






UNC Workgroup Report		At what stage is this document in the process?
<h1>UNC 0570:</h1> <h2>Obligation on Shippers to provide at least one valid meter reading per meter point into settlement once per annum</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p><b>Purpose of Modification:</b></p> <p>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 and relate to non-daily metered sites</p>		
	<p>The Workgroup recommends that this modification should:</p> <ul style="list-style-type: none"> <li>be further assessed by a Workgroup</li> </ul> <p>The Panel will consider this Workgroup Report on 16 February 2017. The Panel will consider the recommendations and determine the appropriate next steps.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>None</p>	
	<p>Low Impact:</p> <p>Shippers and Transporters</p>	

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<b>Timetable</b>		
<b>Modification timetable:</b>		
Initial consideration by Workgroup	22 December 2015	
Amended Modification considered by Workgroup	23 February 2017	
Workgroup Report presented to Panel	16 March 2017	
Draft Modification Report issued for consultation	16 March 2017	
Consultation Close-out for representations	06 April 2017	
Final Modification Report available for Panel	07 April 2017	
Modification Panel decision	20 April 2017	



Any questions?

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# 1 Summary

## What

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 improve 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 either not being provided through business as usual processes to the Transporters or not passing system validation. There therefore appears to be a reduced number of readings being provided/accepted 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.

## Why

By increasing the number of meter readings accepted into 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.

## How

This modification seeks to place a requirement on Shippers to submit at least one reading into settlement 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 and provided to the Performance Assurance Committee to monitor Shipper performance.

The solution envisages that Shippers (and their associated Suppliers) should “take all *reasonable* steps to obtain a meter reading” to correspond with the existing Supply Licence requirement and submit it into settlement.

# 2 Governance

## Justification for Urgency, Authority Direction or [Fast Track] Self-Governance

The Modification Panel determined that this modification was not suitable for Self Governance, 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.

## Requested Next Steps

This modification should:

- be further assessed by a Workgroup

The Workgroup notes that the proposer intends to amend the modification to include additional business rules to give industry participants guidance for the submission of meter reads when sites have changed ownership, and to clarify the types of meters/sites which would fall into scope for the changes proposed. It is likely that the changes proposed would require changes to the legal text requested by Panel at the January meeting.

For these reasons the Workgroup recommends that the modification is returned to Workgroup for further assessment with a report presented to the March Panel and that additional time is allowed for the provision of legal text.

### 3 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 improve 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 either not being provided through business as usual processes to the Transporters or not passing system validation. In the 2015 Review, whilst there were 83% of AQs revised by the Transporters 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 Xoserve has 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 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 or accepted into settlement to determine settlement volumes, when compared to the number of readings successfully 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 supply points where the latest read is less than 12 months old, there should be an increase in the accuracy of settlement and the bills to Shippers. The Proposer is concerned that whilst Project Nexus will change the risks faced by Shippers from Settlement inaccuracy going forward, it will be quite some time before Project Nexus is implemented to enact this change. The Proposer

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

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

therefore believes that, as the Supply Licence requirement SLC 21B.4 has been in place for over 12 months that it is prudent to ensure that there is a similar requirement on 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 under Modification 520A - Performance Assurance Reporting (as approved by Ofgem)<sup>3</sup> 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).

There is an opportunity to dovetail this arrangement with the Performance Assurance Arrangements, given that Ofgem has approved Modification 0506V - Gas Performance Assurance Framework and Governance Arrangements.

## 4 Code Specific Matters

### Reference Documents

UNC TPD

### Knowledge/Skills

None required

## 5 Solution

This modification seeks to place a requirement on Shippers to submit at least one reading into settlement per year for all non-daily 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 reporting implemented through Modification 0520A should provide reports to the Performance Assurance Committee, to allow it to monitor meter reading. The Proposer believes that reporting proposed under Modification 0520A should be incremented to achieve this objective. Modification 0520A proposed 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 should be amended to include this provision.

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<sup>3</sup> <http://www.gasgovernance.co.uk/0520>

## 6 Impacts & Other Considerations

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

This modification 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.

### Consumer Impacts

#### Consumer Impact Assessment

*(Workgroup assessment of proposer initial view or subsequent information)*

Criteria	Extent of Impact
Which Consumer groups are affected?	<i>Please consider each group and delete if not applicable.</i> <ul style="list-style-type: none"><li>• Domestic Consumers</li><li>• Small non-domestic Consumers</li><li>• Large non-domestic Consumers</li><li>• Very Large Consumers</li></ul>
What costs or benefits will pass through to them?	<i>Please explain what costs will ultimately flow through to each Consumer group. If no costs pass through to Consumers, please explain why. Use the General Market Assumptions approved by Panel to express as 'cost per consumer'.</i> Insert text here
When will these costs/benefits impact upon consumers?	<i>Unless this is 'immediately on implementation', please explain any deferred impact.</i> Insert text here
Are there any other Consumer Impacts?	<i>Prompts:</i> <i>Are there any impacts on switching?</i> <i>Is the provision of information affected?</i> <i>Are Product Classes affected?</i> Insert text here
<b>General Market Assumptions as at December 2016</b> (to underpin the Costs analysis)	
Number of Domestic consumers	21million
Number of non-domestic consumers <73,200 kWh/annum	500,000

Number of consumers between 73,200 and 732,000 kWh/annum	250,000
Number of very large consumers >732,000 kWh/annum	26,000

## Cross Code Impacts

No cross-code impacts have been identified.

## EU Code Impacts

No EU Code impacts have been identified.

## Central Systems Impacts

No Central System impacts have been identified

## Workgroup Impact Assessment

The proposed solution is to be amended and further time is requested to consider the impact assessment.

## User Pays

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	The creation of additional reporting to increment those already outlined in Modification 0520A is needed and therefore this proposal is amending an existing User Pays service and is therefore considered User Pays
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.	Insert text here
Proposed charge(s) for application of User Pays charges to Shippers.	Insert text here
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	Insert text here

## 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) 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

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, ahead of Project Nexus implementation. 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 Shippers/Suppliers settlement and billed volumes are aligned, if the same readings used for billing are used to derive settlement reconciliation volumes.



## 8 Implementation

As self-governance procedures have been recommended by the Workgroup, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

## 9 Legal Text

Legal Text has been provided by National Grid Gas Distribution and is [included below/published alongside this report]. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

### Text Commentary

Insert text here

### Text

Insert text here

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This proposal requires further assessment and should be returned to Workgroup.