

Joint Office
Enquiries@gasgovernance.co.uk

07 August 2019

Dear Sir or Madam,

Re: 0700U Enabling Large Scale Utilisation of Class 3

Thank you for the opportunity to provide representation on the above noted Modification Proposal. Please find below Northern Gas Network's (NGN) comments in respect of this change.

NGN offers qualified support for this Modification Proposal.

Reason for support/opposition:

We offer qualified support for this Modification Proposal, as whilst we believe that the risk to UK link (caused by an expected large scale move of meter points from Class 4 to Class 3, brought about by the current UIG weighting), is mitigated by these changes there is a concern as to the enduring nature of these amendments to the Class 3 structure.

Our understanding of this Modification Proposal is that it seeks to remove, for all End User Categories (EUC), the ability to submit fortnightly and monthly batched reads, with only the original weekly option remaining with some changes. Submitted reads may then be re-batched by the CDSP for loading into UK link. Larger Supply Meter Points (EUC 02-09) will be processed predominantly as per current arrangements, however the Smaller Supply Meter Points (EUC 01) will have only one read from each seven calendar day batch updated into UK link for settlement purposes.

Due to the short timescales imposed by the expected mass movement of sites at the beginning of the 2019/20 gas year, we agree that these changes are necessary to protect UK link, however we feel that these should be temporary measures and not be of an enduring nature for the following reasons:

- The enduring nature of this Modification Proposal could negatively impact settlement accuracy in the long run. Currently where a Shipper provides daily reads for a Smaller Supply Meter Point in Class 3, all reads are loaded into UK Link and used for settlement purposes; This proposal reduces this number by restricting the quantity of valid meter reads per Supply Meter that will be loaded into UK Link to one per weekly Batch Period.
- The Competition & Markets Authority (CMA) Energy Market Investigation found that an increase in frequency of Valid Meter Read submissions would improve the accuracy of the gas settlement process, therefore we feel that the reduction of valid meter reads loaded into UK Link as proposed by this change is not in the spirit of the CMA findings.

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- The removal of monthly and fortnightly submission for Larger Supply Meter Points (EUC 2-9) may have consequential impacts, for example a potential need for enduring system changes, whose costs and development may outweigh the benefits gained by opting into Class 3.

As an enduring solution this proposal provides no timescale to increase the number of reads per Meter Point from a Batch Period to be submitted into UK Link, nor any incentive for this to be increased at all from the minimum stated in the legal text. We acknowledge that a modification could be raised in the future to reverse an enduring solution if required, however this carries less oversight and adds additional risks as opposed to it being a temporary solution from the outset. These risks include the fact that additional processes may be written around the enduring solution, making a future reversal more complicated due to additional consequential impacts. Also, as enduring there is no oversight of progress, nor incentive, for the solution to actually be amended or reversed in the future.

We would request that regular status updates be provided to the Data Services Contract (DSC) Contract Management Committee, and should this change be implemented as an enduring solution, we feel that the addition of Performance Assurance Committee (PAC) monitoring should be encouraged.

Relevant Objectives:

This Modification Proposal should further Relevant Objective f) *promotion of efficiency in the implementation and administration of the Code* by reducing the risk to UK Link caused by a potential exceeding of current processing capacity; We believe that the Relevant Objective would be best furthered if the solution was not enduring, as this could adversely impact competition by the reduction of choice and more restrictive timelines for Class 3 Batch Submissions, reducing the positive impacts of this Modification Proposal.

Implementation:

What lead-time do you wish to see prior to implementation and why?

Due to the urgent status of this modification, we believe that it should be implemented as soon as the systems are available, following Ofgem direction. We would prefer this implementation to be on a temporary basis, rather than an enduring basis.

Impact and costs:

What analysis, development and ongoing costs would you face?

This modification is due to the expected unprecedented mass movement of meter points into Class 3, to benefit Shippers from the UIG weighting factors currently offered by this Class. Therefore, we do not see any direct impact, development or ongoing costs to Transporter systems.

Legal Text:

Are you satisfied that the legal text will deliver the solution?

Due to the legal text only becoming available in the last few days of consultation we have not been able to perform a full assessment, however we have noted the following discrepancies:

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- In Section 5.8.2 (c) Supply Point Meters should be corrected to Supply Meters, which would align it with 5.16.2 (a) and the defined term.
- In Section 5.8.3, Smaller Supply Meters should be corrected to Smaller Supply Meter Points, which would align it with 5.8.4 (b), and the defined term.
- Section 5.8.4 (a) should have the superfluous “a” removed from “...in respect of a each calendar month”.

We cannot comment on the Validation Rules referred to in section 5.8.3 as the proposed rules have not been visible as part of the consultation documents. We do acknowledge that under current arrangements, these proposed revisions will need to be submitted for Uniform Network Code Committee (UNCC) approval.

Are there any errors or omissions in the Modification?

None identified other than the comments provided above in the ‘Reasons for Support/Opposition’ section and minor changes to proposed legal text.

Any additional analysis or comments?

Whilst we agree that it is unlikely that there will be consumer impacts in relation to the Smaller Supply Meter Points (EUC 01), as these are predominantly shipper initiated movements for the UIG factor gains, we believe that the loss of fortnightly and monthly Batch Submission options for Larger Supply Meter Points (EUC02-09) may result in the need for system changes whose costs and development may outweigh the benefits they gain by opting into Class 3.

I hope these comments will be of assistance and please contact me should you require any further information in respect of this response.

Yours sincerely,

Tracey Saunders (via email)
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Mobile: 07580 215743

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