

Draft High Level Business Principles for Supply Point Reconciliation - as discussed at the meeting on 29 March 2010

Note: these Draft Business Principles are for review at the next meeting of the Topic Workgroup, and have not yet been accepted.

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:

<i>Preferred Allocation Option</i> 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	<i>Alternative Allocation Option</i> Daily estimates for the majority of sites, with periodic reconciliation to actual consumption on receipt of actual data from Smart or AMR equipment
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Preferred Reconciliation Method

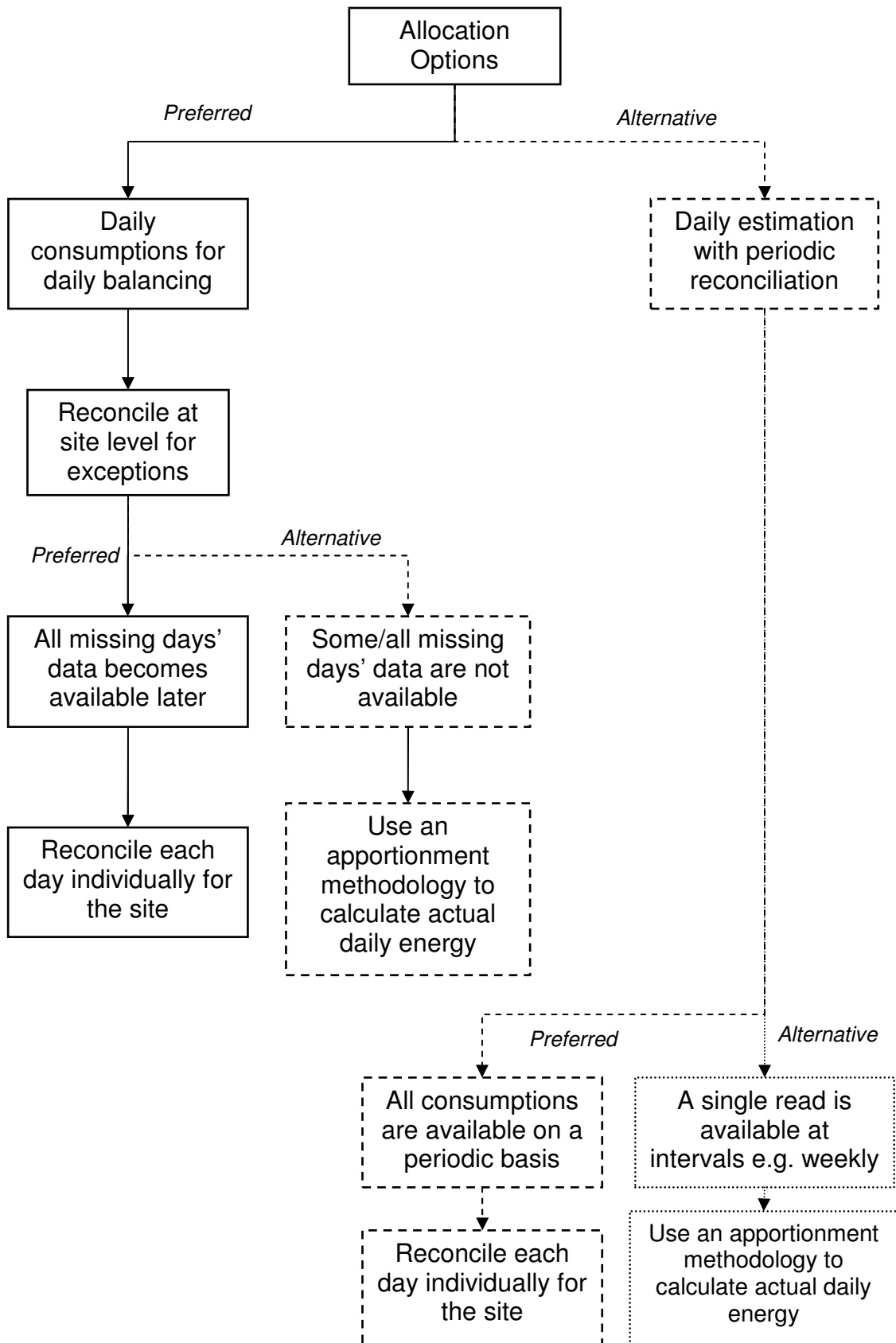
The preferred option for reconciliation, in alignment with the Allocation Principle, is to reconcile all sites at site level for exceptions to the daily actual settlement process.

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

<p><i>Preferred reconciliation method</i> 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.</p>	<p><i>Alternative reconciliation method</i> 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.</p>
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The outcome of the discussions is summarised below in the format of preferred and alternative options.



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

Agreed principle for reconciliation: tolerances will 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.

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 (USRVs and SRVs)

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 removing 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

<i>Proposed Principles</i>	<i>Comments</i>
These Principles will apply from Day 1 of Project Nexus systems, for all 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 whether there would be sufficient Smart Metered sites at Day 1 to justify the move to a full meter point reconciliation solution at that time.
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.