

Modification proposal:	Independent Gas Transporters Uniform Network Code ('iGT UNC') modification proposals 050: 'iGT & Shipper Metering communications Ancillary Document ('iGT050') and 050A: 'Third Party Metering Activity and MAM ID Communication' ('iGT050A')		
Decision:	The Authority ¹ directs that modification iGT050A be made. ²		
Target audience:	Independent Gas Transporters (iGTs), Parties to the iGT UNC and other interested parties		
Date of publication:	30 April 2013	Implementation Date:	To be confirmed by the iGT UNC Secretary

Background to the modification proposal

Although Gas Suppliers and even end consumers have always been entitled to install their own gas meters, in the vast majority of cases they have traditionally been provided by the Gas Transporter, in accordance with the standard conditions of their licence. Whichever of these three parties assumes responsibility for the provision of the meter will also be responsible under the Gas Act 1986 for its upkeep. They are therefore referred to in industry processes as being the Gas Act Owner ('GAO') though legal title to the meter may be held elsewhere.

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) were designed to underpin competition in metering allowing market participants to communicate effectively. The RGMA regime came into effect on 12 July 2004.

Whilst RGMA also saw the formal separation of what is now National Grid Gas' transportation and metering business arms, the iGTs were not similarly required to separate. The majority of meters connected to iGT networks continue to be provided by the relevant iGT, with data flows between the shipper and iGT combining transportation and metering elements.

However, the installation of non-iGT meters is now becoming more commonplace, for instance in providing a specific metering solution such as a pre-payment meter that the iGT is unable to economically provide. It is expected that the propensity of third party installed meters on iGT networks will increase as part of smart meter roll out. This has brought a renewed focus on the need to ensure robust communication of meter asset data, independent of the iGT's metering business.

The modification proposals

iGT050 seeks to ensure that iGTs and Shippers will exchange meter asset information using the file formats and timescales for processing information prescribed in the RGMA documentation, which is itself governed under the Supply Point Administration Agreement ('SPAA').

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.

Under iGT050, the 'Shipper to iGT' and 'iGT to Shipper' file formats and operational guidance notes would be introduced as an Ancillary Document to the iGT UNC. These file formats would be used by shippers (or iGTs) where they arrange for, or become aware of, the installation of a third party (non-iGT) meter on an iGT network. In such instances the GAO would be changed from the iGT to the Gas Supplier or consumer as appropriate.

iGT050A was raised by GTC as an alternative to iGT050. It does not seek to mandate the production of new file formats, but to codify the use of two that are already in common use between GTC and all shippers carrying out third party metering activities on its network. These flows are set out in the "Third Party metering Activity and MAM ID Communication" Ancillary Document. The proposer notes that these files are also being used by other iGTs and are capable of being used in either a systemised or a low tech solution, i.e. in a spreadsheet format to be emailed.

iGT UNC Panel³ recommendation

These modification proposals were considered at the iGT UNC Panel on 20 March 2013.

Two of the three shipper representatives voted in favour of implementing iGT050 while all three iGT representatives voted against. All three shipper representatives voted against the implementation of iGT050A while all three iGT representatives voted in favour. Therefore, neither proposal secured the majority support required to be recommended to the Authority for approval.

The Authority's decision

The Authority has considered the issues raised by the modification proposal, the responses to the industry consultation and the Final Modification Reports⁴ (FMR) dated 22 March 2013. The Authority has concluded that:

1. implementation of modification proposal iGT050A will better facilitate the achievement of the relevant objectives of the iGT UNC; and
2. directing that the modification be made is consistent with the Authority's principal objective and statutory duties⁵.

Reasons for the Authority's decision

We consider that relevant objectives (a) (c) and (d)⁶ are the pertinent objectives against which to assess these proposals. We note that respondents and the iGT UNC Panel also assessed the modification against relevant objective (f). We consider the impact of these proposals on the other objectives, including (f), to be neutral. Our reasons are set out below.

Relevant Objective (a): the efficient and economic operation of the pipeline system to which the licence relates

³ The iGT UNC Panel is established and constituted from time to time pursuant to and in accordance with the iGT UNC Modification Rules

⁴ iGT UNC modification proposals, modification reports and representations can be viewed on the iGT UNC website at <http://www.igt-unc.co.uk/>

⁵ 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.

⁶ Condition 9 of the Gas Transporter Licence.

The provision of Supply Point Information Services remains an integral part of the gas transporters' activities, as set out in their licences. Therefore, to the extent that these proposals would impact on those services, we agree that they should be considered against this relevant objective.

It is disappointing that despite those respondents who support iGT050 citing the potential cost savings of a systemised approach and those opposed raising concerns at the potential costs of implementation, no evidence has been provided on the relative scale of these costs. We are therefore unable to properly conclude that iGT050 would better facilitate this objective. This is also true of iGT050A though there is general consensus that the costs of implementing this proposal would be less than iGT050.

This uncertainty is compounded by the references to either proposal potentially being superseded if the iGTs move to a *Single Service Provision* as part of Project Nexus, as proposed under iGT039⁷. Whilst we agree with those respondents who note that there is no guarantee that iGT039 will be accepted and that it would be inappropriate to forego potentially beneficial modifications in the meantime, the existence of this proposal and the high level of support that we are aware it has so far gathered mean that iGT050 or iGT050A may be superseded in the near future.

Relevant Objective (c): the efficient discharge of the licensee's obligations under its licence

Some respondents considered that standardising file formats and business rules for the communication of information to the iGT to be held in the Supply Point Information Service (Register) will better facilitate this relevant objective. These comments were made in relation to both iGT050 and iGT050A, though they were not substantiated with any quantification.

We note that the file formats proposed to be used under iGT050A are already available for use, though the implementation of that proposal would codify and therefore standardise their use. We agree that this should go some way to improving the administrative efficiency of transferring metering data across iGT networks and therefore to better facilitating those activities which depend upon that data.

We agree that, to the extent that either of these proposals would enhance the quality of information held on the Supply Point Register provided in accordance with standard condition 31 of their GT licence, this would further facilitate the discharge of that licence condition.

Relevant Objective (d): securing of effective competition between relevant shippers and between relevant suppliers

We consider that either proposal is likely to better facilitate competition between gas shippers and gas suppliers. 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. To the extent that both proposals would facilitate the more accurate and timely provision of meter asset information, this should have a beneficial effect on customer transfers.

⁷ iGT039: 'Use of a Single Gas Transporter Agency for the common services, systems and processes required by the iGT UNC'

We note the comments of those respondents who were concerned about the potential expense of these proposals and that the processes and timescales for transferring data are set out in the iGT UNC and therefore should not be impeding competition. However, we agree with those respondents who point out that the sheer volume of these transactions can make data processing errors more likely, and even where errors do not occur, the current low levels of systemisation make it expensive to operate.

To the extent that iGT050 would represent a greater degree of systemisation than iGT050A, we agree with those respondents who suggest that it has the potential to offer the greater benefits in terms of better facilitating relevant objective (d). However, without further information on those benefits or indeed the nature of its implementation costs, we cannot conclude whether these benefits would outweigh the potential costs.

Conclusion

We note that several respondents couched their comments on these proposals in the context of what was seen as being alternative proposals, both under the iGT UNC and the SPAA⁸. Whilst we have considered these iGT UNC proposals on their own merits, we have also had regard to our wider statutory duties, including regard to better regulation.

Separately, we have received a proposed modification to the SPAA - SPAA Change Proposal 12/227: 'Mandating Schedule 22 for Small Transporters'. If approved, this proposal would have the effect of mandating that the iGTs adhere to the data flows and protocols for the RGMA metering processes set out in Schedule 22 of the SPAA. This will include, but not be limited to, the meter exchange data flows intended to be captured by iGT050 or iGT050A if implemented. We are currently considering that modification proposal and intend to publish our decision shortly.

We note the likelihood that, if approved, iGT050 may not be implemented for 9 to 18 months. Although no figures were provided in relation to the costs of implementing iGT050, we are unable to conclude whether this would represent an efficient investment. For instance, it is not clear whether any files produced would remain capable of use if CP12/227 or even iGT039, if either were approved, were implemented. It is possible that the files will be in use for only a few months before they are entirely replaced. We are further concerned that a direction to implement iGT050 may divert resource away from the potentially more comprehensive solutions that may be offered by CP12/227 and iGT039.

We therefore consider that it would be inappropriate to direct the implementation of iGT050 at this time. However, we would reconsider the viability of such a modification if, for example, it was confirmed that iGTs will not be part of the Single Service Provision and/or a cost benefit case can be made for the independent development of such files.

Although iGT050A may represent only a marginal improvement to the existing baseline, we consider that it does better facilitate the relevant objectives and that it should be capable of implementation with very little cost. It should therefore represent net benefits even if it is purely a transitional modification.

⁸ Change Proposal 12/227: 'Mandating Schedule 22 for Small Transporters'.

Decision notice

In accordance with Standard Condition 9 of the Gas Transporters Licence, the Authority hereby directs that the modification proposal iGT UNC050A: 'Third Party Metering Activity and MAM ID Communication', be made.

Maxine Frerk

Partner, Retail Markets & Research

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