

Draft Modification Report	At what stage is this document in the process?
<h1>IGT148:</h1> <h2>Provision of Class 1 meter read service on IGT networks by the CDSP</h2>	
<p><b>Purpose of Modification:</b></p> <p>This modification proposes that the Central Data Service Provider (CDSP) provides the Class 1 Supply Meter Point (SMP) read service. It will remove the Large Transporter’s obligation to provide the Daily Read service to Shippers for non-telemetered Class 1 SMPs as Xoserve, the CDSP, will assume responsibility for these. This modification incorporates developments of <i>UNC 710 – Provision of Class 1 meter read service by the CDSP</i> which has been raised for the UNC.</p>	
	<p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this self-governance modification.</p> <p>The close-out date for responses is <b>17<sup>th</sup> May 2021</b>, which should be sent to <a href="mailto:IGTUNC@Gemserv.com">IGTUNC@Gemserv.com</a>. A response template, which you may wish to use, is at the <a href="#">IGT UNC website</a>.</p> <p>The Panel will consider the responses and agree whether or not this self-governance modification should be made.</p>
	<p>High Impact: CDSP</p>
	<p>Medium Impact: Pipeline Users</p>
	<p>Low Impact: Pipeline Operators</p>

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## Timetable

**The Proposer recommends the following timetable:**

Initial consideration by Workgroup	12 <sup>th</sup> November 2020
Workgroup Report presented to Panel	23 <sup>rd</sup> April 2021
Draft Modification Report issued for consultation	26 <sup>th</sup> March 2021
Consultation Close-out for representations	18 <sup>th</sup> May 2021
Final Modification Report available for Panel	21 <sup>st</sup> May 2021
Modification Panel decision	28 <sup>th</sup> May 2021

# 1 Summary

## What

Supply Meter Points with an AQ greater than 58.6 GWh are primarily termed as Class 1. The requirement to provide reads for these Class 1 sites are currently a monopoly Transporter obligation, including for those SMPs on an IGT network. In recent years, it has been identified that the provision of these reads by the Large Transporters are becoming increasingly uneconomical. Following developments through UNC Modification 0694 which sought to assess whether this obligation could be borne by Shippers, it was noted that the provision of the service would not be possible due to the same concerns revolving around the economics of the service. Consequently, UNC Modification 0710 has been raised to modify the UNC to transfer this obligation to the CDSP, Xoserve.

As the intent of the Large Transporters is to cease the provision of the service, the transfer of the obligation will also affect Class 1 Sites and Shippers on IGT networks who ship to Class 1 sites as they will require a transition from the service being provided by the Large Transporter to the CDSP.

## Why

As the Large Transporters do not intend to maintain the existing arrangements due to the declining number of Class 1 sites and the economics of the service, there is a need for Shippers to obtain a service provider to fill the gap for this requirement. It has been identified, following work on the UNC modification 0647: *Opening Class 1 reads to Competition* and UNC Request 0694R: *CDSP provision of Class 1 Read service*, that the CDSP is best placed to provide the service on behalf of Shippers. This will give Shippers more control over the service as well as providing a centrally procured service for a low volume but required activity.

Transferring the obligation to Shippers is not viable as Shippers would need to have in house functions and this may discourage competition between Shippers in this market segment. Central provision is a reasonable compromise as it will secure the service and give Shippers, collectively, control over the service. Shippers will gain some control over the service immediately and on re-procurement, Shippers can define all aspects of the service. This could include changing the read delivery deadline, requiring changes to read intervals for reads in addition to other IGT UNC requirements.

## How

The Modification will achieve its objective by transferring the Class 1 read obligation to the CDSP, thus transferring the responsibility for providing the service and charging Shippers for the services provided. Other than the change to CDSP provision, the services will be unchanged except that the definition of the delivery time and date for reads will be defined in the Data Services Contract rather than the IGT UNC. Liabilities are currently paid by DNOs for failures of the equipment or their Daily Metered Service Provider (DMSP) but not for any failures once the data has arrived at the CDSP.

The current liability regime on Transporters will cease and the CDSP will not pay liabilities but will pass on any liability payments they receive in accordance with the terms of the contract with their service providers. These liability payments and other charges for Daily Metered (DM) assets and DM read charges may be outlined in some IGTs' metering charging statements. Where this is the case, these charges will have to be removed.

As the proposal is for the existing contracts to be novated and there is no change in the service provision, there should not be a noticeable impact on Shippers that use the service. However, there will be a need

for affected Shippers to ensure the novation and finalisation of the read service being provided by the CDSP will meet their needs and expectations.

## 2 Governance

### Justification for Self-Governance Procedures

It is proposed that this Modification is classed as Self-Governance due to several factors:

- The number of Class 1 sites operating on IGT networks is extremely low.
- The new CDSP charges would be derived from the same contracts and management of the same activities as those currently managed by DNOs and hence charges would be expected to be of the same order as those currently being levied. As such that change of service should prove relatively immaterial for those paying for the service.
- It has been noted that the Class 1 DM reading service is not a competitive service and there is no prospect of it becoming so in the foreseeable future, therefore the transfer from DNOs to a single service provider is not a competition issue.
- If the service were to become economic and competitive to offer in the future, it is still expected that the tender for the service would be managed through the CDSP as the Shippers do not have a central body or trade association that could manage this process.
- Ofgem has noted, in developments for UNC 0710, that the intent and solution utilised for the modification satisfies a Self-Governance approach.

### Requested Next Steps

This modification should:

- be assessed by a Workgroup
- be subject to Self-Governance

In order to retain integrity between the IGT UNC and UNC and to ensure a smooth transition of the service from the Large Transporters to Xoserve, it is recommended that the implementation date of this modification's solution aligns with that of UNC 0710 and XRN 5218

### Workgroup Comments

The Workgroup agreed with the Proposers view that this Modification should proceed as Self-Governance.

## 3 Why Change?

Continued provision of the Class 1 Daily Meter Read service by the Large Transporters runs the risk of the service becoming uneconomic and inefficient and feedback from previous discussions indicated that provision of the service by individual Shippers is not attractive and may restrict competition in this market segment.

Although moving to CDSP provision does not provide each Shipper individual control, it allows Shippers to collectively define the service. The proposal is to transfer the service provision to the CDSP by novating the Transporters' contracts with the existing DMSPs from the Transporters to the CDSP.

Xoserve will then lead a procurement event at an appropriate time, taking into account when the novated contracts terminate, which will allow Shippers to input into the scope of the service for the next contractual period.

Should there be a mismatch in implementations of UNC 0710 and this Modification, there is a risk that the Service provided by the Large Transporters is not picked up and Shippers do not receive Class 1 reads for IGT sites.

## 4 Code Specific Matters

### Technical Skillsets

Not applicable.

### Reference Documents

IGT UNC Section E – Meter Reading

## 5 Solution

The solution is to transfer the existing Class 1 daily read obligations from the Large Transporters to the CDSP.

### IGT UNC

The current obligation for Large Transporters to provide Class 1 reads is currently outlined in paragraph 7 of Part E (Meter Reading) in the IGT UNC. It is proposed that the legal text will remove the references that give the obligation effect, through the UNC, and insert a new reference(s) or new text that appropriately outlines that the service is provided by the CDSP to the Shippers and at the outset of the process, the CDSP is obtaining the DM reads.

The transfer of the obligation to the CDSP is given power through Part N: CDSP and UK Link of the IGT UNC which binds the CDSP to provide services mandated through code despite not being a code party.

Minor amendments will also be required more widely in the IGT UNC where text pertains to Transporter Daily Read Equipment installed in Class 1 supply points as this equipment will no longer be provided by the Large Transporter but by the CDSP

Due to the ability to enact the necessary solution wholly within the IGT UNC, no changes have been envisioned to the IGT Arrangements Document which detailed the original obligation for the Large Transporters.

### Workgroup Comments

The Workgroup agreed that the Solution delivered the intention of the Modification.

The Workgroup did discuss the wording around the CDSP providing/procuring the service on behalf of Shippers. The Workgroup discussed that the solution does state providing, however, one of the DSC Service lines would use the word procure. The Workgroup noted that all parties were in agreement that principally the CDSP would be procuring the service. The Proposer was happy to proceed with the solution as drafted.

## 6 Impacts & Other Considerations

This modification will impact Shippers and the CDSP who will be required to procure this service externally. A governance process will also have to be agreed between Shippers and the CDSP.

Additionally, the solution may require some changes to central systems although as the process will not change these should be minimal. The main change to CDSP will be that it has a new commercial relationship to manage. Operationally the change should make day to day operations easier as the CDSP will have a direct relationship with a service provider, currently the service is procured by the Large Transports who have service providers (DMSP) providing data to the CDSP.

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects including the Retail Energy Code, if so, how?

This modification proposal does not have any visible impacts on current SCRs or significant industry change projects.

### Consumer Impacts

The change will give Shippers more control of the Class 1 daily read service. Shippers may obtain and internalise the benefits and costs of achieving a given standard. The resulting service should better reflect customer requirements.

### Cross-Code Impacts

This Modification has been created to implement changes being made in the UNC via UNC710. The implementation and development of this Modification should track along with UNC710 as they are mutually exclusive.

#### Data Service Contract

The DSC will be amended to reflect the service provided by the CDSP to Shippers. XRN 5218 has been raised to amend the requisite service lines for Shippers through UNC 0710. It is proposed that the service lines required for Shippers to obtain Class 1 reads from IGT sites will be implemented as part of the XRN.

### Environmental Impacts

None identified

### Workgroup Impact Assessment

The Workgroup supported the proposers suggested comments on all areas of impacts.

## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
(A) Efficient and economic operation of the pipe-line system	None
(B) Co-ordinated, efficient and economic operation of (i) the combined pipe-line system; and/or (ii) the pipe-line system of one or more other relevant gas transporters	None
(C) Efficient discharge of the licensee’s obligations	Positive
(D) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation agreements with other relevant gas transporters) and relevant shippers	None
(E) 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	None
(F) Promotion of efficiency in the implementation and administration of the Code	Positive
(G) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators	None

Objective C will be positively impacted as this modification seeks to efficiently and smoothly discharge the IGTs’ obligations, performed on their behalf by the Large Transporters, to Shippers.

Objective F will be positively impacted as the IGT UNC currently holds references to the UNC that outlines the existing obligations. These will need to be considered and revised to ensure there is alignment between the codes and the actual provision of the service being accurately captured.

### Workgroup Comments

The Workgroup agreed with the two Relevant Objectives stated by the Proposer.

## 8 Implementation

It is proposed that the implementation of this modification should align with that of UNC 0710 to minimise any issues for Shippers arising from the transition of the requirements from the Large Transporters to the Shippers. Therefore, an implementation date of the solution of June 2021 is suggested, as proposed in UNC 0710 and XRN 5218, to provide sufficient lead time for novation of contracts and resolution of industry governance arrangements.

Any changes required to the DSC Service Lines processed through the DSC Change Committee will also have to be made and approved by this date.

### Workgroup Comments

The Workgroup discussed that the targeted implementation for UNC710S and XRN5218 is 1<sup>st</sup> June 2021. The Code Administrator highlighted that this fell outside of the scheduled release dates for the IGT UNC and, following the current timetable, the earliest this Modification could be implemented (included a 15-day appeal window) would be 21<sup>st</sup> June 2021 (the scheduled release date for June is Friday 25<sup>th</sup> June 2021). Following discussions in the meeting with Xoserve representatives, it was concluded that as the level of Class 1 IGT sites is relatively low, the implementation date for this IGT Modification would not affect the implementation and novation of current contracts on 1<sup>st</sup> June 2021 for UNC710s and XRN5218. It was noted in the meeting that the read service would remain in place and that the governance would follow. The Proposer and Workgroup members agreed that this was the most pragmatic approach.

## 9 Legal Text

### Text

[Legal Text v1.4](#)

### Workgroup Comments

The Workgroup discussed the latest version of the legal text (v1.4). The Workgroup discussed the new following points;

**‘Class 1 Read Provider’** – Xoserve noted that this was not the same approach as UNC710 and noted that this should be kept in line and referenced as CDSP. The Proposer noted that making it more detailed helped to future proof the legal text for new entrants. The Proposer also noted that this would ensure more context is given to clauses which mention CDSP in multiple facets. The Code Administrator noted that the different solutions in IGT148 and UNC710 meant that the legal text could not be replicated exactly. The Workgroup resolved to keep the reference to Class 1 Read Provider as drafted and noted that any details on how would be included in the DSC Service line which this definition points to.

**LDZ Ancillary Agreement (LDZAA)/DSC service line** – Xoserve noted that CI14.9 seemed circular and perhaps not the most appropriate reference for this process. The Code Administrator noted that the removal of references to the LDZAA would be scope creep for this Modification as there are multiple references throughout the document. The Code Administrator noted that the reference to DSC service line was a late addition to ensure that the clause would work for the new service whilst not removing the LDZ reference as it is not clear if this is the most appropriate thing to do without further scrutiny. The

Chair noted that CI14.9 only serves as information that the Registered User acknowledges that the Class 1 Read provider would be obtaining readings and does not currently obligate a party based on the agreement. The Workgroup resolved that in light of this the reference to DSC service line would remain as drafted as an adequate work around.

**Section D of IGTAD** – The Workgroup discussed the references to the IGTAD in respect of the Class 1 Read service and queried whether this was still an appropriate reference in light of UNC710 removing all obligations within the IGTAD Section E. The Proposer noted that the IGTAD as written does not explicitly obligate IGTs, but the responsibility for IGTs to ensure readings are sent to the DNs through any means is still within Section D of the IGTAD, as this sets out how the IGT UNC should follow the TPD etc. The Chair noted that this was raised at previous meetings and no party could determine where the origins of the governance had come from and therefore what the driver is for obtaining the read. The Chair noted that no consensus was met on where the hook into the IGT UNC should now sit following this. Xoserve noted that Section D of IGTAD may not be suitable for the purposes of this drafting. The Chair resolved to take discussions offline. The Workgroup agreed that the Workgroup Report could be completed on the basis that, if ‘off-line’ discussions conclude and the references should revert back to the higher reference of ‘IGTAD’ this would not need to be discussed by WG again. However, if it is materially different to that, it should come back for further discussions.

**Part N, procure vs provide** – The Proposer noted that the solution states that the CDSP would ‘provide the service’ and this is also what is written in UNC710. The Proposer noted that they did not wish to deviate from this. Further noted on this discussion can be seen in the Workgroup comments for Section 5 ‘Solution’.

The Workgroup agreed that, subject to the offline discussions and agreed suspected outcome of these discussions, the legal text was fit for purpose and facilitated the aims of the solution.

*Post workgroup note: A discussion was held with the proposer, CDSP (Xoserve) and the Code Administrator on Friday, 9<sup>th</sup> April 2021. No amendments were made to any aspect, including the legal drafting, of the modification.*

## 10 Recommendations

### Panel’s Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this self-governance modification.