

Stage 01: Modification

0451: *(Joint Office to insert number)*

Mod Title *(Individual Settlements For Pre-Payment & Smart Meters)*

At what stage is this document in the process?

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

Increase the accuracy of reconciliation of for SSP Pre-Payment and Smart Meters



The Proposer recommends that this modification should be:

- be treated as urgent and should proceed as such under a timetable agreed with Ofgem



High Impact:
Small Suppliers



Medium Impact:
Large Suppliers, Xoserve



Low Impact:

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About this document:

This modification will be presented by the proposer to the panel on xx xxx 2013.

The panel will consider the proposer's recommendation, and agree whether this modification should be subject to self-governance; and whether it should be issued for consultation or be referred to a workgroup for assessment.



3 **Any questions?**

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1 Summary

Is this a Self-Governance Modification?

We don't believe that this modification will be subject to self-governance.

Why Change?

Under the current regime all SSPs are subject to RbD, and their allocation is determined by the EUC1 banding. However as they have a higher visibility of their usage the profile of a pre-payment customer is flatter than that of a standard domestic credit meter. This results in an over stated gas allocation for this sector of the market. This can have financial implications which could affect suppliers allocation cost, especially smaller suppliers. We have requested that this modification be given urgent status, as over this winter period we have seen our over allocation increase by over 10%, a figure which is not sustainable for any supplier, especially a small supplier.

Solution

Due to the time that it would take for Xoserve to develop a separate profile for this type, we propose that for any pre-payment meter that has had a read accepted in any given month it would be reconciled to that read. If there has been no read accepted then it would be subject to RbD. Given that suppliers are also starting the roll out of Smart Meters, these meters would also be subject to individual reconciliation if a read has been submitted. For the basis of smearing, all supplies would continue to sit within the RbD regime.

Relevant Objectives

Implementation of this proposal would ensure greater accuracy of gas reconciliation within the pre-payment sector, which would decrease the exposure suppliers, especially smaller suppliers, have in being incorrectly allocated.

Implementation

This will be subject to a ROM from Xoserve. We would also want this to be a retrospective modification from 1st October 2012

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2 Why Change?

As stated above pre-payment customers have a much flatter profile than that which they are currently allocated under the RbD regime (EUC1B), this can cause them to be over allocated in the winter and then under allocated in the summer. The financial implications of this can be considerable for smaller suppliers especially any who concentrate on the pre-payment market. Due to the flatter nature of the pre-payment profile a supplier may find that over the course of the year the under and over allocations cancel themselves out, however due to the variance of system buy and sell prices over the winter and summer months a supplier can find themselves with a considerable deficit. Having a profile that dis-advantages any supplier that wishes to concentrate on this area of the market affects competition within the market place. This also means the pre-payment sector in effect has to pay for gas used by the credit sector which further dis-advantages customers who on the whole tend to be of a lower income.

3 Solution

This proposal would allow that for any pre-payment meter that has submitted a reading to be reconciled to that reading rather than RbD. If a read is not submitted then the supply would be subject to RbD. This would allow suppliers to have the option of their pre-payment supplies to either be reconciled individually or by RbD. This modification is similar to that proposed on MOD270 and Xoserve have advised the work they did for that will provide the majority solution for this modification.

Detailed Business Rules:

1. Scope

1.1 - The modification will enable a shipper to elect a small supply point (SSP) which has either a pre-payment or Smart meter, in either credit or pre-payment mode, to be subject to periodic individual meter point reconciliation. These will be validated by either the Pre-Payment or Smart meter flag held on the Supply Point Register.

1.2 – For the multi-metered supply points the aggregated AQ will need to be below and remain the LSP threshold and all meters must be either be pre-payment or smart meters for the supply point to be eligible for individual meter point reconciliation.

1.3 - It is intended that this modification will be superseded by the UK Link Replacement and the UNC modifications related to this.

2. Conditions for shipper election.

2.1 - Must be a SSP at the point of the election, with either a pre-payment or smart meter installed that is held on the Supply Point Register.

2.2 – For the purposes of this modification ‘Opted In’ refers to a meter point that has elected to be subject to individual meter point reconciliation. ‘Opted Out’ refers to a meter point that is subject to Reconciliation by Difference (RbD).

2.3 - The default position for a SSP is Opted Out.

2.4 - The shipper must notify the Transporters of the supply meter points that are to be Opted In.

2.5 – For the avoidance of doubt, it is proposed that this modification is applicable only to supply meter points on Large Transporter networks.

2.6 – On Opting In a non-estimated reading will need to be provided by the shipper for the election to be accepted. If the read is rejected then the meter point will remain Opted Out. Existing UNC validation rules would apply.

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2.7 – If an Opt In has been rejected and this is not due to a breach of the minimum period as per 2.8, the shipper will be able to try again to elect the meter point.

2.8 – A supply point must remain Opted In for a minimum of 12 months before it can be Opted Out. A non-estimated read will need to be provide when a supply point is Opted Out. Once a shipper has Opted Out a supply point it must remain in RbD for a minimum of 12 months before it can be Opted In again.

2.9 – The following events will automatically cause the meter point to be Opted Out:

- i. The supply meter point is subject to a change of supplier
- ii. The meter is exchanged for a non-smart credit meter.
- iii. The meter is completely removed from site.
- iv. As part of an AQ appeal or review the meter point becomes a LSP.

2.10 – If a supply meter point is Opted Out due to one of the reasons listed in 2.9, it will be eligible to be 'Opted In' if it subsequently fulfils the criteria stated in 1.1, without having to be Opted Out for the 9 month minimum period.

2.11 – If a change of tenancy occurs the supply meter point will not automatically change.

2.12 – If upon a change of supply a supply meter point is Opted In then it must remain Opted In for a minimum of 12 months.

2.13 – This process will be reported on by the Performance Assurance Group to ensure that shippers are not moving supplies in and out of individual meter point reconciliation for the purposes of seasonal benefit.

3. Energy and Transportation Reconciliation

3.1 – The supply meter point remains in the SSP regime for all purposes except it will be excluded from RbD and shall be subject to a share of AUG debits that the LSP (Large Supply Point) would incur.

3.2 - Energy allocation on the day is unchanged – the supply meter point retains the same EUC and ALP. WAR bands do not apply.

3.3 - The shipper in line with the minimum frequency of annually read meters, currently no more frequently than within 63 days of the previous reading, may submit a reading which will be used by the transporter for the purpose of reconciling energy and transportation invoicing.

3.4 - The USRV process will continue to apply, with no change to the UNC obligations proposed. However, the Network Code Reconciliation Suppression Guidelines will need to be updated in support of this proposal, with the EUC2 tolerances being utilised for the EUC Band 1 Reconciliations.

4. Meter Reading Submission

4.1 – Meter reading submission will continue to be a maximum of every 63 days in line with current UNC guidelines.

4.2 – Must Read obligation at 24 months.

4.3 – In the event of a meter pre-payment/smart meter flag error the reconciliation will stand based on the current reads provided.

4.4 – All meter readings permitted under the UNC for these supply meter points will trigger reconciliation.

4.5 – SSP sites Opted In will be included under the User's target for meter read performance under M3.5.1.

4.6 - [A process to ensure the smoothing of reads similar to that for monthly sites, M 3.4.2, to be developed by the workgroup]

5. Reconciliation

5.1 – On receipt of a metering reading, a meter point reconciliation will be calculated in the same way as for current LSPs.

5.2 - Reconciliation will be calculated using the NDM allocation factors for EUC band 1.

5.3 - Transportation charges (NTS and LDZ) will be calculated using the applicable rates for SSPs.

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5.4 - The reconciliation will appear on the next available reconciliation invoice.

6. Reconciliation by Difference

- 6.1 – Reconciliation volumes and values are assigned to the annual reconciliation pot (E7.2.1 (b))
- 6.2 – The AQ of elected individually reconciled SSPs will not be included in the User supply point LDZ aggregate of AQ and aggregate LDZ AQ for the LDZ.

7. AQ Review

- 7.1 – The Opted In supply meter points will remain subject to the SSP AQ review process.
- 7.2 - For the period the meter point is Opted In it will be exempt from MOD640 charges.
- 7.3 – If the AQ of a meter point changes from an SSP to LSP, by either an AQ appeal or part of the AQ review process, it will be automatically Opted Out and be subject to LSP reconciliation.
- 7.4 - If the AQ of a supply meter point changes from an LSP to SSP, by either an AQ appeal or part of the AQ review process, then the supply meter point would automatically be Opted Out with the shipper needing to Opt In the meter point.

8. Change of Shipper

- 8.1 – The change of supply process remains confirmation only.
- 8.2 - The transfer read window remains unchanged.
- 8.3 - Shipper agreed reads process for SSPs remains unchanged.

9. Charging

- 9.1 – The User Pays approach applies for development and ongoing costs, with Shipper invoices based on market share of SSPs.

10. Retrospection

10.1 – Any supply that Opted In within [x] days of the modification implementation date will be subject to retrospective reconciliation, based on the first actual read that has been accepted by the transporter, after the 1st October 2012. Any supply that is Opted In after [x] days of the modification implementation date will be subject to reconciliation going forward based on the initial read provided on being Opted In.

11. Transition Rules – To be developed by the work group

User Pays
Classification of the modification as User Pays, or not, and the justification for such classification.
<i>Classification as user pays due to the change that would be required within Xoserve's systems</i>
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.
<i>100% cost to users</i>
Proposed charge(s) for application of User Pays charges to Shippers.
<i>All except DM and unique</i>

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

TBC

4 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 (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: (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
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

D - Implementation would increase competition between suppliers as it would ensure that they are more accurately reconciled on this sector of the market, especially any smaller supplier which would want to focus on this area. Rejection of this proposal could have a detrimental effect on competition as it could put smaller suppliers in a position they cannot sustain.

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5 Implementation

We would be looking for this modification to be implemented as soon as possible as per any decision from Ofgem. We would expect this decision to be made as soon as possible but no later than the 30th April.

6 Legal Text

7 Recommendation

The Proposer invites the Panel to:

- Determine that this modification, due to the urgency, should not be subject to self-governance;
- Determine that this modification should progress to Consultation.