

UNC Workgroup Report

At what stage is this document in the process?





UNC 0570:

Obligation on Shippers to provide at least one valid meter reading per meter point into settlement once per annum









- | | |
|----|---------------------------|
| 01 | Modification |
| 02 | Workgroup Report |
| 03 | Draft Modification Report |
| 04 | Final Modification Report |

Purpose of Modification:

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

	The Workgroup recommends that this modification should: <ul style="list-style-type: none"> Issued to consultation
	High Impact: None
	Medium Impact: None
	Low Impact: Shippers and Transporters

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Contents		?	Any questions?
1	Summary	3	Contact: Joint Office of Gas Transporters
2	Governance	3	
3	Why Change?	4	
4	Code Specific Matters	5	 enquiries@gasgovernance.co.uk
5	Solution	5	 0121 288 2107
6	Impacts & Other Considerations	5	
7	Relevant Objectives	7	Proposer: ScottishPower
8	Implementation	8	 Angela.Love@ScottishPower.com
9	Legal Text	8	 0141 614 3365
10	Recommendations		Transporter:  cadentgas.com
Timetable			 chris.warner@cadentgas.com
Modification timetable:			 01926 653541
Initial consideration by Workgroup	22 December 2015		Systems Provider: Xoserve
Amended Modification considered by Workgroup	25 May 2017		 commercial.enquiries@xoserve.com
Workgroup Report presented to Panel	15 June 2017		
Draft Modification Report issued for consultation	15 June 2017		
Consultation Close-out for representations	06 July 2017		
Final Modification Report available for Panel	07 July 2017		
Modification Panel decision	20 July 2017		

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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, in respect of any non-daily Supply Meter and for this to be used in the settlement. 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.

It is also proposing that the existing meter reading requirements set out in the UNC Section M ~~3.5.2~~ are removed.

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2 Governance

Justification for Urgency, Authority Direction or 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:

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- be issued to consultation;
- Should be subject to Self-Governance?

The Workgroup agrees/disagrees with the Modification Panels view on Self-Governance

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 1st 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 minutes¹, 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.²

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 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.

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

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

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For the first time the reporting requirement under Modification 520A - Performance Assurance Reporting (as approved by Ofgem)³ 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 and that the reporting proposed under Modification 0520A could be incremented to achieve this objective.

The Workgroup considers it is for the Performance Assurance Committee to determine what reporting, if any, is needed to monitor the requirements proposed under Modification 0570.

It should be noted that the CMA order detailing the requirements to amend Shipper and Transporter licences can be found by using the following link:
<https://assets.publishing.service.gov.uk/media/58513e4d40f0b60e4c0000b7/energy-market-gas-settlement-order-2016.pdf>

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 Valid Meter Reading per year in respect of any non-daily Supply Meter, where the Supply Point has been in the Registered Users ownership for more than 12 months or:
- take all reasonable endeavours to submit at least one Valid Meter Reading per year in respect of any non-daily Supply Meter, where the Supply Point has been in the Registered Users ownership for less the 12 months.

For the avoidance of doubt this requirement also covers pre-payment meters.

The solution also proposes that the existing meter reading requirements set out in the UNC Section M are removed.

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

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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 [is this possible?]

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 and ensure that readings are provided for pre-payment meters.

Consumer Impacts

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none">Domestic ConsumersSmall non-domestic ConsumersLarge non-domestic Consumers (NDM)
What costs or benefits will pass through to them?	There are no direct benefits or costs to pass through to consumers as the reads submitted through this process are likely to be less frequent than those used in consumer billing. However, indirectly the Modification is likely to ensure AQs are updated more frequently and that this information would be available should for competing Shippers/Suppliers should a consumer wish to switch Supplier.
When will these costs/benefits impact upon consumers?	Approximately between 1 and 12 months following implementation depending where the obligation falls for a supply point during a Shippers ownership.
Are there any other Consumer Impacts?	Non identified.

Cross Code Impacts

No cross-code impacts have been identified.

EU Code Impacts

No EU Code impacts have been identified.

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Central Systems Impacts

No Central System impacts have been identified

Workgroup Impact Assessment

The Workgroup notes that the proposals in this modification would not place an onerous burden on Shippers and Suppliers to provide a meter reading for settlement purposes, particularly as a Supply Point needs to be in the Shippers ownership for at least 12 months prior to the requirements being effective.

It should be noted that should Project Nexus be implemented on 01 June 2017, the benefits highlighted for the 2017 AQ would not be fully achievable as the requirements for an AQ review would be removed.

<https://assets.publishing.service.gov.uk/media/58513e4d40f0b60e4c0000b7/energy-market-gas-settlement-order-2016.pdf>

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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 <ul style="list-style-type: none">(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: <ul style="list-style-type: none">(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

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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 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.?

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9 Legal Text

Legal Text has been provided by Cadent 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.

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10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This modification is suitably developed to be issued to consultation
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User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

No User Pays service would be created or amended by the modification.

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.

Not applicable

Proposed charge(s) for application of User Pays charges to Shippers.

Not applicable

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

Not applicable