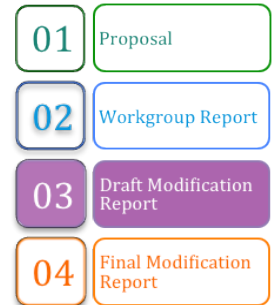


Stage 03: Draft Modification Report

0362:

Use of 'notional Meter Readings' and 'Agreed Opening Meter Readings' for Individual CSEP Reconciliation

What stage is this document in the process?



This Proposal seeks to amend the generic LDZ CSEP NExA Annex A to extend the Meter Reading types which can be utilised to reconcile Transportation Commodity charges and Energy Charges at CSEP Larger Supply Points. Existing generic LDZ CSEP NExA terms restrict such to 'Valid Meter Readings' which do not extend to the two reading types specified in the title of this Proposal.



Responses invited by 19 May 2011.



High Impact:



Medium Impact:
iGTs and Users (Shippers) and DNOs.



Low Impact:

0362

Draft Modification Report

21 April 2011

Version 1.0

Page 1 of 13

© 2011 all rights reserved

Contents

- 1 Summary
- 2 Why Change?
- 3 Solution
- 4 Relevant Objectives
- 5 Impacts and Costs
- 6 Implementation
- 7 The Case for Change
- 8 Legal Text
- 9 Recommendation

About this document:

This document is a Draft Modification Report, which was issued for consultation responses, at the request of the Panel on 21 April 2011.

The close-out date for responses is **19 May 2011**.

The Panel will consider the responses and agree whether or not this self-governance modification should be made.



3 Any questions?

4 Contact:
Joint Office

6  enquiries@gasgovernance.co.uk

7
8  **0121 623 2115**

11 Proposer:
Phil Lucas

12  phil.lucas@uk.ngrid.com

13  **01926 653546**

Transporter:
**National Grid
Distribution**

1 Summary

Is this a Self-Governance Modification

This is a Self-Governance modification.

Why Change?

A significant proportion of gas consumed at Larger Supply Points (LSPs) located on LDZ Connected System Exit Points has not been reconciled according to the relevant Meter Readings. Independent Gas Transporters (iGTs) have indicated that one reason why this is not being progressed is the inability of iGTs to utilise Meter Readings which are not 'Valid Meter Readings' for the purposes of issuing reconciliation volumes (relative to the point of transfer between Users) to the upstream Distribution Network. Examples of Valid Meter Readings are those procured by Meter Reading Agents or Customer Readings.

At an operational meeting, which took place on 11th January 2011, Xoserve confirmed that as of January 2011, 60% of circa 4,000 live Logical Meter Numbers (LMNs) and 47% of circa 6,200 closed LMNs have never been reconciled.

As a consequence, there is a risk that Large Transporter commodity and energy charges have been inappropriately apportioned across Users.

Solution

It is proposed to amend Annex A Part 5 of the generic LDZ Connected System Exit Point (CSEP) Network Exit Agreement (NExA) to enable 'notional Meter Readings' (i.e. estimated Opening Meter Readings) or 'Agreed Opening Meter Readings' to be used for the purposes of Individual Reconciliation at NDM CSEP Larger Supply Points.

Impacts & Costs

Implementation of this modification proposal is anticipated to permit the processing of a greater volume of Individual Reconciliation at NDM CSEP Larger Supply Points, which will reduce the risks associated with a relative high proportion of unreconciled charges. There are no implementation costs for Large Transporters.

Implementation

As the modification is following Self Governance procedures, implementation will be 15 days following a decision to implement by the Modification Panel.

The Case for Change

Transportation Commodity charges and Energy charges are subject to reconciliation. In respect of LSPs connected to the DN network and the iGT network, this reconciliation is calculated based upon a Meter Reading. In the event that no reconciliation volume is able to be derived for a LSP, the risk of the unreconciled charges manifests in those Shippers who incur charges via the Reconciliation by Difference (RbD) mechanism.

Recommendations

All parties are invited to consider whether they wish to submit views regarding this self-governance modification.

2 Why Change?

This issue particularly manifests itself where a change of User occurs at a CSEP Supply Point and a Valid Meter Reading ('Opening Meter Reading') is not provided by the incoming User. As a consequence the iGT (pursuant to the iGT UNC) provides a notional Meter Reading and further, the incoming and outgoing Users may mutually agree an Agreed Opening Meter Reading. However the contractual terms in place between the DNO and the iGT (Annex A of the generic LDZ CSEP NExA) prevent the use either for the purposes of reconciliation.

Annex A part 5 of the generic LDZ CSEP NExA currently restricts the readings that can be utilised to derive a reconciliation volume as follows:

- 1.2 On each occasion on which a **Valid Meter Reading** is received in respect of a Larger NDM Supply Meter Point within 30 days of such receipt the CSO shall inform [DN] of the same.

As the definition of "Valid Meter Reading" is not provided within the generic LDZ CSEP NExA, paragraph 1.2 of the generic LDZ CSEP NExA provides that this has meaning prescribed in the UNC. Hence the generic LDZ CSEP NExA states the following:

- 1.2 Words and expressions defined in the National Grid Network Code and not defined in this agreement have the meanings ascribed to them under the National Grid Network Code...

Accordingly Section M3.1.4 of the Uniform Network Code (UNC) Transportation Principal Document (TPD) states:

- 3.1.4 A Meter Reading obtained from a Non-Daily Read Supply Meter is a "**Valid Meter Reading**", and the relevant Meter Read a "Valid Meter Read", where the following conditions are satisfied and not otherwise:
 - (a) except in the case of a Customer Read permitted under paragraph 3.1.6, or an Opening Meter Reading permitted under paragraph 3.1.4(f) or a Proposing User Read permitted under 3.1.4(h), the Meter Reading was provided by a Meter Reader appointed in accordance with paragraph 1.4.5;
 - (b) except in the case of an Opening Meter Reading, the Meter Reading has been subject to validation in accordance with paragraph 1.5;
 - (c) where the Meter Reading was rejected by such validation, the Registered User has taken or secured the taking of such further steps as it determines to be necessary to investigate the validity of the Meter Reading and has thereby confirmed such validity; and
 - (d) the Meter Reading together with the details required pursuant to 3.3.1 are provided to the Transporter in accordance with that paragraph;

- (e) the details provided pursuant to paragraph 3.3.1 are consistent with the equivalent Meter Information appearing in the Supply Point Register;
- (f) in the case of an Opening Meter Reading obtained and provided in accordance with M3.8.2, the Meter Reading is a Gas Card Reading or a Calculated Gas Card Reading;
- (g) the Meter Reading was provided by means of a Remote Read;
- (h) the Meter Reading was a Proposing User Read.

Hence it is clear that neither a notional Meter Reading or an Agreed Opening Meter Reading are Valid Meter Readings. Nevertheless, such readings are able to be used for the purposes of Individual NDM Reconciliation as clarified in the following sections of the UNC. TPD Section M3.8 states:

3.8.5 Without prejudice to paragraph 3.8.10, where an Opening Meter Reading is not provided to the Transporter by the date required under paragraph 3.8.2(b):

- (a) (except where 3.8.7(b) applies) a notional Meter Reading will be used for the purposes of Individual NDM Reconciliation in accordance with Section E6.1.6

3.8.7 Subject to paragraph 3.8.9:

- (a) (save where paragraph 3.8.7(b) applies) the Proposing User may notify to the Transporter a revised value of a Meter Reading (an "Agreed Opening Meter Reading") for a Non-Daily Read Supply Meter which is agreed between the Proposing User and the Withdrawing User as being valid for a date within the required date range and is to replace the Opening Meter Reading (or estimated Meter Reading under paragraph 3.8.5);

3.8.8 Subject to paragraph 3.8.9, where a User notifies to the Transporter an Agreed Opening Meter Reading under paragraph 3.8.7:

- (c) the Individual NDM Reconciliation in relation to the Withdrawing User (determined under Section E6.2 in accordance with the original Opening Meter Reading or estimated Meter Reading under paragraph 3.8.5) shall be revised in accordance with Section E6.7.2;

Therefore, whilst the provisions of the UNC do not classify either a notional Meter Reading ('estimate') or and an Agreed Opening Meter Reading ('shipper agreed reading') as Valid Meter Readings, they can nevertheless be utilised for the purposes of Individual NDM Reconciliation.

3 Solution

Accordingly, this proposal seeks to replicate the application and use of these two reading types within the generic LDZ CSEP NExA Annex A as the current wording specifically excludes Meter Readings that are not 'Valid' from being utilised for reconciliation purposes.

Suggested Legal Text

AMENDMENT TO GENERIC LDZ CSEP NExA, ANNEX A

INTERIM CSEP(S) NETWORK EXIT AGREEMENT (GT LDZ CONNECTED SYSTEM EXIT POINT)

Amend Annex A, Part 5, paragraph 1.2 to read as follows:

On each occasion on which a Valid Meter Reading, notional Meter Reading (determined by the CSO) or Agreed Opening Meter Reading is received in respect of a Larger NDM Supply Meter Point within 30 days of such receipt the CSO shall inform National Grid of the same.

4 Relevant Objectives

Implementation will better facilitate the achievement of **Relevant Objective (d)**.

Proposer's view of the benefits of this Proposal against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	No
b) 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.	No
c) Efficient discharge of the licensee's obligations.	No
d) 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.	Yes
e) 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.	No
f) Promotion of efficiency in the implementation and administration of the Code	No

Achievement of Relevant Objective (d)

(d) "the securing of effective competition between shippers". Creation of a contractual framework which allows a greater quantity of individual CSEP reconciliations to flow would reduce the risks placed on Users which are subject to charges levied via the Reconciliation by Difference mechanism, where an agreed read is provided. This would increase certainty and potentially result in more 'accurate' allocation of costs and thus facilitate the securing of effective competition between Shippers.

5 Impacts and Costs

The Large Transporters would not incur any additional costs in the event of implementation. On the basis that a greater quantity of individual reconciliations are received, implementation would enhance the accurate allocation of costs between Users.

Costs

Indicative industry costs – User Pays	
Classification of the Proposal as User Pays or not and justification for classification	
This Proposal is not User Pays	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
Not applicable	
Proposed charge(s) for application of Users Pays charges to Shippers	
Not applicable	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve	
Not applicable	

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	No impact has been identified
Operational Processes	No impact has been identified
User Pays implications	The Proposal is not User Pays

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	No impact has been identified
Development, capital and operating costs	No impact has been identified
Contractual risks	No impact has been identified
Legislative, regulatory and contractual obligations and relationships	No impact has been identified

Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification

0565 Transco Proposal for Revision of Network Code Standards of Service

at the following location:

<http://www.gasgovernance.com/networkcodearchive/551-575/>

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	No impact has been identified
Development, capital and operating costs	No impact has been identified
Recovery of costs	No impact has been identified
Price regulation	No impact has been identified
Contractual risks	No impact has been identified
Legislative, regulatory and contractual obligations and relationships	No impact has been identified
Standards of service	No impact has been identified

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	No impact has been identified
UNC Committees	No impact has been identified
General administration	No impact has been identified

Impact on Code	
Code section	Potential impact
No impact has been identified	

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	No impact has been identified
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	Interim CSEP(s) Network Exit Agreement – GT LDZ Connected System Exit Point: Annex A Part 5
Storage Connection Agreement (TPD R1.3.1)	No impact has been identified
UK Link Manual (TPD U1.4)	No impact has been identified
Network Code Operations Reporting Manual (TPD V12)	No impact has been identified

Impact on UNC Related Documents and Other Referenced Documents	
Network Code Validation Rules (TPD V12)	No impact has been identified
ECQ Methodology (TPD V12)	No impact has been identified
Measurement Error Notification Guidelines (TPD V12)	No impact has been identified
Energy Balancing Credit Rules (TPD X2.1)	No impact has been identified
Uniform Network Code Standards of Service (Various)	No impact has been identified

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	No impact has been identified
Gas Transporter Licence	No impact has been identified
Transportation Pricing Methodology Statement	No impact has been identified

Other Impacts	
Item impacted	Potential impact
Security of Supply	No impact has been identified
Operation of the Total System	No impact has been identified
Industry fragmentation	No impact has been identified
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	iGTs would need to make the necessary operational and system changes to allow notional Meter Readings and Agreed Opening Readings to generate reconciliation volumes for issue to Large Transporters.

6 Implementation

As the modification is following self-governance procedures, implementation will be 15 days following a decision to implement by the Modification Panel.

7 The Case for Change

Advantages

- Enables a greater quantity of individual CSEP reconciliation to be issued by iGTs to Large Transporters. It is believed that a significant volume of such 'reconciliation' is determined on the basis of notional Meter Reading or Agreed Opening Meter Readings which is currently not able to be processed by Large Transporters due to the existing provisions of Annex A of the generic LDZ CSEP NExA.

Disadvantages

- The modification does not incentivise the provision of actual reads for use in reconciliation.

8 Legal Text

Suggested Legal Text has been provided in Section 3 above.

9 Recommendation

All parties are invited to consider whether they wish to submit views regarding this self-governance modification.

The close-out date for responses is **19 May 2011**, which should be sent to enquiries@gasgovernance.co.uk.

A response template, which you may wish to use, is at www.gasgovernance.co.uk/0362.



Consultation Ends

On 19 May 2011

0362

Draft Modification Report

21 April 2011

Version 1.0

Page 13 of 13

© 2011 all rights reserved