Topic Workgroup Report

Supply Point Reconciliation Principles

Version 1

1. Aims

Following agreement at the Project Nexus Uniform Network Code (PNUNC) Workstream, a number of Principle Topic Workgroups are to be established to review the high-level industry principles, considering the comments received as part of xoserve's Project Nexus Consultation. These discussions will focus around confirmation of the high-level business rules, only for those processes that are unlikely to be affected by the development of the anticipated Smart Metering Programme.

This report has been produced by the Supply Point Reconciliation Topic Workgroup. A copy of their Terms of Reference can be found at: www.gasgovernance.co.uk/nexus/tor.

2. Process

The Supply Point Reconciliation Topic Workgroup agreed their Terms of Reference, which were then subsequently approved by PNUNC Workstream. A workplan was developed and a number of meetings arranged to consider:

i. the existing process;

ii. comments provided during the xoserve consultation process on the Project Nexus Scope;

iii. review of potential solutions;

iv. provision of high level principles and recommendations;

v. completion of a Topic Workgroup report.

3. Areas Reviewed

The Supply Point Reconciliation Topic Workgroup considered the following requirements identified during the xoserve consultation to ensure the relevant areas were reviewed and recommendations identified:

Initial Requirements Register Reference	Requirement
4.5	All energy consumption data should be used to ensure costs are targeted at those who incur them on the system
4.6	Daily energy allocations for a large part, if not all, of the metering points.
5.1	Increase scope of individual Meter Point Reconciliation

4. Conclusions and Recommendations

The Supply Point Reconciliation Workgroup considered the respondents comments provided in section 3 above, to the extent that they have an impact on high-level business principles, as well as considering the existing arrangements and any alternatives proposed.

This workgroup has dependencies on the outputs from the Allocation High Level Principle Workgroup. It is recognised that although a hierarchy of requirements has been identified, more in-depth analysis will be required in the detailed requirements gathering phase. This will not occur until more clarity has been received from the SMIP.

For this reason this document contains Business Principles rather than Business Rules.

The following neutral terminology is used in these principles, particularly where the clarity about a term will be delivered by a later Topic within Project Nexus:

- Site – using a neutral term and not specifying Meter Point/Supply Point/other
- Smart/remote – non-DM sites with timely remote access to meter reads which are used for balancing
- Consumption – could be reads/volume/energy – decision not required at this stage

Hierarchy of Principles

These Reconciliation Principles are aligned to those principles agreed and documented in the Project Nexus High-Level Allocation Principles Workgroup, which are summarised below:

Preferred Allocation Option	*Alternative Allocation Option*
Daily energy settlement for all sites based on actual daily consumption from Smart or AMR equipment. For more details, please refer to the report from the Allocation Principles Workgroup	Daily estimates for the majority of sites, with periodic reconciliation to actual consumption on receipt of actual data from Smart or AMR equipment

Preferred Reconciliation Method

The preferred option for reconciliation, in alignment with the Allocation Principle, is to reconcile all sites at site level for exceptions to the daily actual settlement process.

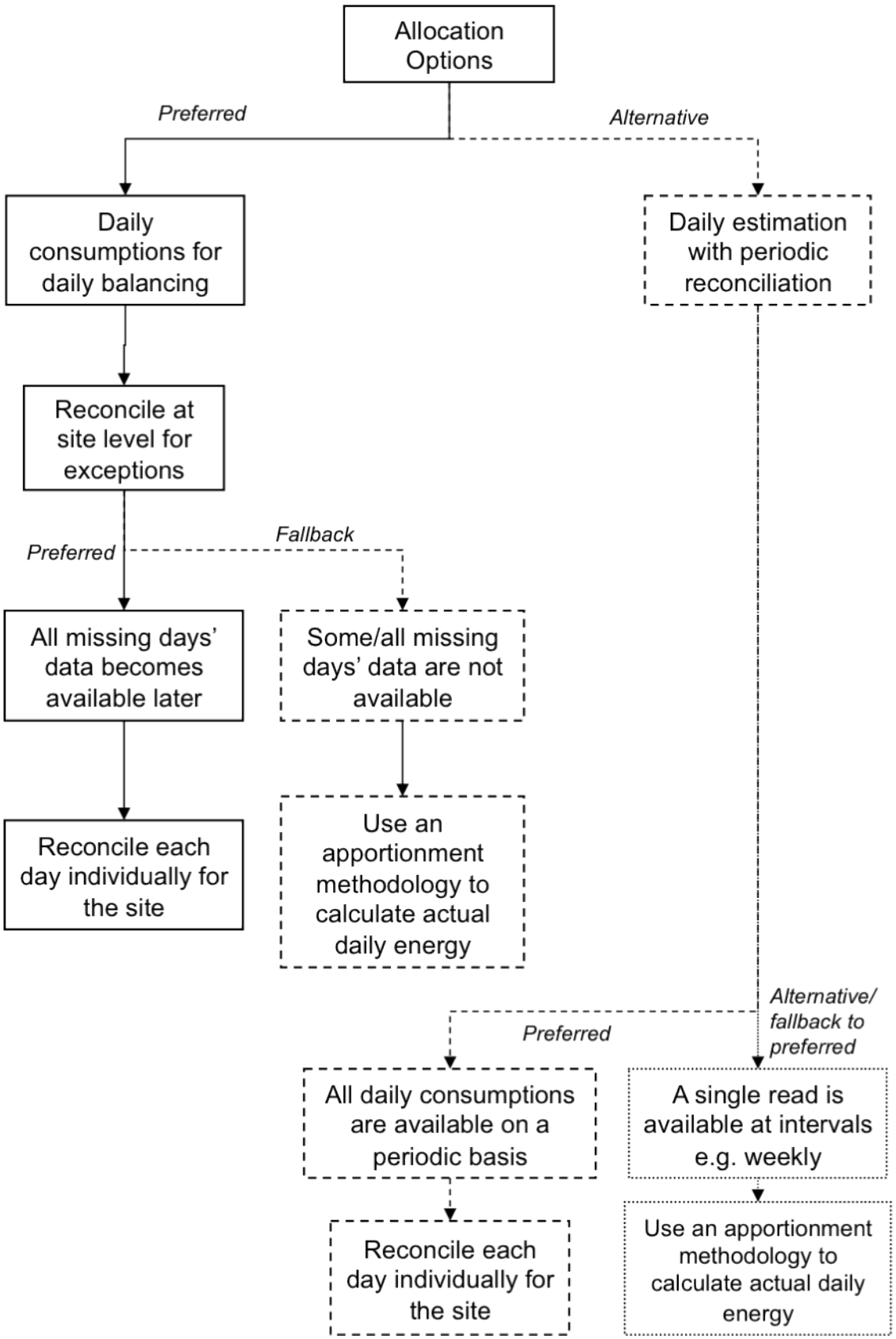
Examples of exceptions requiring reconciliation include (not an exhaustive list):

- Failure of metering or telephony equipment resulting in the use of estimates for one or more days

- Volume calculation errors, due to meter set-up errors, e.g. incorrect read units
- Drift between a meter and a datalogger device

Preferred reconciliation method	*Fallback reconciliation method*
Where daily consumption subsequently becomes available for the missing days – each individual day is reconciled to its actual consumption. Reconciliation charges will be calculated on the difference between the estimate and the actual consumption for each day.	If daily consumptions are not available for the missing days, i.e. only the first good read after the missing period, then a methodology will be needed to attribute the actual energy to the individual days in the missing period.

The outcome of the discussions is summarised below in the format of preferred and alternative options. Some members felt the Fallback approach would not deliver the desired business benefits.



Treatment of Unallocated Energy

As with Allocation, total metered energy will never be exactly equal to total LDZ throughput. Each site level reconciliation will change the amount of unallocated energy for the day, either increasing or decreasing it.

Agreed principle for reconciliation: site-level reconciliations will cause a re-apportionment of energy at Shipper portfolio level, based on original actual energy for the day. It was noted that if levels of unreconciled energy became insignificant, apportionment at monthly rather than daily level would be more appropriate.

Application of SAP and Transportation prices

Agreed principle for reconciliation: prices for both energy and transportation will be applied on a daily basis, i.e. there will be no averaging of prices.

Close-Out of Reconciliation

Agreed principle for reconciliation: there will be a close-out period for reconciliation, which will be no longer than the current 4/5 year basis, and which is likely to be shorter. After the period has expired, no further reconciliations can be processed for a day.

The Workgroup did not discuss whether the close-out date should change daily or periodically (e.g. monthly/annually).

Application of Billing Tolerances

Tolerances may be applied to reconciliations, so that small amounts are not billed but are rolled over until the total amount of reconciliation reaches a pre-set level. The rolled over amount could be a debit or credit. This is similar to the current principle of DM Reconciliations being rolled over until they reach 100,000 kWH. Different tolerances may be applied to different consumption bands: i.e. tolerances might be lower for smaller sites. Any rolled over reconciliation would be billed prior to the close-out date, even if the amount was below the tolerance. This principle is subject to analysis and demonstration of business benefits in consideration of other options.

Example

Tolerance of, say, 1,000 kWH for a consumption band

Month 1: Rec energy +500 kWH – rolled over

Month 2: Additional rec energy +200 kWH – rolled over (balance now +700)

Month 3: Additional rec energy -1500 kWH – rolled over (balance now -800)

Month 4: Additional rec energy -300 kWH – billed rec energy of -1100 – above tolerance

Month 5: New rec energy -500 kWH – rolled over (balance now -500)

Month x-1: Rolled over energy +600

Month x = close-out month – rec energy of +600 kWH is billed prior to close-out (plus any rec energy arising that month)

Reconciliation Filter Failures

Reconciliations are currently suppressed where the LDZ transportation charges are larger (+ or -) than a tolerance for that AQ band. This protects the Shipper and other industry participants from the impact of very large erroneous charges due to errors in underlying data used in the reconciliation (including meter readings, meter assets, AQs). The role of these tolerance checks and the stage at which they are applied will be considered as part of the Project Nexus review of reconciliation and meter reading/volume capture, with a view to improving these checks, or at least moving them to earlier in the process.

It may be possible to set tolerances which are higher than at present, due to the more reliable nature of Smart metering equipment and processes.

Transitional Arrangements

Proposed Principles	*Comments*
These Principles should apply when there is sufficient critical mass of Smart Metered Sites. From that point all non-Smart Metered sites would become subject to periodic meter point reconciliation, based on their periodic pedestrian readings.	Some GTs challenged when there would be sufficient Smart Metered sites to justify the move to a full meter point reconciliation solution at that time. Some Shippers considered the critical mass for Smart metering is zero and the Principle should apply from system implementation.
Interaction with future Allocation processes: The proposed future principles for reconciliation could be implemented at the same time as, or before the proposed future Allocation principles. However, future Allocation principles could not be implemented before universal meter point reconciliation, due to differing treatments of	

unallocated energy. Ideally, the two changes would be implemented at the same time.	

Treatment of CSEP sites

CSEP sites were not discussed in detail, however it is assumed that CSEP sites are treated identically to directly connected sites.

5. High Level Benefits

The Supply Point Reconciliation Workgroup identified a number of potential benefits associated reconciling all sites at site level for exceptions to the daily actual settlement process:

- Customer Level accuracy.
- Removal of Risk from RbD.
- Allow Consumers to gain access to daily prices indices.
- Allow Consumers to receive the full benefits of energy efficiency through the use of Smart Metering.
- Meter Point reconciliation will reduce misallocated cost across market sector.
- Allow identification of unidentified energy and allow industry to target preventive measures.
- Potential ability to identify LDZ Metering Errors quicker.

There was consensus within the Shippers represented within the Supply Point Reconciliation Workgroup that adoption of all, or some of these items would enable identification and calculation of financial benefits, which could then be brought to the attention of the Authority.

6. Subjects for discussion in other Topic Workgroups/Industry Forums

Subject	***Where discussed (current view)***
Inclusion of CSEP Reconciliation and Settlement.	Project Nexus Workstream.
Filter Failure Regime	Reads and Volumes Workgroup.

Subject	***Where discussed (current view)***
Billing Tolerances	Invoicing Workgroup.
Sub-deduct reconciliation	Reads and Volumes Workgroup.
Transitional Arrangements	Project Nexus Workstream.