

## Stage 01: Modification

At what stage is this document in the process?

# 0570:

## Obligation on Shippers to provide at least one valid meter reading per meter point into settlement once per annum

01 Modification

02 Workgroup Report

03 Draft Modification Report

04 Final Modification Report

This modification proposes to create a condition in the UNC to correspond with the requirement on Suppliers under the Supply Licence (SLC 21B.4) to take a meter reading at least once every year for billing purposes. In the case of the UNC this would be for use within gas industry settlement



The Proposer recommends that this modification should be: assessed by a Workgroup










High Impact: None



Medium Impact: None



Low Impact: Shippers and Transporters

Contents		 Any questions?
1	Summary	3
2	Why Change?	4
3	Solution	4
4	Relevant Objectives	6
5	Implementation	6
6	Impacts	7
7	Legal Text	7
8	Recommendation	8
<b>About this document:</b>		 0141 614 3365
<p>This modification will be presented by the proposer to the panel on 17<sup>th</sup> December 2015.</p> <p>The panel will consider the proposer's recommendation and agree whether this modification should be referred to a workgroup for assessment.</p>		<p>Proposer:</p> <p><b>ScottishPower</b></p>
<p>The Proposer recommends the following timetable:</p>		 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
Initial consideration by Workgroup	22 <sup>nd</sup> December 2015	 0121 288 2107
Amended Modification considered by Workgroup	28 <sup>th</sup> January 2016	<p>Angela.Love@ScottishPower.com</p>
Workgroup Report presented to Panel	17 <sup>th</sup> March 2016	 01926 653541
Draft Modification Report issued for consultation	18 <sup>th</sup> March 2016	<p>Transporter:</p> <p><b>National Grid Distribution</b></p>
Consultation Close-out for representations	8 <sup>th</sup> April 2016	 <a href="mailto:chris.warner@nationalgrid.com">chris.warner@nationalgrid.com</a>
Final Modification Report presented to Panel	11 <sup>th</sup> April 2016	<p>Systems Provider:</p> <p><b>Xoserve</b></p>
UNC Modification Panel decision	21 <sup>st</sup> April 2016	 <a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>

# 1 Summary

## Is this a Self-Governance Modification?

Self Governance procedures are not requested for this modification, as it is likely to have a material impact on commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes and for Shippers, where they rely on Suppliers for the provision of meter readings into the settlement process.

## Is this a Fast Track Self-Governance Modification?

Fast Track does not apply to this modification as this is not a housekeeping modification.

## Why Change?

Since December 2014, under the Gas Supplier Licence (SLC 21B.4) there has been a requirement on the licensee to take all reasonable steps to obtain a meter reading (including any meter reading transmitted electronically from a meter to the licensee or provided by the Customer and accepted by the licensee) for each of its Customers at least once every year. This Condition does not apply to customers with pre-payment meters.

Whilst this requirement is in place to try and ensure that customers get at least one accurate bill each year, there is nothing that requires that meter readings are provided into settlement every year to assure settlement accuracy. It has become apparent through recent and previous AQ Review processes that Shippers have readings that are used in the amendment phase of the Review, but that these are not being provided through business as usual processes to the Transporters Agent. There therefore appears to be a reduced number of readings being provided into settlement to determine settlement volumes when compared to the number of readings used by Shippers to manually determine new AQs through the amendment phase.

By increasing the number of meter readings submitted to the settlement system, there should be an increase in the accuracy of settlement and the bills to Shippers and it will ensure that meter readings are submitted ahead of line in the sand.

## Solution

This modification seeks to place a requirement on Shippers to submit at least one reading into settlement once per year and for this to be used in the settlement process if the read meets the criteria and is received in time. It also proposes that reporting is produced by Transporters to monitor Shipper performance.

## Relevant Objectives

The Proposer believes that this proposal has a positive impact on Relevant Objective (d), in that it will have a positive effect on competition between relevant Shippers and Suppliers, as by ensuring more readings are being provided into settlement it will improve the accuracy of transportation and energy billing through more LSP reconciliation and more generally by having more readings available for the AQ Review.

## Implementation

No implementation timescales are proposed. However, this modification should to be implemented at the earliest opportunity following a decision by the Authority.

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

This change has no implication on any current Switching SCR, however the ultimate solution will need to recognise the new meter reading validation rules that come into effect through the introduction of Project Nexus. It is therefore recognised in this solution that there may be a need for a grace period to allow parties and systems to settle into the new arrangements.

## 2 Why Change?

Since December 2014, under the Gas Supplier Licence (SLC 21B.4) there has been a requirement on the licensee to take all reasonable steps to obtain a meter reading (including any meter reading transmitted electronically from a meter to the licensee or provided by the Customer and accepted by the licensee) for each of its Customers at least once every year. This Condition does not apply to customers with pre-payment meters.

Whilst this requirement is in place to try and ensure that customers get at least one accurate bill each year, there is nothing that requires that meter readings are provided into settlement every year to assure settlement accuracy. It has become apparent through recent and previous AQ Review processes that Shippers have readings that are used in the amendment phase of the Review, but that these are not being provided through business as usual processes to the Transporters Agent. In the 2015 Review, whilst there were 83% of AQs revised by the Transporters Agent at the T04 stage, ultimately there were 91% of sites where the AQ was updated by the time the values went live on 1<sup>st</sup> October 2015. The Proposer recognises that a proportion of this could be due to more meter readings being received between May and August, however the Transporters Agent have advised in the past that they do have amendments using meter readings from before the Amendment window.

Xoserve presented on some elements that could be contributing to settlement risk during the early stages of discussion on the introduction of the Performance Assurance Workgroup. Within this presentation and as captured in the minutes<sup>1</sup>, it was noted that there were 70k sites where no readings had been received by the Transporters Agent in 4 years, but that for roughly 80% of the sites a reading (not lodged with Transporters) was used to speculatively calculate the AQ.<sup>2</sup>

There therefore appears to be a reduced number of readings being provided into settlement to determine settlement volumes, when compared to the number of readings used by Shippers to manually determine new AQs through the amendment phase. This may be due to the validation rules applied in UKLINK, but it is unclear if this is the case.

By increasing the number of meter readings submitted to the settlement system, there should be an increase in the accuracy of settlement and the bills to Shippers. Whilst the Proposer recognises that Modifications 506/A are seeking to introduce a Gas Performance Assurance regime post implementation of Project Nexus, there is still concern within the industry as to whether or not Project Nexus will be implemented on 1<sup>st</sup> October 2016, with Xoserve already signalling issues with their User Acceptance Testing timelines. The Proposer therefore believes that, as the Supply Licence requirement SLC 21B.4 has been in place for the last 12 months that it is prudent to ensure that there is a similar requirement on

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<sup>1</sup> <http://www.gasgovernance.co.uk/sites/default/files/Minutes%20PA%20120613%20v1.0.pdf> (page 2)

<sup>2</sup> <http://www.gasgovernance.co.uk/sites/default/files/PAF%20June%2013.pdf> (slide 6 bullet point 3)

Shippers for settlement. Equally there should be a benefit following the deployment of Project Nexus, if Shippers submit more readings into the settlement process prior to Project Nexus, as this should improve post-Nexus AQ accuracy, thus resulting in more accurate allocation.

For the first time the reporting requirement in the modification will give visibility of overall Shipper read performance, but also allow for discussion of any perceived issues with UKLINK accepting readings. Therefore if this modification is implemented ahead of Project Nexus implementation, it will also have the benefit of demonstrating if there are any other issues with the new meter reading tolerances introduced through Project Nexus (by giving visibility both pre and post-Nexus).

The Proposer also recognises that National Grid Distribution has 0564R in progress, however believes that as there is already a requirement on Suppliers to take readings every 12 months, that there should be little impact on these being provided into settlement now. In addition 0564R is only looking at Annual Read Meters, whereas this proposal also covers Monthly Read Meters.

The ultimate solution developed will need to recognise the new meter reading validation rules that come into effect through the introduction of Project Nexus and that there may be teething problems between Suppliers-Shippers-the Transporters' Agent in submitting and loading reads in the new arrangements. It is therefore proposed that there is a need for a grace period to allow parties and systems to settle into the new arrangements and that reporting of meter reading submission and acceptance may be necessary. It may also be necessary to have a tolerance, to recognise that there may be access/communication issues impacting a Suppliers ability to obtain readings. This is a similar concept to that which is envisaged through the introduction of the Gas Performance Assurance Framework (as outlined in Modifications 0506 and 0506A), both in terms of grace period and performance metrics.

The Proposer believes that there is the opportunity to dovetail this arrangement with the Performance Assurance Arrangements, should Ofgem approve either of Modifications 0506 or 0506A.

### 3 Solution

This modification seeks to place a requirement on Shippers to submit one reading into settlement once per year for all meter points (with the exception of pre-payment meters) and for this to be used in the settlement process, if the read meets the read validation criteria and is received in time.

The Proposer believes that reporting should be created around this requirement, with reports being provided to the Performance Assurance Committee, if it is established by the Uniform Network Code Committee in the future. The Proposer believes that reporting proposed under Modifications 0520/A could be incremented to achieve this objective. Modifications 0520/A propose reporting read performance, however another field would be necessary as none of the reports within the modifications show readings at year 1. Modification 0520 Schedule 1 Report 5 and Modification 0520A Schedule 1A Report 4 and Schedule 1B Report 4 could be amended to include this provision.

The Proposer believes that this proposal should be developed by the Distribution Workgroup.

#### User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

## 4 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) Coordinated, 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.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
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.	None
g) 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.	None

The Proposer believes that this proposal has a positive impact on Relevant Objective (d), in that it will have a positive effect on competition between relevant Shippers and Suppliers. By requiring that readings are provided into settlement, accuracy of transportation and energy billing will be improved through more LSP reconciliation and more generally by having more readings available for the AQ Review. In particular

this proposal will address the issue identified above where readings are not being provided into settlement and sites not being reconciled before the line in the sand date (currently three to four years).

Post Project Nexus it will also have the effect of ensuring Aqs are updated more frequently throughout the year and that reconciliation is taking place at least annually across all supply points in the SSP and LSP markets.

Currently for LSP sites, and for all sites after Project Nexus implementation, it could also have an effect of ensuring that Suppliers settlement and billed volumes are aligned, if the same readings used for billing are used to derive settlement reconciliation volumes.

## 5 Implementation

There is already a requirement for Suppliers to obtain a meter reading under the Supply Licence (SLC 21B.4) and therefore this does not place any additional requirement to obtain readings, however it is recognised that Supplier/Shipper processes may need to be changed to ensure that readings flow into the Transporters' systems. In addition, monitoring of the submission/acceptance of readings may be necessary to understand where performance issues are.

As no implementation timescales are proposed and given that this proposal has a grace period, the Proposer believes that this proposal could be implemented as soon as an Authority decision is given.

## 6 Impacts

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

The proposal potentially links into Modification 0506 and 0506A, gas performance assurance framework, but this modification proposal is not dependant on and has no impact on either of these modifications. It also has no impact on any current Switching SCR.

### **Pre Project Nexus Implementation**

This modification proposal should be able to be implemented ahead of Project Nexus go-live, as it does not change any of the functionality of the current UKLINK solution. In addition there is already a Licence requirement on Suppliers to take all reasonable steps to obtain a meter reading (with the exception of pre-payment meters), therefore there should be no additional impacts to Suppliers. Shippers may however, need to put in place arrangements with their relevant Suppliers to ensure that the readings are provided to settlement.

### **Project Nexus Implementation**

No impact to Project Nexus implementation is anticipated.

### **Post Project Nexus Implementation**

No impact post Project Nexus is anticipated.

## 7 Legal Text

The Proposer would appreciate the Transporters providing legal text to support the final solution.

## 8 Recommendation

The Proposer invites the Panel to:

- Progress to Workgroup assessment