

**UNC594 Review:
Meter reading submission for advanced and smart metering**
Draft Straw Man for discussion/to shoot at

23 February 2017

ofgem

The Energy Market Investigation (Gas Settlement) Order 2016

Gas Supply SLC21B.4

“The licensee must 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)

(a) at least once per year from each of its Customers; and

(b) as from 1 April 2018 (or any other later date pursuant to a direction issued by the CMA no later than 1 September 2017) at least once per month from each of its Customers with a Supply Meter able to remotely transmit meter readings.”

Summary of responses:

The CMA has... “amended Article 1.2 so that the Monthly-submission Requirement will enter into force by 1 April 2018. In addition, Article 1.2 provides that the CMA may direct a later date for implementation of the Daily-readings Requirement. The CMA may choose to do so for instance if the impact assessment for the Daily-readings Requirement is positive but shows that such requirement should not be implemented before, say, 1 October 2018. In such a case the CMA would consider whether it is appropriate to align the implementation of the Daily-readings Requirement and Monthly-submission Requirement.

Article 1.2 further provides that the CMA shall make such a decision **no later than 1 September 2017**. By that date, the outcome of the impact assessment and of the implementation of Project Nexus should be sufficiently clear. However, if by 1 September 2017 either the impact assessment has not been concluded (or does not set out a positive case for proceeding with the Daily-readings Requirement), or Project Nexus has not been implemented, or both, the CMA would not propose to issue a direction that postpones the implementation of the Monthly-submission Requirement.”

i.e. through UNC594R (or a separate IA) there is opportunity to:

- a) avoid cost of implanting an interim solution if daily readings are considered to be the direction of travel, and
- b) influence the CMA to direct an alternative implementation date

Ofgem Impact Assessment would likely following the 5 case model, i.e.

- Strategic case – rationale for intervention and outcome hoped to be achieved
- Economic case – cost benefit analysis of all options, including do nothing
- Commercial case – usually focused on it being effective to procure
- Financial case – funding and affordability
- Management case – how it will be delivered successfully

For the purposes of UNC594R, would parties expect to focus solely on the **economic case**?

Options to be considered?

- Do nothing – status quo is changing, so assessment *must* take into account mandated annual read; *should* it also assume monthly read requirement from April 2018?
- Monthly read submission from all smart/advanced meters as a minimum – plus anticipated *discretionary* take up of daily (PC2 or 3).
- Mandatory daily read submission and settlement:
 - from April 2018?
 - from 2020/completion of roll out?
 - Only above certain consumption thresholds?

Costs:

- Assume [no] marginal cost for infrastructure (meters and central systems already funded as part of smart roll out)
- No/low marginal cost to shipper who have already built to transaction costs for Infrastructure costs (meters and central IT) assumed
- RFI to establish individual parties system upgrade costs and additional agent (SMSO, ASP) costs
- (qualitative?) loss of competitive/early mover advantage if mandatory rather than discretionary

Benefits:

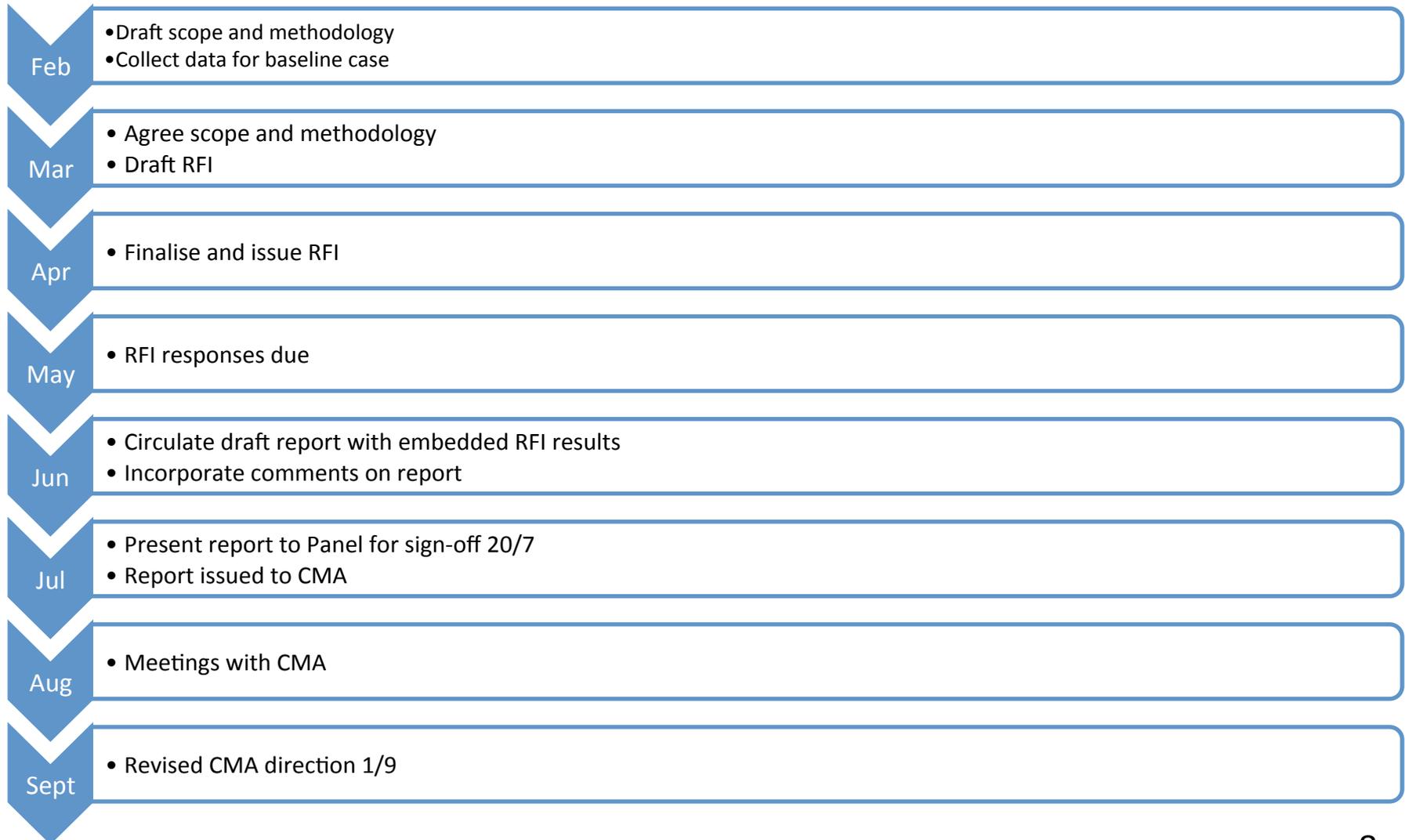
- Additional accuracy of settlement at actual daily price rather than monthly average (calculate based on historic prices)
- Reduced risk premium (RFI to establish) - increased if opportunity also taken to reduce reconciliation window
- Immediate reflection of reduced consumption upon smart installation (ref: SMIP IA) – contrast with profile based on (gradually) rolling AQ

Establishing scenarios (excel model?):

- We know the profiles that would be applied to NDMs – use that as a baseline?
- Use the same NDM sample data as used to establish profiles
 - Circa 250 per LDZ – select any given one
- Map impact monthly/daily read and new settlement rules would have had in contrast to historic allocation?

Category	Assumption	Responsible	Action
Cost	No additional metering infrastructure costs	Workgroup	Reference Gov eek confirmation from Xoserve
Cost	No additional (recoverable) costs to upgrade central systems	Workgroup	Seek confirmation from Xoserve/Ofgem that Nexus fully scaleable without additional funding
Cost	CDSP charges will not vary according to Product Classes	Xoserve	Xoserve/Ofgem to confirm no immediate scope for differentiated transaction charges
Cost	Marginal increase in SMSO/ASP costs	Parties/ Ofgem	Include as part of RFI and/or Ofgem to contact agents directly
[Barriers]	Ratchets will/will not apply to SSP PC2	Ofgem	Determination on UNC571/a
Etc...			

Activity	Workgroup/ stakeholders	Ofgem	Joint Office	Xoserve	Panel	CMA
Establish ToR	R	C			I	
Methodology	R	C			I	
Define RFI	R	C		C		
Issue RFI		R			I	
Analyse and collate results		R				
Draft report	R				A	
Sign-off report	R				A	
Liaise with CMA	C	R				I



Feedback welcome on any aspect, but specifically:

- What does 'success' look like, in terms of:
 - The quality of the report
 - The strength of the business case – i.e. would any net benefit be sufficient or must benefits of daily exceed monthly by X%, or £x'm?
- Over what time span should implementation costs be amortised – 5 years, 10 years?
- What criteria must you meet *internally* in order to satisfy a business case for expenditure?
- Is there an optimum time to implement – to what extent should the CMA have regard to other change commitments?