

Modification proposal:	Supply Point Administration Agreement (SPAA) Change Proposal (CP) 12/227 'Mandating Schedule 22 for Small Transporters'.		
Decision:	The Authority's ¹ decision is that this change proposal be made. ²		
Target audience:	SPAA Parties and other interested parties		
Date of publication:	22 May 2013	Date of Implementation:	To be confirmed

Background to the modification proposal

In August 2000 Ofgem initiated the Review of Gas Metering Arrangements (RGMA) in order to address the remaining non-price barriers that were considered to be inhibiting the development of competition in gas metering services. The RGMA developed business processes and data flows (as specified in the RGMA Baseline) that were designed to underpin competition in metering and the separation of National Grid Gas' transportation and metering businesses. Industry standards for business processes and data flows are intended to allow market participants to communicate effectively in the metering market. The RGMA regime came into effect on 12 July 2004.

The development of the Supply Point Administration Agreement ('SPAA') was prompted in part by the need to provide appropriate governance for the RGMA processes, which were adopted as a SPAA product with the implementation of Change Proposal (CP) 04/001³. As such, the RGMA Baseline is subject to SPAA governance with respect to change control and maintenance.

CP04/001 did not seek to place any direct obligations with respect to the RGMA Baseline upon SPAA parties. These were subsequently added by the implementation of CP06/055⁴, which introduced a SPAA schedule setting out further obligations that had, since the time of RGMA implementation, been identified as necessary to ensure the processes work effectively. In particular, it placed obligations upon suppliers, their agents and large transporters⁵ for the timely transfer of data. Independent Gas Transporters (iGTs), were at that time all considered small transporters as defined under SPAA and could elect to comply with the new schedule but it was not mandated. This was consistent with the approach of RGMA more generally, which had focused primarily on communication with the separated National Grid Gas' transportation and metering businesses.

The change proposal

CP12/227 was proposed by Southern Electric Gas Limited ("the proposer"). It seeks to modify Schedule 22 of the SPAA, removing the difference in treatment between large and small transporters.

The proposer recognises that there are currently alternative proposals under other industry codes seeking to increase the standardisation of communications between

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 CP04/001: 'To introduce the RGMA Baseline into the SPAA as a SPAA Product'.

⁴ CP06/055: 'SPAA Metering Schedule'

⁵ SPAA defines a large transporter as one with 1 million or more Supply Points registered on its Gas Transportation Database as being connected to its network.

shippers and gas transporters, in particular iGT050⁶/iGT050A⁷ and the ongoing Project Nexus discussions as facilitated by iGT039⁸. This prompted the draft version of CP12/227 to be discussed at the SPAA Expert Group on 15 February 2013⁹. The group (consisting of three iGTs and five shipper/suppliers) noted that CP12/227 seeks to mandate the use of all RGMA flows, whereas iGT050 and iGT050A proposed only to mandate iGTs to use a subset of UK Link and RGMA flows.

It was also noted that CP12/227 has a longer lead-in time and is intended to be implemented either as part of, or if separate, around the same time as, Project Nexus, which is currently anticipated to be around June 2015. Therefore, the group considered that an interim solution may be needed and that iGT050 and iGT050A should therefore also be pursued. However, the group noted that if approved, either iGT050 or iGT050A would be superseded if CP12/227 is implemented.

On 30 April 2013, in accordance with Standard Condition 9 of the Gas Transporters Licence, the Authority directed that modification proposal iGT050A: 'Third Party Metering Activity and MAM ID Communication', be made. The independent Gas Transporters Uniform Network Code (iGT UNC) Code Administrator subsequently confirmed that it would be implemented on 27 June 2014.

Respondents' views

CP12/227 was considered at the SPAA Change Board on 21 March 2013. All voting members were in favour of CP12/227 being implemented, equating to 100 per cent of the weighted votes cast by relevant parties¹⁰, as there were no proxy votes.

Some respondents considered that the implementation date for the change should be as soon as possible following receipt of the Authority's consent, rather than being tied to Project Nexus.

The Authority's decision

We have considered the views of the Change Board and the contents of the Change Report dated 15 April 2013 and have concluded that:

- implementation of the change proposal will better facilitate the achievement of the relevant objectives of the SPAA¹¹, and
- consenting to the modification being made is consistent with the Authority's principal objective and statutory duties.

Reasons for the Authority's decision

We have considered the change proposal and taken into account the unanimous vote of the SPAA Change Board. We note that iGTs were not represented at this Change Board, but also note the support iGTs have offered to the proposal in other fora, such as the iGT UNC Modification Panel.

⁶ iGT050: 'iGT & Shipper Metering communications Ancillary Document'

⁷ iGT050A: 'Third Party Metering Activity and MAM ID Communication'

⁸ iGT039: 'Use of a Single Gas Transporter Agency for the common services, systems and processes required by the iGT UNC'

⁹ See: www.spaa.co.uk/meetings/detail?meetingid=200298&

¹⁰ The threshold for a change proposal being accepted by relevant SPAA parties is 65%, as set out in clause 9 of the SPAA.

¹¹ As set out in Standard Licence Condition (SLC) [30.5 of the Gas Suppliers Licence](#).

Whilst CP12/227 received unanimous support at the Change Board, we note that two respondents had earlier raised concerns with respect to the timescale for its implementation and the interaction with iGT050 or iGT050A. As noted above, we have now approved iGT050A. In making our decision we recognised the interaction with CP12/227 but also agreed with the comments made at the SPAA Expert Group that CP12/227 seeks to provide an enduring arrangement whereas iGT050 or iGT050A could be superseded by other industry initiatives. Therefore, we did not consider them to be mutually exclusive. We have considered CP12/227, as we did iGT050 and iGT050A, on its own merits, having regard to our wider statutory duties, including better regulation.

We note that, when CP12/227 is implemented, modifications may be required to the iGT UNC to remove any redundant obligations to ensure the SPAA and iGT UNC regimes remain compatible.

We have assessed CP12/227 against SPAA relevant objectives (a), (b) and (c) in line with the Change Report. We consider that this proposal does not impact upon the other SPAA relevant objectives.

We note that the proposer also assessed CP12/227 against relevant objective (e) of the SPAA and on the basis that they considered it would facilitate the ability of suppliers to make efficient procurement decisions in relation to metering arrangements on iGT networks. Whilst we consider this view may be accurate, we do not consider such arrangements to be within the terms of this objective. Relevant objective (e) was inserted as part of the framework to enable the SPAA to take over the governance and operation of the Meter Asset Management ('MAM') arrangements; primarily the administration of the MAM Code of Practice ('MAMCoP') and associated accreditation scheme. We have seen nothing to suggest that this scheme will be impacted in any way by CP12/227 and consider that the comments put forward in relation to relevant objective (e) can be captured more appropriately in our assessment against relevant objective (b). We have followed this approach in our assessment set out below.

Assessment against the relevant objectives

(a) the development, maintenance and operation of an efficient, coordinated and economical change of supplier process:-

We agree with the proposer that, to the extent this proposal would facilitate the more accurate and timely provision of meter asset information, it should have a beneficial effect on customer transfers. We recognise that incorrect data can lead to inaccurate billing or even an erroneous transfer, all of which damage the consumer's experience of and confidence in the transfer process. In facilitating a greater degree of standardisation in gas shippers' and suppliers' back office processes, we consider that CP12/227 will reduce the potential for errors due to factors such as human error, and make it more likely that invalid data or other anomalies are identified and remedied early.

(b) the furtherance of effective competition between Gas Suppliers and between relevant agents:-

We agree with the comments put forward by the proposer and the SPAA Expert Group that aligning communication methods for all gas transporters should benefit industry. We consider that, by aligning communication methods, CP12/227 should facilitate competition both between gas suppliers and their agents and transporters. We consider that it could therefore improve customers' experience for any future metering transactions, irrespective of the customer being connected to a Large or Small Transporter Network. We note that CP 12/227 seeks to facilitate the exchange of data

around the industry, therefore potentially better enabling efficient meter exchanges, in particular within the context of smart metering.

(c) the promotion of efficiency in the implementation and administration of the supply point administration arrangements:-

We consider it was appropriate that Schedule 22 initially distinguished between the large transporters made up of the current and former National Grid networks and those iGTs operating to a different scale and business model but that the reasons for this differentiation have eroded over time. We note that there are now approaching 1.5 million iGT connections.

We agree that the availability of a standard method and format for communicating meter activity with any given gas transporter should allow the gas supplier and in turn their metering agents to realise efficiency benefits. We note the consistent references that have been made, both during the development of this proposal and within the Change Report to the potential inclusion of iGTs within a *Single Service Provision* as part of Project Nexus. We do not consider that the benefits of this proposal are contingent upon the outcome of that ongoing work as it would be possible for the iGTs and suppliers to adhere to the data protocols set out in Schedule 22 without necessarily utilising a single service provider. However, we do consider that CP12/227 would be consistent with that aspiration.

We note that no indication of the likely costs of implementation have been provided within the Change Report. However, we note that CP12/227 seeks only to mandate adherence to Schedule 22 of the SPAA, it does not prescribe how that adherence should be achieved. It is therefore possible that each iGT may take a different approach to compliance and the extent to which they invest in systems to support this. We also note the anticipation that compliance with Schedule 22 will be facilitated through the iGTs adopting a Single Service Provision under Project Nexus, with the costs being fully assessed as part of that project. We are therefore satisfied that CP12/227 is primarily a governance issue and does not, of itself, trigger any direct costs beyond those which the iGTs should be able to efficiently manage.

Implementation date

We note the proposer's intent that the implementation date for CP12/227 would be linked to the adoption of a Single Service Provision under Project Nexus. We also note that the proposer has sought to ensure that CP12/227 is implemented within a reasonable timescale should progress towards the adoption of a Single Service Provision under Project Nexus stall. The proposed implementation dates and criteria are set out below¹²:

- one year, from the decision not to include Small Transporters in the Large Transporter's Agency System (i.e. if the Authority rejects the Project Nexus proposals to require iGTs and Gas Distribution Networks (GDNs) to use a single service provider (currently Xoserve);
- such time of the implementation of Project Nexus to include Small Transporters in the Large Transporter's Agency System (i.e. if the Authority accepts the proposals to require iGTs and GDNs to use a single service provider (currently Xoserve); or
- where the Industry cease to consider a Single Agency for GDNs and iGT's, June 2015 (i.e. if the Project Nexus modification to include Small Transporters in the

¹² We note that the original Change Report stated that the modification would be implemented 'as soon as possible'. We sought and received clarity on this point at the SPAA Change Board on 17th May 2013. This confirmed that the implementation dates were as set out in the text above.

Large Transporter's Agency System is withdrawn prior to any approval or rejection by the Authority of that proposal then CP12/227 would be implemented in June 2015).

We recognise the potential value in linking the implementation date of CP12/227 to Project Nexus. We note that this does result in some uncertainty as the Project Nexus modifications are yet to be considered by the Authority. However, this does not outweigh the merits of CP12/227 as highlighted by our assessment against the relevant objectives. We note that parties are free to propose further modifications (if appropriate), should they consider that any may be needed to address any concerns that they may have on the implementation timetable for this change proposal, for example in light of further developments under Project Nexus.

Decision notice

In accordance with Standard Condition 30 of the Gas Suppliers Licence, the Authority consents to change proposal CP12/227: 'Mandating Schedule 22 for Small Transporters' be made.

Maxine Frerk
Partner, Retail Markets and Research

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