Introduction

- Currently there is excessive volatility in UIG
- To ensure accuracy of energy calculations and subsequently UIG it is extremely important that regular meter reads are submitted
- Ofgem have highlighted they believe read performance is a significant factor in UIG
- Currently while there is read performance measure there is no incentive to achieve and maintain the targets

- This proposal seeks to create a link between meter read submission performance and UIG allocation
- Proposal creates a fluid monthly target that will allow for market movements in read performance rather than a static read submission % target
- As market read performance moves so does the impact on UIG

PC4 Read Initiative Proposal

Background

- Analysis shows high volatility in AQ movement where last calculation > 1 year
- Any site with no read > 1 year has uncertain AQ which impacts the daily demand.
- As there is low confidence in daily demand with these sites, they also create uncertainty in UIG

Method

- Proposal is to adjust UIG share based on shipper's share of the pot of sites with No Read in last 12 months
- On the basis
  - The higher the % of Market No Reads > 12 months
  - The higher the impact on UIG,
- This Proposal will result in higher shipper share of UIG for shippers with highest % of sites with No Read in last 12 months

Example

5 shippers with varying market share of UIG

	Shipper 1	Shipper 2	Shipper 3	Shipper 4	Shipper 5	Market
Portfolio MPRNs	10,000	15,000	40,000	50,000	30,000	145,000
Original UIG share	6.9%	10.3%	27.6%	34.5%	20.7%	100.0%

The no read share of each portfolio

	Shipper 1	Shipper 2	Shipper 3	Shipper 4	Shipper 5		UIG No Read Share
% Market No Read > 12 Months Portfolio	5.00%	5.00%	6.00%	4.00%	3.00%	4.52%	3.03%
Market No Read > 12 Months MPRN	500	750	2,400	2,000	900	6,550	
% Shipper No Read > 12 Months Share	7.63%	11.45%	36.64%	30.53%	13.74%		

- 4.52% of market has no read within the last 12 months.
- Market UIG to be scaled based on volume of "AQ error" within no read > 12 months
- Internal analysis showed 67% sites calculating AQ with reads > 12 months had "AQ Error"
- Market no read impact of UIG calculated = 4.52% x 67% = **3.03%**

Shipper no read performance is measured against market performance monthly

Example - contd

Calculating shipper share of UIG for No read > 12months

% Shipper No Read > 12 Months Share	7.63%	11.45%	36.64%	30.53%	13.74%

UIG No Read > 12 Months	0.23%	0.35%	1.11%	0.92%	0.42%

- Shipper no read UIG share = % Shipper no read > 12months * Market UIG no read share
- E.g. shipper1 = 7.63% * 3.03% = 0.23%

Remaining UIG shared out excluding the no read share

Remaining UIG	6.69%	10.03%	26.75%	33.44%	20.06%

- initial UIG* (1- market no read > 12months market share)
- E.g. Shipper 1 = 6.9% *(1-3.03%) = 6.69%

Example - contd

New Shipper UIG share

New share of UIG	6.92%	10.38%	27.86%	34.36%	20.48%

- New UIG share = No Read UIG share + Remaining UIG share
- E.g. Shipper 1 = 6.69% + 0.23% = 6.92%

Change in UIG share

Adjustment to UIG share	0.02%	0.03%	0.27%	-0.12%	-0.21%

- Adjustment to UIG share = New share of UIG – Original share of UIG
- E.g. shipper 1 = 6.92% -6.90% = 0.02%

Conclusion

- The modification is at an early stage of development
- We are open to adapting the solution as we consider appropriate
- The current arrangements leave all parties exposed to each others commercial decisions on read performance even where these might be made with no regard to impact on settlement accuracy
- So it is important to introduce measures, reporting and incentives to achieve and maintain acceptable standards of read performance
- All suppliers will be mutually reliant on these measures
- The proposal provides mutual assurance, reducing uncertainty and improving energy allocation accuracy
- In conclusion and for these reasons we believe the modification proposal will have an overall positive effect on competition and the objective of improving energy allocation accuracy