Modification proposal:	**Uniform Network Code (UNC) 279: Improving the availability of meter read history and asset information (UNC279)**		
Decision:	The Authority[1] directs that this proposal be made[2]		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	28 July 2010	Implementation Date:	To be confirmed by the Joint Office

Background to the modification proposal

The Annual Quantity (AQ) is the expected volume of gas that will be used at a Supply Point in a year. The AQ is used as an input to capacity planning, energy balancing, charging and reconciliation. The accuracy of an AQ is therefore important to consumers, shippers and the Gas Transporters (GTs). AQs are reviewed annually by GTs[3]. Shippers have the option to appeal an AQ if they consider that it is unrepresentative of the volume to be consumed at a Supply Point. Shippers can appeal the AQ by presenting a more accurate or recent meter read history to justify an AQ amendment.

A shipper can appeal an AQ by producing at least two meter reads, these reads must be at least six months apart. The supplier will also submit their provisional AQ (which must be calculated using a consistent methodology with its other proposed amendments). In the case of a Smaller Supply Point (SSP) the provisional AQ must be at least 20% less than or greater than the original AQ. In these circumstances the Transporter will replace the original AQ with this new value.

Difficulties have been identified by a number of shippers in relation to the Annual AQ Review process whereby there is insufficient meter read and meter asset information available to enable a successful AQ appeal in cases where a Supply Point has recently changed shipper/supplier. If a Supply Point has changed supplier recently, then the new supplier would be unlikely to have the meter read history available as the read history and meter asset details held by Xoserve[4] are not currently visible to the new shipper/supplier after a change of supplier.

The proposer's analysis, based on the 2009 Annual AQ Review process, indicates that approximately 30% of potential revisions to AQs were not able to be progressed due to this issue. The 30% is based on the number of AQs that could not be appealed due to the unavailability of meter read history. The majority of these instances will be due to a change of supplier, although it is not clear that these AQs would have been successfully appealed, as the read history is not available.

The modification proposal

This modification proposal aims to facilitate the provision of three years of meter read history and meter asset information to shippers for Supply Points in their current Supply Point portfolio. This modification proposal seeks to:

[1] The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority.
[2] This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.
[3] This activity is carried out by Xoserve in their capacity of the Transporters Agency
[4] Xoserve are responsible for providing transportation transactional services on behalf of gas transportation network companies to gas Shipper companies

a) Give permission to the relevant GT to release the information; and
b) Require a report to be available on request to each shipper (as a User Pays Service).

The information will be provided to shippers, upon request, for all their registered Supply Points after the start of the AQ review period but at least one month before the end of the AQ review period.

This proposal relates to SSPs and Larger Supply Points (LSPs) (including Daily Metered (DM) Supply Points), but excludes Supply Points directly connected to the NTS.

The proposer believes that UNC279 furthers objective (d) as set out in Standard Special Condition A11 (1) of the Gas Transporters Licence.

The proposer considers that UNC279 should be a User Pays Proposal. In the proposer's view, the change benefits shippers and so the development costs should be apportioned across all shippers in accordance with their portfolio size and the ongoing costs will be recovered by a charge per report.

UNC Panel[5] recommendation

At the UNC Panel (the Panel) meeting on 20 May 2010, of the nine members present, capable of casting ten votes, nine votes were cast in favour of implementing the proposal. Therefore, the Panel recommended implementation of the proposal by majority.

The Authority's decision

The Authority has considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 2 July 2010. 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[6]. The Authority has concluded that:

1. Implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC[7]; and
2. Directing that the modification be made is consistent with the Authority's principal objective and statutory duties[8].

Reasons for the Authority's decision

The Joint Office received 12 responses to its consultation of which 11 were supportive and one was against the modification proposal.

For the reasons set out below, the Authority considers that this proposal will better facilitate relevant objectives (c) and (d) of Standard Special Condition A11 of the Gas

[5] The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.
[6] UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com
[7] As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: http://epr.ofgem.gov.uk/document_fetch.php?documentid=6547
[8] 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.

Transporter Licence and consider that the impact of the proposal will be neutral in relation to the remaining objectives.

One respondent considered that the proposal would better facilitate the achievement of relevant objective (f) "efficiency in the implementation and administration of the UNC" by improving data quality, through the provision of more accurate AQs. However, we believe that the provision of more accurate AQs is more relevant to objective (d) and we have therefore considered the issue under this objective.

Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligation under this licence;

We consider that this modification proposal will result in more accurate AQ and Supply Point Offtake Quantity (SOQ) values. Because these values are used in the calculation of transportation charges, we consider that this modification proposal will result in increased accuracy in these charges. We note that Standard Special Licence Condition A5.5 requires that a Transporter's charging methodology should reflect the costs incurred by the licensee in its transportation business. We therefore consider that the proposed modification is likely to better facilitate objective (c).

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (a) to (c) the securing of effective competition between relevant shippers, suppliers and DNOs;

We consider that this modification proposal is likely to help secure effective competition. The provision of the stated data to the incoming shippers will enable them to carry out a more thorough investigation on the accuracy of proposed AQs. It will then allow shippers to appeal AQ values that they consider to be inaccurate using more complete meter read data and meter asset history. Increased accuracy in AQ values will result in more accurate consumption being allocated to shippers/suppliers and therefore the more accurate allocation of energy charges. This increase in efficiency in gas settlement will help shippers/suppliers to improve their forecasts and therefore potentially reduce costs.

As noted above, AQs are used for calculating transportation charges; more accurate AQs will lead to a more accurate allocation of transportation charges. This in turn will increase certainty in the market and may improve conditions for market entry and improve competition.

We note the view of one respondent that this modification proposal will not further objective (d). It considered that providing equal access to this data was not in line with a competitive market and that this change will penalise those companies that had invested in collecting accurate meter reads. By making this data available on request, it argued that there was no recompense to suppliers that had collected regular and accurate meter readings. This in turn may remove the onus on suppliers to ensure they read meters regularly and collect accurate meter reads.

We consider that this change will not disincentivise suppliers from collecting regular meter reads. There are benefits to suppliers in collecting accurate meter readings for the reasons stated in this letter in relation to AQ accuracy as well as for customer billing.

The same respondent also felt that this modification proposal would enable shippers to be selective about which read pairs are used to appeal an AQ. We note the safeguards in

the UNC that seek to prevent shippers from being selective in their processed for amending AQs. In particular, we note the requirements in Section G of the UNC (1.6.4 (c)) that require shippers to use a consistent methodology when reviewing AQs for supply points. We therefore do not consider that the modification proposal should lead to shippers being more selective in their submission of AQ appeals.

Implementation Costs and Funding

The proposer considers this to be a User Pays modification with the implementation and development costs to be attributed to shippers, in accordance with their portfolio size. As the benefits of this change are equally open to all shippers, we consider this an appropriate method for apportioning the implementation costs in this instance.

The ongoing costs will be recovered by a charge per report generated following a request from a shipper. We consider this to be an appropriate cost recovery method as only those shippers that use the service will be required to pay for its ongoing costs.

Xoserve has provided a copy of the Agency Charging Statement (ACS) that has been updated with the proposed cost allocation set out in the modification report. The ACS is the charging methodology which outlines the scope and cost of the user pays services that Xoserve provide.

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority, hereby directs that modification proposal UNC279 "Improving the availability of meter read history and asset information" be made.

Pursuant to Standard Special Condition A15 of the Gas Transporters Licence, the Authority hereby directs that the proposed changes to the ACS submitted in connection with modification UNC279 should be made.

Ian Marlee
Partner, GB Markets

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