# Project Nexus UNC Reconciliation Principles Workgroup

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# Scope of the Principle Workgroup

- Review existing reconciliation principles & timescales
- Identify any issues with the existing arrangements
- Review consultation responses
- Review outcome of the Allocation and AQ Principles Workgroups
- Discuss alternatives/options
- Agree preferred option
- Agree benefits with preferred option
- Consider transitional arrangements
- Agree high level principles

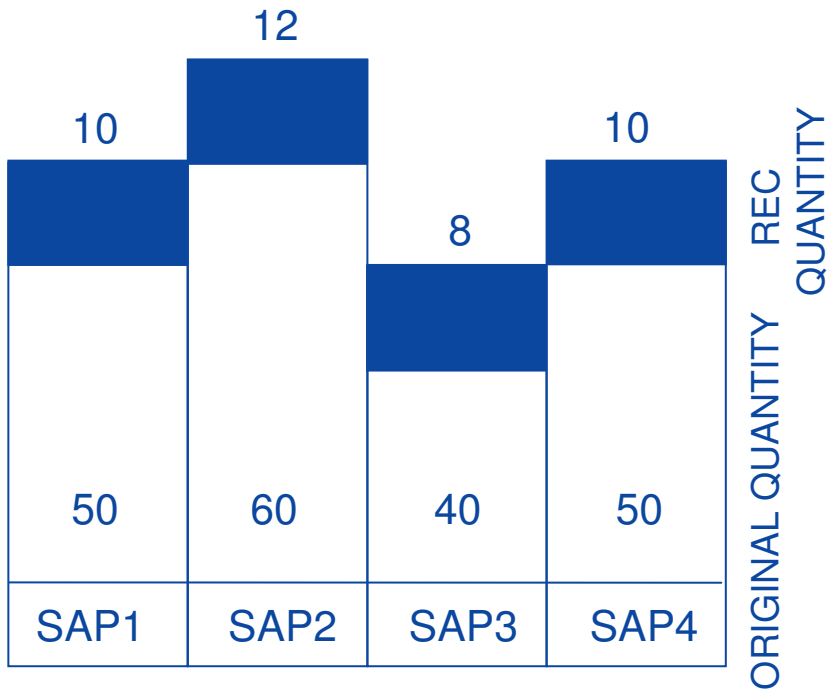
# What is Reconciliation at present?

- Commodity and Energy Balancing Imbalance charges are based on allocations and datalogged measurements, so those charges are subsequently reconciled
- Three different Reconciliation areas currently
  - DM Reconciliation primarily for re-synchronisations
  - NDM LSP Reconciliation to meter readings for meter points on LSPs (SPAQ over 73,200 kWh)
  - 'Reconciliation by Difference' reconciles NDM SSPs in aggregate (SPAQ 73,200 kWh and under)
- Reconciliation includes Transportation and Energy elements based on a Reconciliation Quantity (RQ)
- Energy is billed at System Average Price (SAP) for each day

# DM Reconciliation

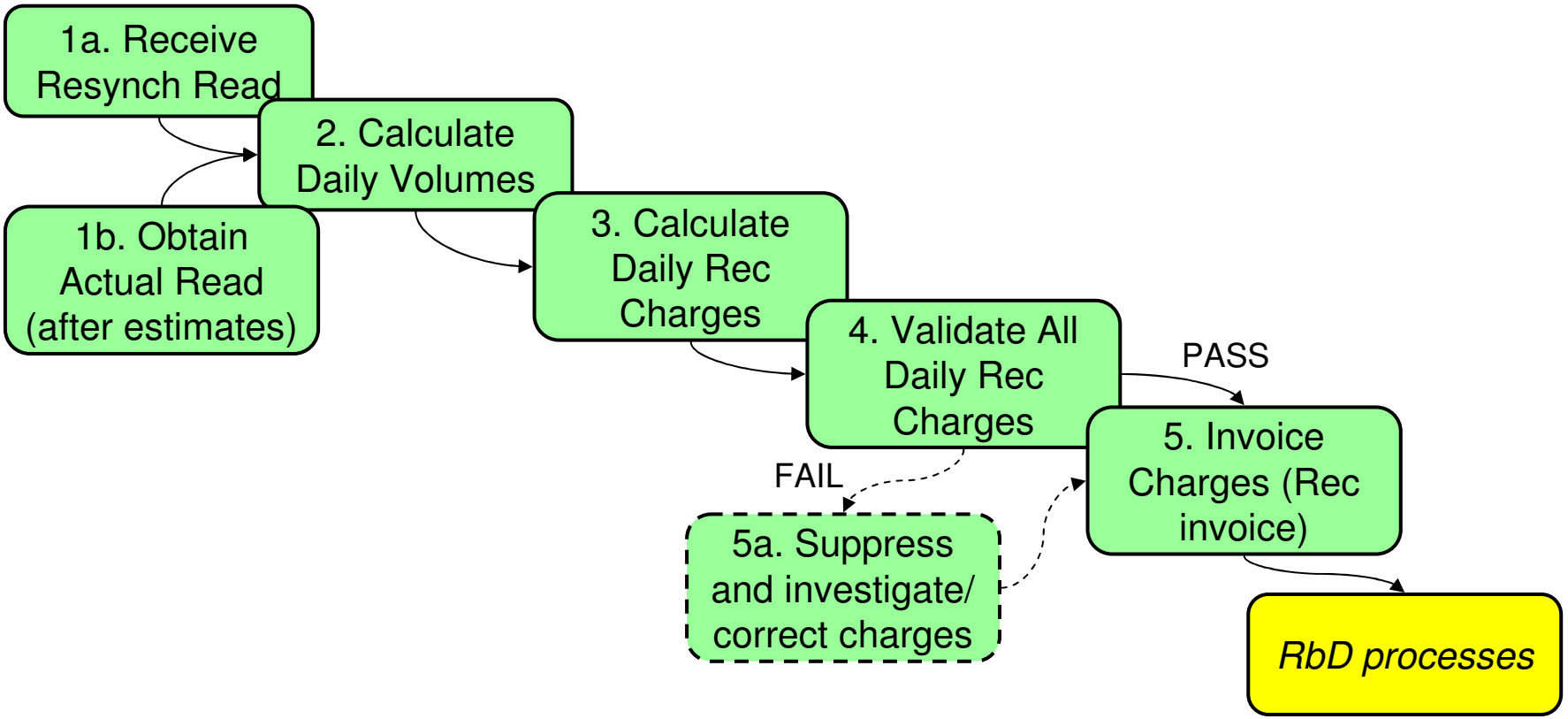
# DM Reconciliation Principles

- DM reconciliation corrects for:
  - Drift between meter and datalogger since last resynchronisation
  - Difference between estimated volume and actual consumption across missing read periods
- Meter Drift deemed to occur consistently across whole period from last Resynchronisation
- Meter Drift is apportioned ("pro-rated") in line with the original amount of recorded energy
- DM rec only happens when a resynch or actual read is received




REC QUANTITY = 40
ORIGINAL QUANTITY = 200
DAILY REC QUANTITY = 40/200 * ORIGINAL DAILY QUANTITY

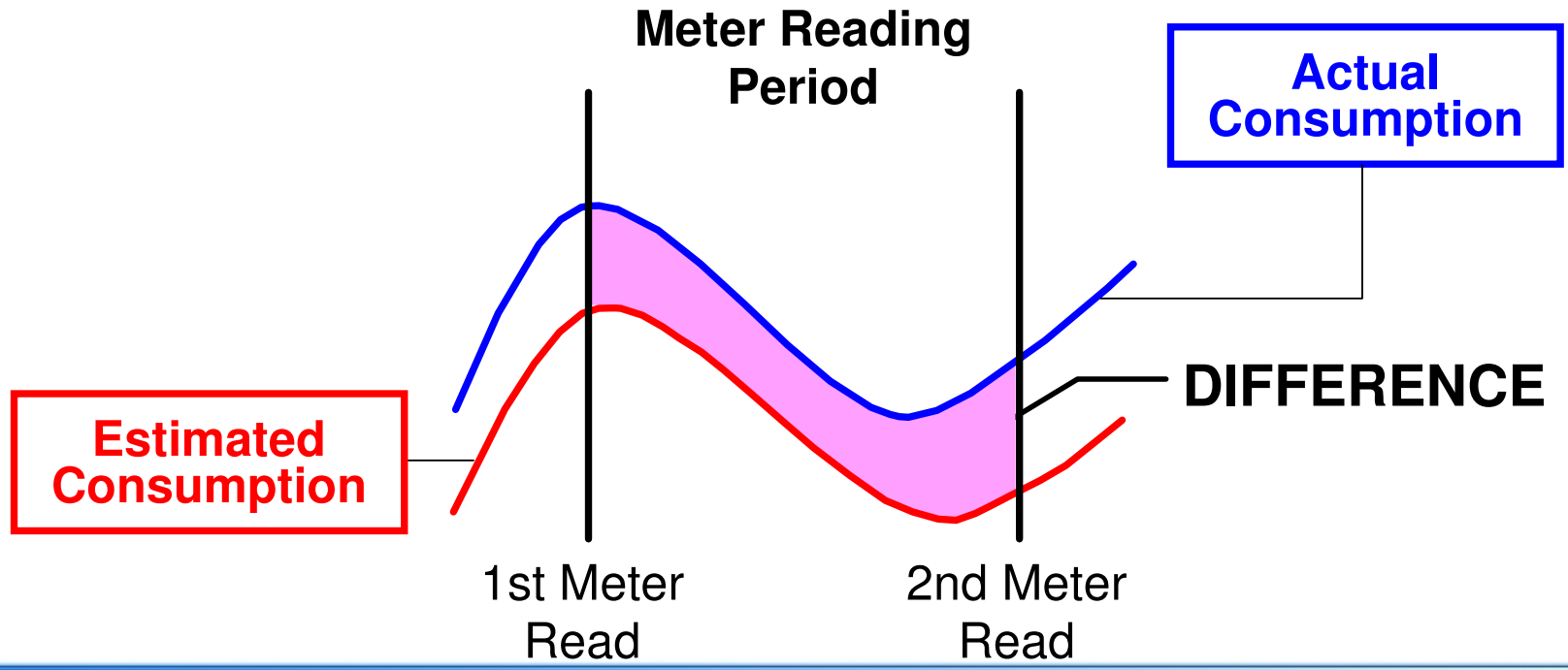
# DM Reconciliation – High Level Process



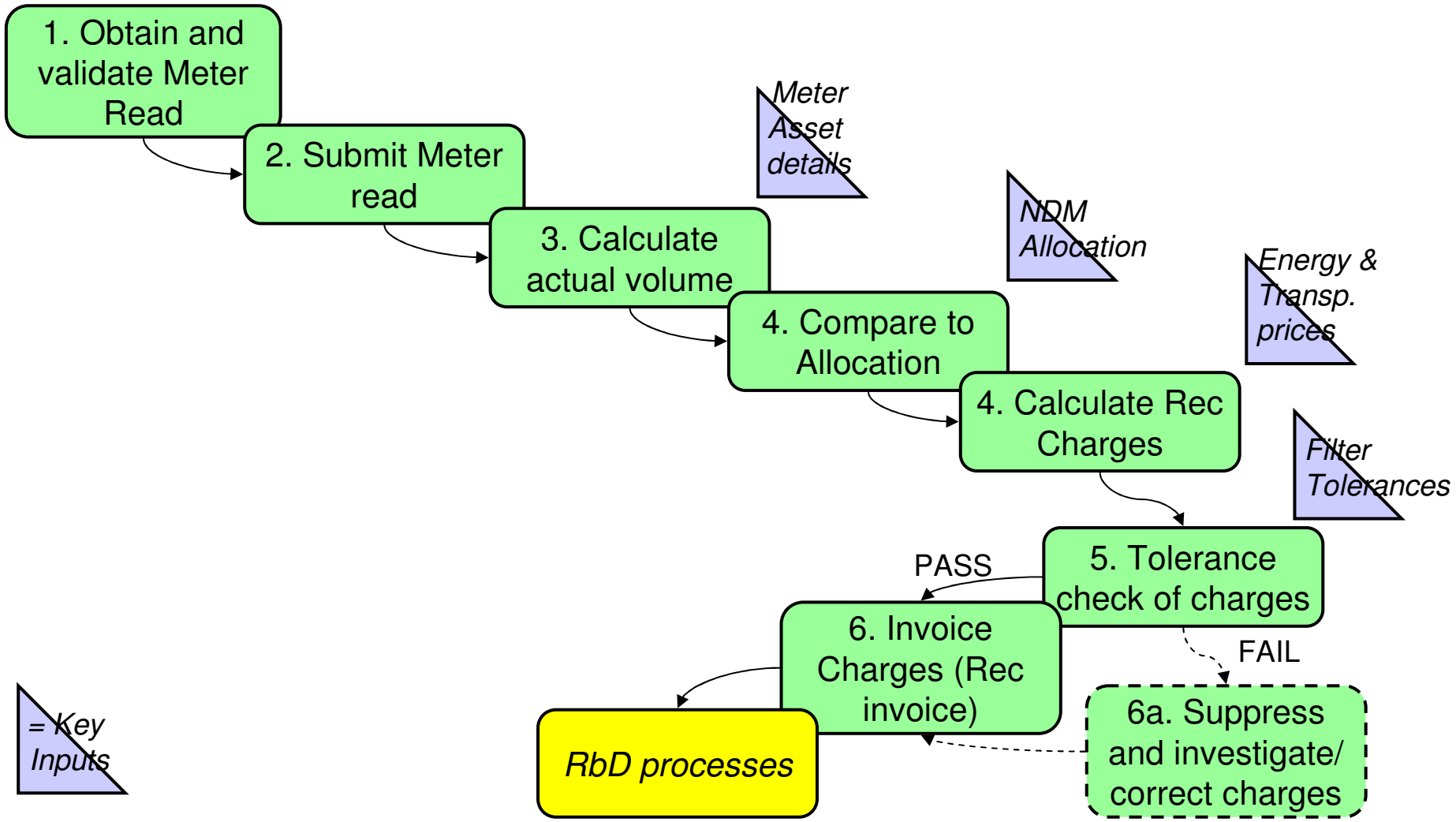
# NDM Reconciliation

# NDM Reconciliation Principles

- NDM reconciliation bills for difference between NDM Allocation and actual consumption since last meter read
- Reconciliation energy is apportioned in line with the original amount of recorded energy
- NDM Rec only takes place when a read has been received in the month



# NDM Reconciliation – High Level Process



# Causes of Large Reconciliations

- Incorrect start or end reads
- Actual read following an estimated transfer read
- Changes in consumption levels compared to prevailing AQ
- Incorrect meter asset details
- Incorrect AQ
- Incorrect meter attributes, e.g. Prime/Sub configuration
- Sites not fitting the Annual Load Profile, e.g. unusual weekly or annual profile

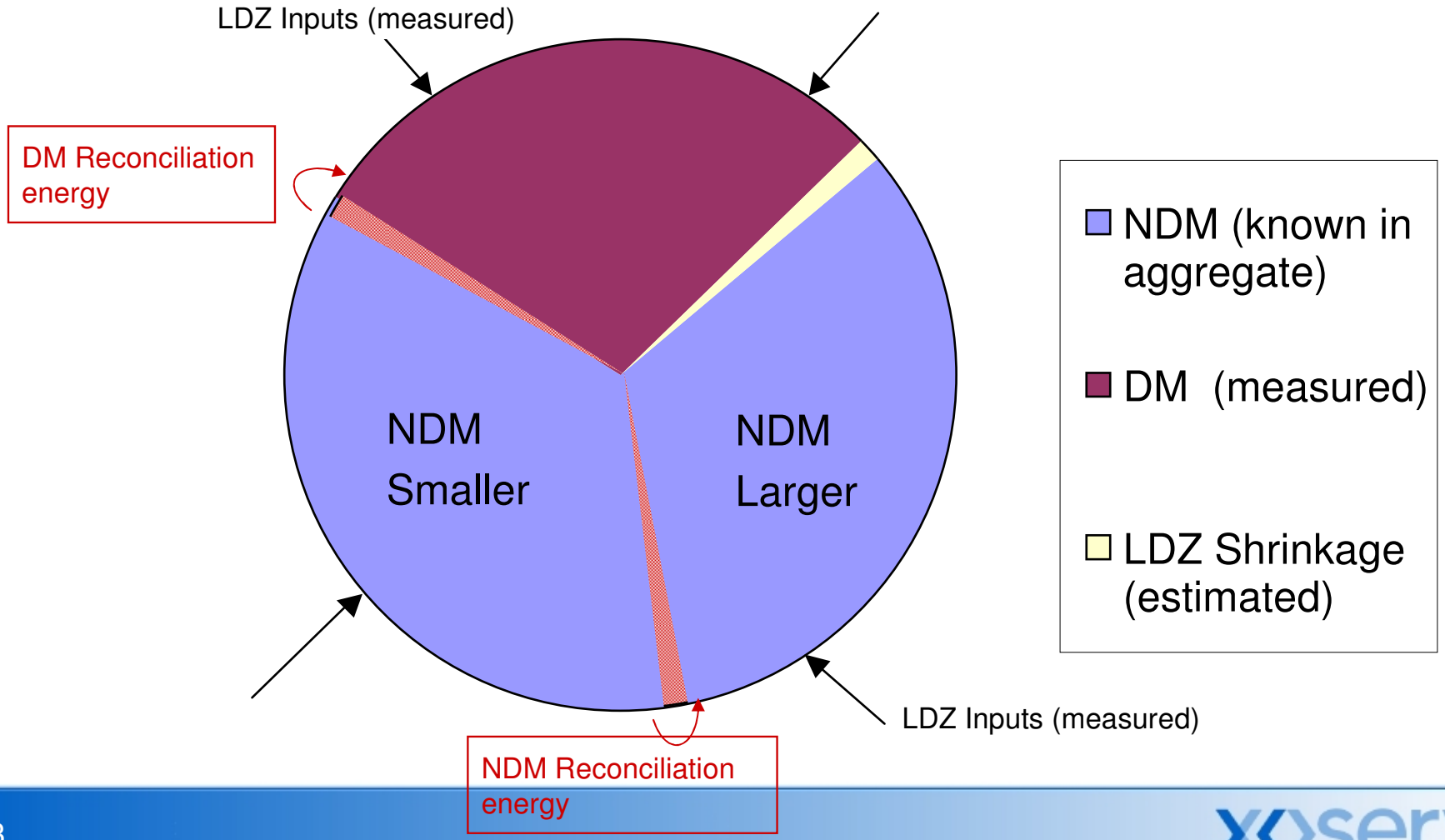
# NDM Reconciliation Charge Filter

- Filter operates once Reconciliation charges have been calculated and creates “USRVs” – Filter Failures
- Filter checks average LDZ Rec charge per day (plus or minus) against a tolerance for the EUC Band
- Filter suspends all negative actual volumes
- Filter does not
  - Look at energy charges
  - Look at the absolute values of charges
  - Look at pending AQ appeals
  - Look at resolution of previous filter failures
- The filter may pass erroneous charges and fail valid charges

# Reconciliation By Difference (RbD)

# Reconciliation energy in the LDZ

**NDM Consumption = LDZ Demand – LDZ Shrinkage – DM Consumption**

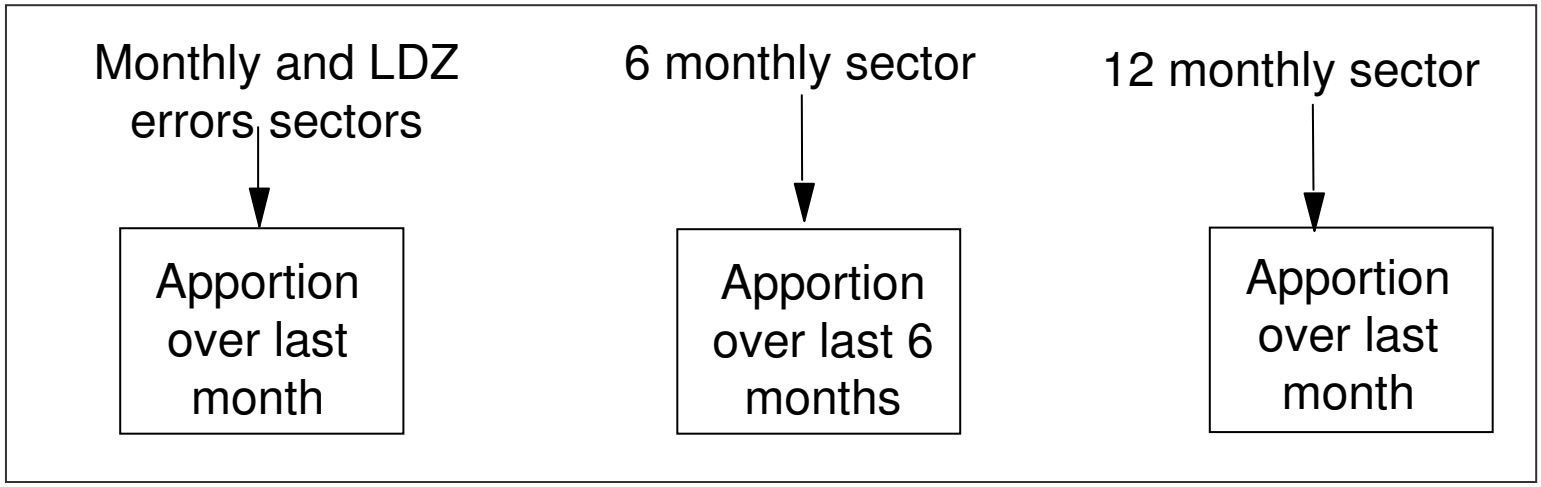


# Basic Principles Of RbD

- Reconciliation of meters at Larger Supply Points takes place at meter point level
- Smaller Supply Points reconciled in aggregate by RbD
- Over allocation for Larger Supply Point market = Under-allocation for Smaller Supply Point market (and vice versa)
- RbD operates at LDZ level
  - Energy reconciliation is at SAP
  - Transportation reconciliation is at applicable SSP rates (higher than LSP rates)

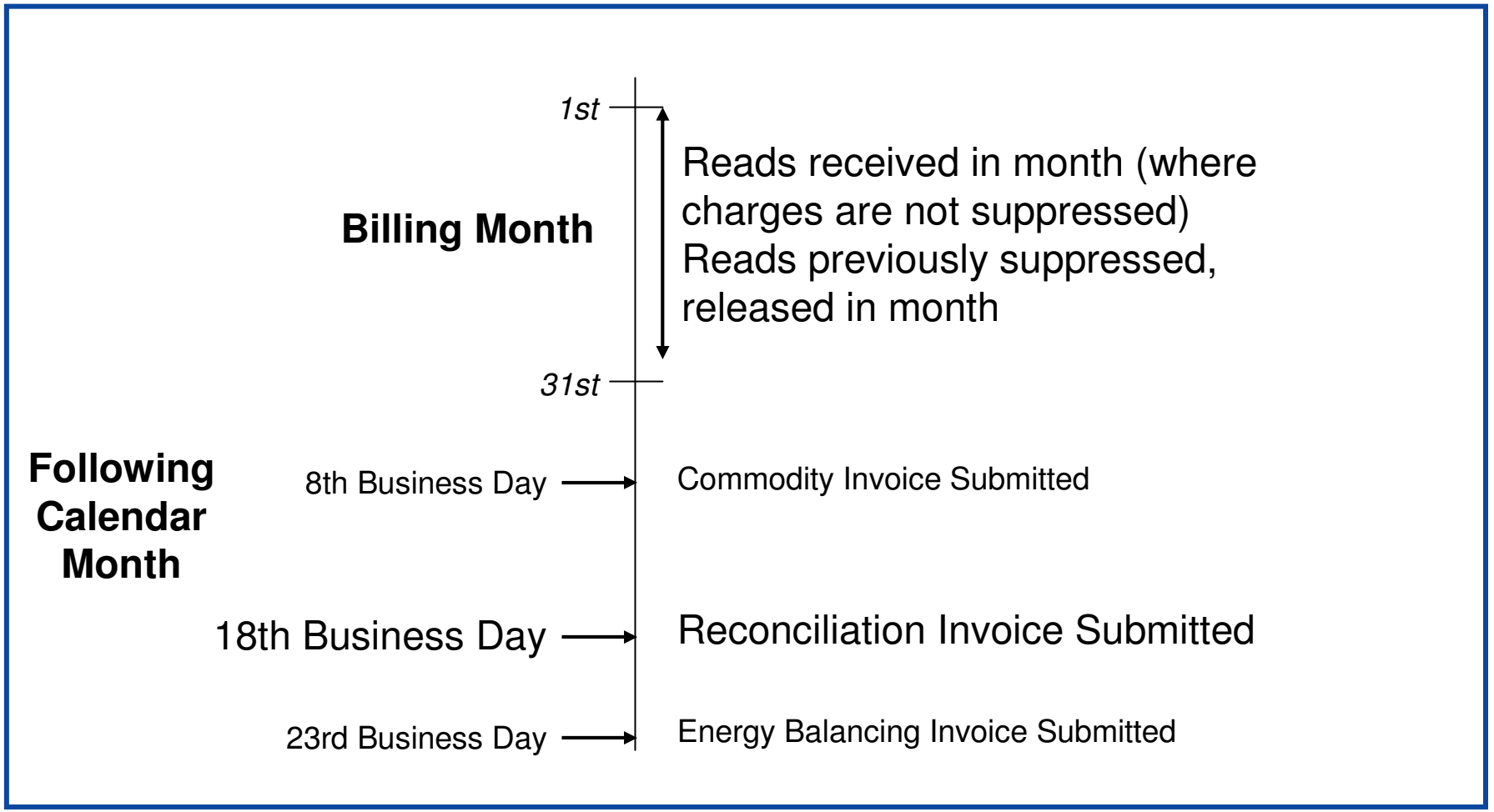
# RbD Basis of Apportionment

- Source of aggregate reconciliation transportation charge adjustments and clearing values




- Aggregate Reconciliation Transportation charge adjustments and clearing values apportioned based on smaller supply point market share within LDZ
- Market share Relates to last month(s) prior to issue of Reconciliation Invoice.
- Six monthly sector divided by 6 and apportioned based on previous six months market share.
- Twelve monthly sector divided by 12 and apportioned based on previous twelve months market share.

# Reconciliation Invoice Timescales



# Issues with current principles

- By Reconciliation type
  - DM
  - NDM
    RbD
- What are the root causes of this?
  - Contractual?
  - Behavioural?
  - Incentives/lack of?
- What would address the root causes?

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# Consultation responses

| Ref | Requirement | Rationale | Source |
|---|---|---|---|
| **5. Reconciliation** | | | |
| 5.1 | Increase scope of individual meter point reconciliation | Project Nexus offers a unique opportunity for the industry to consider how it could move from an RbD world to either true individual meter point reconciliation or an Electricity style Super Customer process. It is recognised that we may have to have two systems running simultaneously during a hand over period. | npower |
| | | With the roll out of Smart Metering technologies and AMR there is likely to be an increase in the volume of energy consumption data, and it would be beneficial to use this to reconcile individual sites. | EDF Energy |
| | | Upon confirmation of "Commercial" SSPs, they should be opted out of the Reconciliation by Difference mechanism and subject to individual meter point reconciliation. | GDF Suez |
| | | With the introduction of Renewable Heat Incentives and a high cost of gas compared to historical values there will be a driver for Gas Shippers to ensure that gas allocation processes are as accurate as possible for each customer. This will lead to the requirement for the system to be able to process and manage far more individual meter point reconciliations than occurs today. | E.ON UK |
| | | The industry should consider the abolition of the RbD regime and consider line by line reconciliation for the entire SSP population. This would ensure that customers in the SSP category can be offered the same opportunities to benefit from reductions in usage as those in the LSP category. | Corona Energy |
| | | There are a number of benefits that could be gained by this model including improvements within the accuracy of settlement data and the ability to more easily understand and identify RbD error. | Scottish Power |

# Other inputs to this Principles Workgroup

- Agreements reached in Allocation Principles Workgroup
- Early indications from AQ Principles Workshop
- Energy Mods currently with Ofgem
  - 194/194A
  - 228/228A
  - 229
- Development Workgroup 270 (Aggregate Monthly Rec for SSPs with Smart meters) ongoing discussions