

Alex Plant
Chair of the UNC Panel

Les Jenkins
*CEO of the Joint Office of Gas Transporters
and Chair of the Performance Assurance
Committee*

7th September 2017

By email

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Dear Messrs Plant and Jenkins

The Energy Market Investigation (Gas settlement) Order 2016

I am writing in connection with the Energy Market Investigation (Gas settlement) Order 2016 made, in accordance with its powers under section 161 of the Enterprise Act 2002, by the Competition and Markets Authority (the CMA) on 14 December 2016 (the Order).

The Order came into force on 15 December 2016, except Article 3.3 that shall come into force on 1 April 2018.¹ This provision requires gas suppliers to take all reasonable steps to submit at least one valid meter reading per month from each of their customers with a supply meter able to remotely transmit meter readings. An equivalent provision was introduced by the Order into Standard Condition 21B.4(b) of the Gas Supply Licence (SLC 21B.4(b)).

Article 1.2 of the Order provided that the CMA could, no later than 1 September 2017, issue a direction postponing the entry into force of Article 3.3 (and of the equivalent provision in SLC 21B.4(b)). As noted in the explanatory note to the Order, prior to giving any such direction, if and when relevant, the CMA would have sought, and would have had regard, to representations from gas suppliers and other relevant stakeholders.

¹ The aim of the Order is to increase the accuracy of the gas settlement system with a view to reducing, to the extent possible, unidentified gas, and therefore addressing the inefficient allocation of costs between suppliers. See Sections 9 and 12 of the [Energy Market Report](#).

The CMA has not received any representation from gas suppliers on this matter. In recent exchanges, we have been told by the Office of Gas and Electricity Markets that, in their opinion, no new evidence or analysis is likely to emerge (for instance from the UNC594 review) that would justify the issuance of a direction. On that basis, the CMA has decided not to issue a direction.

As a result, Article 3.3 (and the equivalent provision in SLC 21B.4(b)) shall become effective on 1 April 2018 as provided under Article 1.2 of the Order, without any postponement.

As you are aware, Article 8.1 of the Order provides that it shall cease to have effect if the CMA confirms, by way of a direction, that an implemented modification proposal to the UNC satisfies the aim of the remedy identified in paragraph 20.27(c) of the CMA's report into the energy market investigation published on 24 June 2016 (the Report). I have noted in this respect the current development of modification proposals relating to the frequency of submissions of gas meter readings that could achieve this aim.

Therefore, in light of the progress made on Project Nexus, and on these modification proposals, I understand that a satisfactory implementation of the aim of the Report in relation to gas settlement through the UNC might occur in the near future. I should be grateful if you could keep the CMA informed of key developments in this area, and notify the CMA if and when a modification proposal that achieves the aim of the Report is implemented, allowing the CMA to issue a direction terminating the Order.

In the meantime, please do let the CMA know if you receive any information regarding non-compliance by any of the addressees of the Order.

Yours sincerely,

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