

## iGT UNC Final Modification Report

<b>Date</b>	20 <sup>th</sup> December 2013
<b>Reference</b>	iGT055
<b>Title</b>	Single Meter Supply Points
<b>Proposer</b>	Adam Pearce (ES Pipelines)
<b>iGT UNC / Pipeline Operator</b>	iGT UNC
<b>Modification Proposal Dates</b>	<p><i>Circulation: 20/09/2013          Response: 11/10/2013          Circulation of DMR: 01/11/2013          Response to DMR: 22/11/2013          DFMR published: 06/12/2013          DFMR considered at Panel: 18/12/2013          FMR sent to authority: 20/12/2013          Circulate Authority's determination: dd/mm/yyyy          Suggested Implementation date: dd/mm/yyyy</i></p>

### PART A - MODIFICATION PROPOSAL

#### Urgency

Non-Urgent

#### Background

On 25 July 2013, Ofgem directed to implement UNC428: Single Meter Supply Points. This modification seeks to mirror the changes in the iGT-UNC, made to the UNC as a result of UNC428's approval.

Since the inception of competition in gas shipping and supply, gas transportation charges have been calculated by grouping meter points into supply points, using rules, which reflect the commercial arrangements downstream of the ECV.

This modification seeks to construct and establish a rule that would only permit one meter per supply point.

#### The Proposal

With effect from a date to be determined to coincide with the go-live date for Nexus, "Nexus go-live date", a Supply Point shall only contain one Supply Meter Point. This will be achieved through placing obligations on users and operators to adhere to a set of simple transitional rules that will see all existing multi-metered supply points disaggregated into single meter supply points.

With effect from [1st April 2014], a Supply Meter Point would neither be permitted to be added to an existing multi-metered Supply Point, nor combined with another single supply Meter Point, to create a new multi-meter Supply Point.

There are a number of reasons why a change is required. The current arrangements:

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- do not reflect the changes to be implemented in the UNC under UNC428;
- are not cost reflective;
- are cumbersome to administer; and,
- are complex to systematise.

Expanding on the final bullet point, iGT039 proposes the centralisation of iGT registration systems under a single GT agent (Xoserve). Removing multi metered supply points from the base-line requirements for Single Service Provision will considerably reduce the complexity that would otherwise have to be written into the new system, in turn reducing the costs associated with such complexity.

NB The implementation of this proposal is not dependent on the implementation of iGT039.

### **How will the proposal operate?**

This modification should operate in an identical manner to that of UNC428. This will enable shippers (and GTs) to follow the same process and timescales, regardless of GT type.

#### **Summary**

From a date, to be determined (“Nexus go-live date”), all supply points should only comprise one meter point.

The proposal is for the process to be largely shipper driven, in terms of managing the disaggregation of the affected Supply Points. Where a shipper has not undertaken certain actions, the transporter would have rights to take action on a shipper’s behalf.

#### **The Business Rules**

With effect from [1st April 2014]:

1. A Supply Meter Point would neither be permitted to be added to an existing multi-metered Supply Point, nor combined with another single Supply Meter Point, to create a new multi-meter Supply Point.

Any confirmations scheduled to take effect after the [1<sup>st</sup> April 2014] must comply with this rule, otherwise the confirmation will be rejected.

Three months prior to the Nexus go-live date:

1. All multi-metered supply points shall have been disaggregated, and reconfirmed as single meter Supply Points by the registered user or have a confirmation in place to take effect prior to the Nexus go-live date.
2. Any multi-metered supply points not disaggregated by the shipper 3 months prior to Nexus go-live, or having an effective confirmation prior to the Nexus go-live date, would be disaggregated by the transporter using the Transitional Rules detailed below.

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### **Transition Rules**

Where, 3 months prior to the go-live date for Nexus, the shipper has not taken action to split the Supply Point, the Network Operator (iGT) will take such actions as necessary, based on the rules below, to effect the disaggregation.

Network Operator (iGT) disaggregation guidelines:

An NDM supply point: Each meter point will be confirmed using the prevailing Meter Point Annual Quantity. Where sufficient meter read history exists; the Meter Point will be allocated into the corresponding WAR banded EUC;

An NDM meter point in a DM supply point: As above;

A DM meter point in a DM supply point: The meter point will be confirmed with an SOQ equal to the peak daily consumption for Gas Year 1 Oct 2014– 31 March 2015, (currently expected to be the winter period prior to effective implementation).

Where it is necessary to split SHQs (for example where a meter point in a DM supply point will remain DM but other meters will not), these will be given values to reflect the max hour over the effective winter period for this implementation.

### **Proposer's suggested timescale for implementation**

It would be desirable if this modification could be implemented by 01 April 2014, mirroring Modification UNC428.

If 01 April 2014 is not attainable, implementation timescales should give enough time for all existing multi-meter supply points to be disaggregated and reconfirmed as Single Supply Meter Points, prior to the Nexus go-live date.

It is the proposer's view that this proposal will not require system changes.

### **Proposer's view on the Section(s) of the Code Concerned**

Section CI

Section M

#### **Comments from the Representative regarding the proposed Legal Text (provided later in the report)**

It is suggested that this modification does not need to remove all references to "Supply Point Component" within the iGT-UNC as has been carried out under UNC428 for the UNC.

Through the proposals made under iGT039, pointing current iGT-UNC clauses to the UNC will ensure that the processes and legal text are identical, regardless of GT type. Hence post Project Nexus Go Live Date both Codes will only allow single meter supply points and the term Supply Point Component in the iGT UNC will become redundant. If iGT039 is not implemented, a 'sweep-up' modification (potentially self-governance, pending the outcome of iGT052) can be raised to remove

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the references. This ensures that references to "Supply Point Component" will be removed by Project Nexus Go Live date, without the need for the extensive changes to the iGT UNC and a lengthy and complex Transitional Document to include all clauses containing the term as per the current iGT UNC for the interim period from implementation date until Project Nexus Go Live date.

Once the Code is changed to prevent new multi-metered supply points being created and existing ones amended, and the work has been carried out to disaggregate existing multi-metered supply points, the term Supply Point component will be redundant. Thus, even with the term being retained in the Code, the Code will still correctly reflect the business rules.

### **Proposer's views on how the proposal better facilitates the relevant objectives**

<i>Relevant Objective</i>	<i>Yes/No</i>
a. the efficient and economic operation of the pipe-line system to which this licence relates	No
b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters	No
c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence	Yes
d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers	Yes
e. so far as is consistent with sub-paragraphs (a) to (d), the 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. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition	No
g. so far as is consistent with sub-paragraphs (a) to (f) the compliance with the Regulation* and any relevant binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	No

\* Regulation 2009/715/EC of the European Parliament and of the Council of 13 July 2009

#### Relevant Objective C:

This modification will introduce greater reflectivity of costs in transportation charging, albeit to a varying degree, dependant on the structure of the existing aggregation. The change would ensure that shippers are charged for distribution on a like-for-like basis.

#### Relevant Objective D:

This modification would remove what is essentially a subsidy between non-aggregated and aggregated sites. More accurate cost allocation will promote the effective competition between Shippers and implementation would realise improved cost-targeting and therefore promote competition.

**iGT UNC Final Modification Report****Proposer's view on the likely impact on environment?**

None.

**Proposer's view on Implementation issues including impact on systems**

It is proposed that the transition is Shipper-driven with sufficient time for Shippers to carry out the requisite SPA activities. While not a principal objective, the centralisation of iGT registration systems is planned and any simplification of the base-lined Supply Point Administration arrangements would be beneficial to the implementation of that new system.

**Other issues**

UNC428 allows for the Transporters to charge Users for the work involved in disaggregating multi-metered supply points where these disaggregations have not been carried out by the registered User prior to 3 months before the go-live date for Nexus. It is proposed that the Network Operators will be able to make a similar charge where they have to carry out such disaggregations on behalf of a Registered User. The charge (Charge per confirmation (action) undertaken on behalf of the shipper) will be the same as that included in the ACS for the Large Transporters.

**PART B - CONSULTATIONS SUMMARY****Summary of responses to the consultations on the original Modification Proposal and the Draft Modification report**

5 responses were received to the Modification Proposal consultation, which can be viewed [here](#). No responses were received to the Draft Modification Report

Respondent	Response to iGT055	Response to DMR
RWE npower	Support	
SSE Energy Supply	Support	
British Gas	Support	
E.ON UK	Support	
Scottish Power	Support	

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### Facilitation of the relevant objectives

*How this proposal will, if implemented, better facilitate the “code relevant objectives”, as defined in Standard Condition 9 of the Gas Transporters Licence.*

#### *Summary of Responses to the Modification Proposal*

Relevant Objective	Relevant	Not Relevant
a. the efficient and economic operation of the pipe-line system to which this licence relates		
b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters		
c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence	5	
d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers	5	
e. so far as is consistent with sub-paragraphs (a) to (d), the 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		
f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition	1	
g. so far as is consistent with sub-paragraphs (a) to (f), the compliance with the Regulation* and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators		

\* Regulation 2009/715/EC of the European Parliament and of the Council of 13 July 2009

#### *Any additional comments:*

Of the responses received to the Modification Proposal there was overwhelming majority support for:

#### Objective C

Parties noted that the Modification would remove the cross-subsidy between non-aggregated and aggregated sites, enabling iGTs to meet their Licence obligation to offer cost reflective charging and creating greater transparency of network costs, and ensure that Transportation Charges are applied in a consistent manner.

#### Objective D

Parties noted that the Modification would allow iGT transportation costs to be levied to shippers on a

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like for like basis, removing any price differentiation between aggregated and non-aggregates sites, therefore promoting competition between shippers or suppliers.

It was also noted that the Modification aligns the iGT UNC with rules under the UNC, promoting a more efficient use of industry resources and a more consistent approach across all Transporter networks.

### **Likely impact on environment?**

No points were raised by respondents.

### **Implementation issues including impact on systems**

Parties noted that due to the required de-aggregation of supply points a minimum of one year would be required to implement this change. It was also noted that an early implementation decision was preferred, due to the impact of longer term contracts.

It was further noted that required system changes were being developed in parallel under UNC0428, and there could be consequential efficiencies for system developments.

### **iGT UNC Panel Discussion**

The Draft Final Modification Report was presented to the December 2013 iGT UNC Modification Panel. No issues were raised by Panel regarding the content of the Report.

The Panel supported the view of respondents to the initial consultation that the Modification would further facilitate objective (c), agreeing that the Modification would remove the cross-subsidy between non-aggregated and aggregated sites, enabling iGTs to meet their Licence obligation to offer cost reflective charging and creating greater transparency of network costs, and ensure that Transportation Charges are applied in a consistent manner. The Panel supported the view that the Modification would further facilitate objective (d), agreeing that the Modification would allow iGT transportation costs to be levied to shippers on a like for like basis, removing any price differentiation between aggregated and non-aggregates sites, therefore promoting competition between shippers or suppliers. The Panel also supported the view that the Modification would further facilitate objective (f), agreeing that the Modification aligns the iGT UNC with rules under the UNC, promoting a more efficient use of industry resources and a more consistent approach across all Transporter networks.

The Panel voted unanimously in favour of implementing the iGT055 Modification Proposal. Some discussion was held regarding the recommended implementation date following a direction to implement by the Authority. The Panel noted the desire to implement the Modification in alignment with the equivalent UNC 0428 Modification which would take effect from 1<sup>st</sup> April 2014. As this falls between release dates for the iGT UNC, it was anticipated that the implementation date for iGT055 should be 27<sup>th</sup> June 2014, as the earlier release of 28<sup>th</sup> February 2014 would come too soon to issue a pre-release version of the Code.

**iGT UNC Final Modification Report****PART C - Proposed Legal Text** *(Provided by Transporters)***Add additional paragraph to Section CI****4 Single Premises Requirement**

4.1 Notwithstanding the provisions of **PART CI - SUPPLY POINT REGISTRATION**, no Proposing User or Registered User may submit a Supply Point Nomination and/or Supply Point Confirmation in respect of a Supply Point where the effect of such Supply Point Nomination and/or Supply Point Confirmation if accepted by the Pipeline Operator would be to:

- (a) register a Supply Point comprising more than one Supply Meter Point; or
- (b) increase the number of Supply Meter Points comprised in an Existing Supply Point.

4.2 The provisions set out in Appendix CI-2 shall apply until the Project Nexus Go Live Date.

**(Renumber subsequent paragraphs)**

4.3 A Supply Point must comply with the Single Premises Requirement.

4.4 The "**Single Premises Requirement**" is the requirement that where more than one Supply Meter Point is comprised in a Supply Point, gas offtaken from the Pipeline at all of such Supply Meter Points is to be supplied to premises:

- (i) owned or occupied by one person;
- (ii) in close geographical proximity to each other;
- (iii) comprised within a common curtilage; and
- (iv) which serve each other in some necessary or reasonably useful way.

4.5 The Registered User shall: (a) take all reasonable steps to ensure that the Single Premises Requirement does not cease to be satisfied in respect of a Supply Point without the Registered User's becoming aware of that fact; and

(b) if the Single Premises Requirement shall cease to be satisfied in respect of a Supply Point, as soon as it becomes aware of that fact:

- (i) promptly so inform the Pipeline Operator; and
- (ii) apply for two or more Supply Point Registrations (in respect of each of which such requirement is satisfied) in respect of the relevant Supply Meter Points.

~~4.6 Following the rejection of a Supply Point Nomination pursuant to Clause 10.5(a):~~

~~(a) the Proposing User may notify the Pipeline Operator that the Pipeline User considers that the Single Premises Requirement is satisfied in respect of the Proposed Supply Point;~~

~~(b) where the Pipeline User so notifies the Pipeline Operator:~~

~~(i) the Pipeline User shall at the same time provide its reasons for so considering and supporting evidence;~~

~~(ii) the Pipeline Operator will consider the reasons and evidence provided by the Pipeline User and where the Pipeline Operator is reasonably satisfied that the Single Premises Requirement is satisfied the Pipeline Operator will so inform the Pipeline User and will not reject on the grounds in Clause 10.5(a) a further Supply Point Nomination in respect of the Proposed Supply Point.~~

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**(Add in a new Appendix CI-2)**

**Appendix CI-2****TRANSITION TO SINGLE SUPPLY METER POINT REGIME****1 Transition Period****1.1 For the purposes of paragraphs 2 and 3:**

- (a) the “**SSMP transition period**” is the period commencing on the implementation date being for iGT UNC Modification 055 and ending on (and including) the date being three (3) months prior to the Project Nexus Go Live Date;
- (b) the “**SSMP transition date**” is the date of expiry of the SSMP transition period;
- (c) an “**Affected Supply Meter Point**” is a Supply Meter Point which at the SSMP transition date is comprised in a Supply Point containing more than one Supply Meter Point.

**2 Transit rule**

2.1 By no later than the SSMP transition date a Supply Point which on the Day preceding such date comprised more than one Supply Meter Point shall, in accordance with the rules in paragraph 3, cease to comprise more than one Supply Meter Point.

**3 Supply Point Transition**

3.1 On any Day during the SSMP transition period the Registered User of a Supply Point comprising Affected Supply Meter Points shall:

- (a) apply to reduce the number of Affected Supply Meter Points comprised in such Supply Point to one:
  - (i) in respect of a Larger Supply Point, by submitting a Supply Point Renomination and Supply Point Reconfirmation; and
  - (ii) in respect of a Smaller Supply Point, by submitting a Supply Point Reconfirmation;  
and
- (b) in respect of any Affected Supply Meter Point that is no longer comprised within the relevant Supply Point as a result of a Reconfirmation submitted pursuant to (a) above becoming effective, apply to register a Supply Point in respect of each such Affected Supply Meter Point:
  - (i) in respect of a Larger Supply Point, by submitting a Supply Point Nomination and Supply Point Confirmation; and
  - (ii) in respect of a Smaller Supply Point, by submitting a Supply Point Confirmation, and any such Supply Point so registered shall comprise only one (1) Affected Supply Meter Point.

Each such Supply Point Renomination, Supply Point Reconfirmation, Supply Point Nomination and/or Supply Point Confirmation (as the case may be) submitted by a User

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pursuant to this paragraph 3.1 shall:

- (c) include within it all existing details recorded in the Supply Point Register in respect of the relevant Affected Supply Meter Point; and
- (d) insofar as they relate to Affected Supply Meter Points that were previously comprised within the same Supply Point, take effect on the same Day during the SSMP transition period.

3.2 Where any Registered User of a Supply Point which comprises Affected Supply Meter Points does not submit the necessary Supply Point Renomination, Supply Point Reconfirmation, Supply Point Nomination and/or Supply Point Confirmation (as the case may be) as required under paragraph 3.1 the Registered User shall be deemed have granted the Pipeline Operator the authority to do so on any date during the period between the expiry of the SSMP transition period and the Project Nexus Go Live Date, and the Pipeline Operator:

- (a) shall reduce the number of Affected Supply Meter Points comprised in any such Supply Point to one:
  - (i) in respect of a Larger Supply Point, by submitting a Supply Point Renomination, creating a Supply Point Offer and submitting a Supply Point Reconfirmation; and
  - (ii) in respect of a Smaller Supply Point, by submitting a Supply Point Reconfirmation; and
- (b) shall register a Supply Point in the name of the relevant Registered User in respect of each Affected Supply Meter Point that is no longer comprised within the relevant Supply Point as a result of a Reconfirmation submitted pursuant to (a) above becoming effective:
  - (i) in respect of a Larger Supply Point, by submitting a Supply Point Nomination, creating a Supply Point Offer and submitting a Supply Point Confirmation; and
  - (ii) in respect of a Smaller Supply Point, by submitting a Supply Point Confirmation,

and any such Supply Point so registered shall comprise only one (1) Affected Supply Meter Point.

3.3 Where the Pipeline Operator creates a Supply Point Offer and submits a Supply Point Renomination, Supply Point Reconfirmation, Supply Point Nomination and/or Supply Point Confirmation (as the case may be) pursuant to paragraph 3.2 it will include within it all existing details recorded in the Supply Point Register in respect of the relevant Affected Supply Meter Point and such information shall similarly be used to generate the relevant Supply Point Offer.

3.4 Where a Supply Point comprising an Affected Supply Meter Point is registered or reconfirmed pursuant to paragraph 3.1 or 3.2 then where:

- (a) the Affected Supply Meter Point is comprised in a DM Supply Point, such registration or Reconfirmation shall specify an hourly and daily Supply Point Capacity that is equal to the peak hourly and daily consumption in respect of such Supply Meter Point for the period 1 October to 31 March (inclusive) preceding the SSMP transition date;

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(b) none of the requirements of Part CI 3.1 (Daily Read Requirement) are satisfied in respect of an Affected Supply Meter Point that was previously registered as a DM Supply Meter Point, such Affected Supply Meter Point shall be comprised in an NDM Supply Point.

Add a new definition in PART M – Definitions

**“Project Nexus Go Live Date”** is the 1<sup>st</sup> October 2015;

**PART D - Other Information**

The proposed Legal Text was supplied at the Draft Modification Report stage. Respondents were particularly requested in their responses to advise on whether they believed the proposed legal text was suitable, taking into account the limited nature of the occurrence of multi-meter supply points in the iGT UNC compared to the UNC and the current view that, post Nexus implementation, the iGT UNC will become identical to the UNC in the areas covered by this proposal.

Respondents should note that Project Nexus Go Live Date has been set as 1<sup>st</sup> October 2015, in line with legal text produced under the UNC.

However no comments were received on the legal text.