

Modification proposal:	<b>Uniform Network Code (UNC) 0242 - Changes to the window for the submission of Valid Meter Readings</b>		
Decision:	The Authority <sup>1</sup> directs that this proposal be made		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	27 May 2009	Implementation Date:	To be confirmed by the Joint Office

## Background to the modification proposal

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

During November 2005, a number of modification proposals were implemented to protect UK Link system integrity. The intention was to limit the potential submission of Meter Readings to less than 400,000 per day.

Following the implementation 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 Cyclic Meter Readings to Xoserve and so British Gas raised modification proposal UNC 0124 seeking to extend the Cyclic Meter Reading validity window to 20 Business Days to allow Shippers to ensure that as many Cyclic Meter Readings as possible are able to be validated and provided to Xoserve.

Following discussions with Xoserve and the Transporters, British Gas amended proposal UNC 0124 to set the Cyclic Meter Reading window at 15 Business Days.

From 23 March 2006 to 16 June 2006 the Cyclic Meter Reading window period was set at 99 days and was reduced because of concerns over the stability of the UKLink system prior to the UK Link Technology Refresh and server replacement. Xoserve further advised that arrangements had been made to extend the 10-day parameter to 99 days effective from 20 March 2006, for a period of three months. A further communication was issued by Xoserve on 23 June 2006 numbered NR/640/DA, which advised shippers that with effect from 16 June 2006, the 10-day validation rule, as per UNC section M 3.3.6, would be reinstated.

Several improvements have been made to the UK Link system, such as the move to a new server system with increased performance and stability and the change to a new operating system. Hence, any barriers to extending the Cyclic Meter Reading window to ensure the maximum number of readings are processed have been reduced.

<sup>1</sup> The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.

## **The modification proposal**

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

The processing of Cyclic Meter Readings and their Validation is complex and Users can, at times, struggle to ensure that all actual Cyclic Meter Readings are submitted within the timeframe of 15 Business Days currently set out in the UNC.

The proposal seeks to amend Section M 3.3.4(b) to require Users to submit 100% of Cyclic Meter Reads by the 25th Business Day after the Cyclic Meter Reading date. The Proposer set out the view that:

- This will allow a much higher proportion of Valid Cyclic 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 Cyclic Meter Readings to be accepted for the purposes of setting Annual Quantities (AQs) which itself will improve the accuracy of deeming volumes of energy at supply points.

No change has been proposed 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)).

The proposer considers that these changes will better facilitate relevant objective (d) of the UNC.

## **UNC Panel<sup>2</sup> recommendation**

At the UNC Panel (the 'Panel') meeting on 16 April 2009, the Panel unanimously recommended implementation of this proposal.

## **The Authority's decision**

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 16 April 2009. The Authority has considered and taken into account the responses to the Joint Office's consultation on the modification proposal which are attached to the FMR<sup>3</sup>. The Authority has concluded that:

1. implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC; and

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<sup>2</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

<sup>3</sup> UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.com](http://www.gasgovernance.com).

2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties<sup>4</sup>.

### **Reasons for the Authority's decision**

Eight responses were received by the Joint Office. All supported implementation of the proposal and considered that it would better facilitate relevant objective (d).

The Authority agrees that this proposal will further relevant objective (d). Our reasons for this are set out below. Please note that unless directly stated, Ofgem considers the proposal to be neutral against the aims of the other relevant objectives.

#### ***Relevant objective (d): the securing of effective competition***

We consider that extending the timetable by which Cyclic Meter Readings are submitted should help to ensure that a higher volume of valid meter readings are accepted by transporters. By facilitating acceptance of more Valid Cyclic Meter Readings, implementation of this proposal 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.

Improved AQs and SOQs should also result in more accurate allocation of energy. This should result in a reduction in the redistribution of energy between the Small Supply Point (SSP) and Large Supply Point (LSP) sectors and so decrease the risk of retrospective charges that Small Supply Point Shippers are exposed to through the Reconciliation by Difference (RbD) mechanism.

By improving the allocation of energy and the allocation of energy and transportation charges the proposal should help facilitate the securing of effective competition between relevant shippers and suppliers.

### **Decision notice**

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC 0242: "Changes to the window for the submission of Valid Cyclic Meter Readings" be made.

**Ian Marlee**  
**Director, Trading Arrangements**

Signed on behalf of the Authority and authorised for that purpose.

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<sup>4</sup>The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.