readings to be resubmitted by Shippers as part of the AQ Review process.

Implementation of this proposal would result in a decrease in the manual processing of Meter Readings as part of the AQ Review process.

Development and capital cost and operating cost implications

No such implications have been identified.

Consequence for the level of contractual risk of Users

No such consequences have been identified.

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

No such implications have been identified.

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

- Increasing the window during which Users are able to submit Valid Meter Reading to Xoserve will assist in ensuring the correct allocation of energy and transportation charges.
- Extending the current window for submission of Meter Readings will provide Shippers with a longer period to validate Meter Readings that have been rejected by Xoserve. This will provide Shippers adequate time to run their internal checks on the reads, and if necessary carry out a visual inspection of the meter prior to resubmission.

Disadvantages

None identified

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

Written Representations are now sought in respect of this Draft Report.

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

No programme of works would be 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)

It is believed that this Modification Proposal would have minimal impact upon systems and processes. It would require only the extension of the window of acceptance of valid meter reads.

The initial view on the legal drafting required is simply the amendment of the number in paragraph 3.3.

For the reasons given above, it is envisaged that the implementation timescales could be reasonably short.

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

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

Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report.

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters