

009 final report to iGT UNC panel

This report provides a summary of discussions of iGT RP009 review group, and the conclusions that were reached. It should be read in conjunction with the minutes of the following meetings:

13 May 2009
10 June 2009
8 July 2009
1 October 2009
26 May 2010
29 November 2010
27 January 2011
21 July 2011

See (<http://www.igt-unc.com/Review+Proposals/Open+Review+Proposals/iGTRP009>)

This report aims to give a balanced view of discussions and has been approved by members of the review group.

Background

iGT022 was raised in March 2009. It sought to remove reference from iGT UNC to the Metering Charges Statement. Following a request for a view from Ofgem on the proposal the modification was withdrawn, as it was felt that it could not be progressed where there was a risk of leaving a contractual void for iGT meters. Review group iGT RP009 was then established to undertake a detailed review of this area.

The Terms of Reference for the group were as follows.

Purpose

The Review Group is required to:

Review iGT UNC to consider which elements of the network code relate to matters that are specific to unbundled metering arrangements and look to remove them from the network code.

Background

Following the publication of revised metering statements by the Pipeline Operators, Ofgem responded with an open letter which clarified that metering arrangements are not part of transportation revenue and that they are not required to approve the proposed revised charging statements they were asked to consider. The open letter suggested Operators and Users may wish to consider formally separating metering arrangements from the network code.

Scope and Deliverables

The Review Group is asked to deliver:

1. A final report outlining the findings of the Group, including recommendations for any changes to the iGT UNC.
2. Modifications to iGT UNC to amend inappropriate elements
3. An issues log highlighting impacts that will need to be addressed outside of this review.

Reports of progress will be provided to the iGT UNC Modification Panel at each meeting held throughout the period of the Review

Limits

The Review Group will consider:

1. What changes, if any, should be made to the iGT UNC to address the matter that is subject to Review;
2. What elements would need to form the basis of commercial arrangements between the Pipeline Users and Operators should parties wish to enter into commercial metering arrangements; and
3. Whether there should be any recommendations concerning changes to the Gas Transporter Licence Conditions.
4. The impact on proposed changes of differences between legacy and RPC charging arrangements.
5. Impacts of smart metering on iGT metering arrangements.
6. Impacts of any proposed changes on other governance arrangements.

The Review Group will not concern itself with:

1. The drafting of any commercial agreements.

Composition

Any iGT UNC Operator, Pipeline User¹, Affected Person, the Authority Representative, the Consumer Representative, the Suppliers Representative or the Large Transporters Representative may attend any meeting of the Review Group.

The Review Group may invite specialists to attend as necessary

Information Sources

The UNC Modifications that were raised to remove metering arrangements from the UNC; price control documentation; any other relevant material.

Timetable

1. The Review should be completed within six months of the Panel's determination to submit a matter for Review.
2. Meetings shall be held at least monthly.
3. Meetings will be administered by the iGT UNC Operators and conducted in accordance with the Chairman's Guidelines.

Approval

These terms of reference are subject to approval by the Panel. However, the Review Group may recommend changes to the Terms of Reference if required.

Discussion topics

Early discussions centred on the scope of the review. There was some initial disagreement about the inclusion of new housing connections processes in the review. iGTs thought that a shipper's positive acceptance, or active appointment of the iGT as MAM during the PSR process would help to clarify metering arrangements under network code. Shippers were less willing to discuss the details of such a proposal, believing that it would be a distraction from the ultimate goal set by the Terms of Reference.

A discussion paper is available which sets out proposals to facilitate early communication and appointment at bulk confirmation stage. This work was to an extent carried forward under the MAM manual.

There was a need to consider the iGTs' last resort metering obligations in the review of iGT UNC. It was felt that this alone was a reason why there couldn't be a wholesale removal of all aspects of metering from code. Some parties felt that there might in fact be additions required code, potentially

¹ Although it is noted small suppliers were subsequently not represented at the Review Group meetings.

to clarify and separate those scenarios that might be covered in the future and others that might be dealt with under alternative governance.

Alternative governance

Underpinning all discussions was a requirement, as set out by Ofgem's letter of 28 April 2009, for an alternative contractual and governance arrangement for iGT metering, in order for 009's review of network code provisions to succeed in its objectives.

Aligning with the work of review group 009, a further workgroup was set up to work on a commercial contractual framework for iGT metering. This was not under iGT UNC governance since it related to commercial agreements between suppliers and iGTs (as MAMs).

Each of the big 6 suppliers was involved in this work. Rather than start from scratch, their preference was to use pre-existing arrangements as the basis for any contract, and so a standard industry document was adapted. The Terms and Conditions of this baseline contract would be common to all iGTs, and a set of schedules would exist to reflect each iGT's individual commercial terms.

The current status of this work is that a full set of standards terms and conditions, agreed by iGTs as a whole, has been circulated to suppliers for comment. Most suppliers are now waiting for the commercial terms that sit alongside these to be provided by iGTs. Each iGT will provide these if and when they are comfortable in doing so. This will depend on, among other things, their approach to smart metering.

Communications and 'MAM manual'

Alongside the work on a commercial contract, it was quickly recognised that there would be a need to specify a means of communication of metering information. To this end, a third group was tasked with documenting a common approach to metering communications. This work is completed. On a basic level specifies which of the RGMA baseline files would be appropriate for use between iGTs and suppliers. Work has not yet begun on implementation of these flows, but it is acknowledged that parties may wish to consider doing so if there is an appetite to implement a commercial contract.

009 progress

While the work on contracts and MAM manual was progressing, the 009 review group made limited progress. Its activity was restricted, as it was acknowledged that the contracts work was a necessary precursor for any network code changes.

Nevertheless, the group continued to debate the focus of any modification raised in this area. The original approach proposed by modification 022 (simply to remove reference in code to the Metering Charges Statement) was generally agreed to be inappropriate. Some parties maintained that any licence obligation to provide meters of last resort will need to be reflected in iGT UNC, including the way in which this service is charged for. It was also argued that without a compulsion to explore and enter into alternative commercial arrangements, some iGTs may require metering arrangements to be reflected in iGT UNC in perpetuity or until they have no meters in their ownership.

Shippers undertook some preliminary drafting work which took the first steps in formally defining separately different types of meter depending on the charging regime they were installed under i.e. legacy meters and RPC meters. The drafting recognised the dependence of the legacy meters on transportation charges, and hence the retention of the current network code treatment of these meters. RPC meters were essentially stripped away from network code charging.

However, iGTs were of the view that it was not the original charging arrangements that were important, rather the governance arrangements under which the meters were installed. So it was agreed that this was not something that the group would be able to settle. It was acknowledged that the

drafting was a useful exercise but that things had moved on since the work had been undertaken. This document was held on record but discussed no further.

It was a continued aspiration of the 009 group, as the contract and MAM manual work continued, to try to explore any areas of code that could be improved in isolation from the requirement for alternative contractual arrangements. This produced limited outcomes. Only one suggestion was made: iGTs indicated that they may wish to make it possible to reclaim missed transportation charges where they have not been notified by the shipper where the shipper's third party agent has installed a meter (and hence permitted gas to flow).

No further suggestions were made during the infrequent meetings of the group. Ultimately, the real focus for shipper parties remains to shift to alternative commercial arrangements to govern iGT metering.

Inability for the group to progress 009 work

Ultimately, with the progression of contracts now down to bilateral discussions between iGTs and suppliers, iGTs made it clear that they would not support wholesale change to network code at the present time. They are still developing their commercial strategies for smart metering and whilst no iGT expressed disinterest in developing a set of robust commercial arrangements, there are still a number of elements beyond their control, and questions that remain unanswered which would dissuade them from moving away from network code for all or some meters. Once ongoing discussions (with Ofgem and others) have been satisfactorily concluded, iGTs indicated that this position may change. Shippers expressed frustration at this position.

Ongoing and future work

Several areas of ongoing work which have come out of the group discussions:

Description	Status
<u>MAM Manual</u>	Documented. Discussion of moving towards implementation to be kicked off in the near future.
<u>Contract</u>	Suppliers have common Terms and Conditions agreed by iGTs. They may comment on these. iGTs to provide individual commercial terms to go with common Ts & Cs when they are ready.
<u>iGT metering communications</u>	Work ongoing. Potential new file flows to implement via network code modification.

With regard to iGT UNC itself, no conclusion was reached by the group about what changes could be made to network code if commercial contracts are put in place. A range of views were given, with no consensus reached:

- Wholesale changes to iGT UNC, to clarify provisions only for last resort metering and remove everything else
- to
- Do nothing at all since as soon as a meter is governed by a contract, its governance can be explicitly removed from network code i.e. the two governance mechanisms can happily co-exist without confusion.

iGT metering strategies will vary greatly and will be heavily dependent on the developments in the foundation stage of smart metering rollout. ~there is also a smart energy code under development, which iGTs will need to be party to. It may be that a clear and common way forward is not visible for some time to come. iGTs will pursue their individual strategies when it makes commercial sense for them to do so. Accordingly, their attitudes to any metering related network code changes may always vary.

Recommendation to panel

The group recommends that the review is closed.

Reference

<http://www.igt-unc.com/Review+Proposals/Open+Review+Proposals/iGTRP009>

1. New Connections and Metering Discussion Paper
2. New Connections Business Rules and File Formats