CSEPs Reconciliation

Background

Independent Gas Transporters (IGTs) are responsible, through the Network Exit Agreements (NExA) for passing reconciliation data to xoserve in order that CSEP reconciliation charges can be calculated and levied to gas shippers.

Reconciliation should occur for every Industrial & Commercial Non-Daily Metered (NDM) site following the receipt of a meter reading by the IGT. For monthly read sites a meter reading and consequently reconciliation charges should be processed at least once in every 4 month period. For non-monthly read sites, readings should be presented once every 2 years. To calculate reconciliation charges xoserve require corrected gas consumption (volumes) per Logical Meter Number (LMN) rather than meter readings themselves.

LMNs are used to attribute energy into the energy balancing regime. They also drive the commodity charges produced by xoserve on behalf of Distribution Network Operators. (DNOs) In the I&C market each supply point is assigned an individual LMN. For NDMs energy is attributed to the LMN on a daily basis. When consumption is received from an IGT as a result of a meter reading the energy commodity involved is reconciled against that originally attributed in Gemini. This is based on the AQ and daily EUC profile. This will result in either a debit or credit charge to the shipper.

There are a number of difficulties with this process and only 2 LMN reconciliations have been carried out in the 12 months to May 2007. This is out of 4096 I&C LMNs which should have been reconciled.

All of this means that there is a pool of unreconciled energy within the I&C NDM CSEPs arena. The cost or benefit of this is borne by shippers operating within the RBD arena.

Issues

There are a number of reasons why reconciliation is not taking place on a regular basis.

- IGTs state that they are not receiving meter readings from the shippers.
- Shippers state that the IGTs are not processing the reads which they are providing.
- Corrected metered volumes which IGTs are submitting are being rejected by xoserve after failing validation.
- Difficulties with agreed file formats and their governance. File formats for the CSEP reconciliation invoices are held within the UK Link website. However so are the formats for the IGT Reconciliation submissions. As IGTs do not operate within UK Link it would seem an inappropriate location.
- Currently the agreement within the industry is that reconciliation does not take place where there is a previously unreconciled period. Any gas consumption submitted in this scenario will be rejected by xoserve. The criteria for this are set out in the reconciliation rules within the DNOs Unified Network Code. (UNC) Once again this regime is covered by the NExA and not the UNC. Shippers currently don't want xoserve to process out of sequence in order that they do not lose the energy variance from the missing periods.
- No commercial incentive for IGTs to submit reconciliation data.

Impacts

- There is an unspecified amount of un-reconciled gas within the Local Distribution Zones. (LDZs)
- Shippers operating in the Reconciliation By Difference (RBD) market will bear this unspecific risk.
- If meter readings are unavailable then Annual Quantity (AQ) calculations are not robust.
- Uncertainty, frustration and a lack of trust within the industry.

Possible Solutions
The problem needs to be tackled in two stages. Firstly the historical problem of older unreconciled sites and secondly the maintenance of a robust system going forward.

Historical problems

There are a number of issues which if addressed would resolve the embedded historical problems within the current CSEP Reconciliation regime.

Missing Reconciliation Periods

There are a number of sites whose reconciliations were not carried out in the early days of gas competition. Therefore we have sites which have unreconciled energy going back to 1996. This may be because an opening read was never obtained for the site either by the shipper or the IGT or the data passed to xoserve failed validation and was rejected back to the IGT and was never processed through to a reconciliation value. The problem is that these scenarios mean there will be a period of time for which the site in question is not reconciled. In these circumstances where subsequent meter reads are received at a later date the source data to calculate the correct volumes is not available and therefore these sites cannot be reconciled as an earlier unreconciled period exists. This process was agreed with shipper input some years ago. This was to encourage the industry to ensure all energy was captured and reconciled.

TIME

No Opening Read	Read		Read	Read
Unreconcilable		Rec Period 1	Rec Period 2	
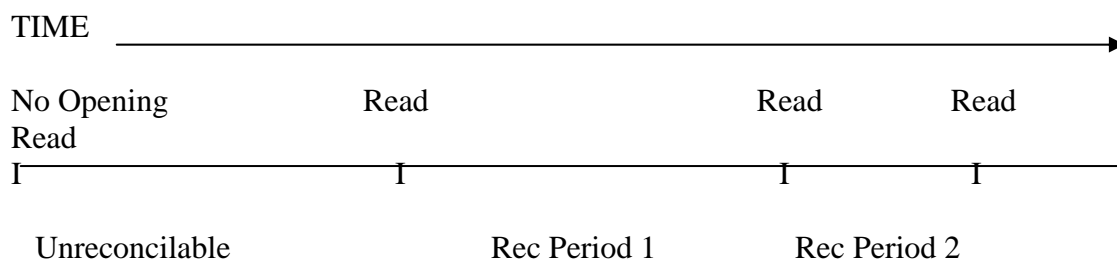
The diagram above shows the scenario whereby an opening read was not obtained for a given site. Later over a period of time 3 meter reads were submitted creating 2 Reconciliation periods. These 2 periods are not being reconciled because of the earlier missing Reconciliation period.

We need to devise a method whereby we can reconcile the unreconcilable period and also Rec out periods 1 and 2.

For directly connected I&C meter points the governance surrounding acceptable reconciliation is set out in the DNOs UNC. As this is not applicable to IGTs, other than as a guide, the validation could be changed at least temporarily to allow xoserve to reconcile Rec periods 1 and 2 independently. If all parties accept this we can change the rule which has only been custom and practice in the past.

Xoserve as it does now will monitor and keep a log of outstanding reconciliation periods. This will be reported to the IGT Workgroup and escalated to Ofgem if under or non-performance is continually observed.

Estimated Readings

It is unrealistic to expect the IGT or shipper to provide an opening read for this type of scenario as the situation may well be 11 years old. These periods could be closed out using a neutral reconciliation method. I.E. A consumption for the period which matches the assigned AQ value. This should be profiled to account for seasonality. Where this occurs then reconciliation should flow naturally onwards. This calculation of the corrected consumption for the period would be the responsibility of the IGT as they should hold the relevant data. The calculation is set out in Section M 3.6 of the UNC as used in the Opening Reads process.

However IGTs should be encouraged to submit correct Rec data and as such these proposals should apply only to reconciliation periods prior to 2006. In short this should be a short term measure to enable IGTs and shippers to get their reconciliation periods up to date.

UNC Modification 152 is looking at the close out of billing periods. This group is proposing that billing periods are closed out after a number of years. Therefore there may be a conflict between the proposal here which effectively closes out CSEP billing in 2 years versus Mod 152's proposal of at least 4 years. Nevertheless the proposals in this paper are to address a specific problem with CSEP reconciliation which Mod 152 has not previously considered.

Maintenance of the CSEP Reconciliation Regime

Once the historical problems regarding the regime have been ironed out the process needs to be dealt with efficiently so that the issues do not reoccur. Consumptions are required by xoserve to reconcile and close out the billing on the I&C NDM sites. There are 2 fall back positions where a shipper fails to obtain sufficient meter readings on a site. These are the Must read and Opening Read estimate processes. These processes mean that where meter readings are not sent by a shipper the IGT can still meet their contractual obligations and send consumption through to xoserve.

This would have the effect not only of ensuring that reconciliation took place but would also enable IGTs to calculate a more robust AQ value.

Must Reads

Once historical missing periods are resolved the whole CSEPs Reconciliation process needs a robust framework to ensure that Reconciliations are passed through expediently. There are two obligations which exist for the DNOs within UNC which would be appropriate here. Firstly are the Must Read obligations for the sites. (Not the Meter Inspections which is an entirely different issue.) The Must Reads obligation states that for various Meter Read Frequencies a site must be read at regular intervals as laid down in Section M 3.4 and 3.5 of Network code. Monthly Read Sites should be read at least once every 4 months and non-monthly read sites once every 24 months.

Where these frequencies are not achieved then the DN picks up a responsibility to obtain a read. (DNO UNC Section M 3.6) This is known as a Must Read. The DNO appoints an MRA and obtains a meter reading on behalf of the shipper. There is then a cost reflective charge levied by the DN to the shipper to recoup any costs. Currently this charge stands at £40 per read.

The obligation for the IGT to obtain reads where a shipper has failed to do so is apparent in the IGT UNC Part E Section 5. It is unclear whether or not IGTs are currently operating under this clause but the introduction of this regime would ensure timely meter readings are available and reconciliations are carried out at the correct times.

Opening Reads

One of the biggest problems for gas transporters is to obtain a reading when a site changes ownership from one shipper to another. These readings are known as Opening Readings and are the responsibility of the incoming shipper to provide.

Section M 3.8 of the DNOs UNC deals with the provision of Opening Reads. It is quite clear within DNOs UNC that it is incoming shipper who has the responsibility to provide an opening read. However it is also clear that where shippers fail to do so the DNO has the responsibility to provide an Opening read estimate. This estimate is based on an extrapolation of the supply point AQ.

IGTs already have obligations in the IGT UNC to provide Opening Read Estimates where the incoming shipper has failed to do so. This appears in Annexe 6 Part E

clause 6.8. Again it is unclear whether or not all IGTs are operating to this clause. DNs no longer charge for this service but it may be possible to create this service with a cost reflective charge element within the regime similar to that applied for Must Reads.

For the avoidance of doubt, IGTs should submit consumptions regarding opening read estimates to xoserve for the purposes of undertaking reconciliation, in the same way that they should regarding actual meter readings.

If both opening read and Must Read regimes were applied it would be unnecessary into the future to deal with missing Reconciliation periods as they would not exist.

File Formats.

For the CSEP Reconciliation invoice (CRE) there are a set of file formats published on the UK Link Docs website. This meets with normal file format conventions. The CRI file which is the file whereby IGTs submit data to xoserve regarding reconciliation volumes is also published on the same website. This is may not be the correct vehicle to use. The IGTs are not users of UK Link. IGTs have previously been circulated with the file formats by xoserve or its predecessor. There are two possible solutions here. Firstly we could ensure that all IGTs had access to the website. However for completeness all file formats relating to the CSEP regime affecting IGTs should be included within the CSEP NExA Annexe A, where they can be clearly observed by all signatories. This would include the CRI file format. This would mean enacting a modification to DNO UNC.

Copies of the Reconciliation file formats are included at the end of this document in appendix A. I have also included a list of the rejections which can occur when a submitted consumption fails validation. This is contained in Appendix B.

Reporting
xoserve will continue to report the number of reconciliations completed and outstanding at the IGT Workgroup. Additionally xoserve will provide individual IGTs with information on their own portfolios regarding reconciliation on a monthly basis. It would then be the responsibility of the IGT Workgroup to monitor and police any under performance issues within the regime. Where poor performance regularly occurs escalation should be to Ofgem to enforce regulatory obligations.

Conclusion

Although provision of reconciliation data is included within the NExA, the process is not currently robust or enforceable, nor does it have any penalties for non-compliance. The following actions should help strengthen the regime.
- xoserve to accept Reconciliations where there are previous missing reconciliation periods
- Resolve missing reconciliation periods by extrapolating AQ to create a neutral reconciliation. To be allowed on any Rec period prior to 2006.
- IGTs to employ a Must Read Regime as set out in IGT UNC.

- IGTs to employ an Opening Read Estimate Regime as set out in IGT UNC.
- Publish all file formats which affect IGTs (E.G. SPA, AQ Review and CSEPs Reconciliation.) as part of NExA Annexe A.
- xoserve to produce CSEP Reconciliation reports to industry and individual IGTs.
- IGT workgroup to police performance.
- Escalation of non or poor performance to Ofgem.

The Way forward

Communications

After discussions in the Ofgem NExA meeting on 27 June it was agreed to take these proposals forward and develop them into a practical process for CSEPs Rec.

The first action would be to discuss the proposals at both the Billing Ops Forum on 24 July 2007 and the Distribution Workstream on 26 July 2007. Shipper reps were asked to take these proposals back to their organisations so that reps at the respective fora would be pre-warned prior to the debate.

Xoserve will arrange a meeting with the IGTs to discuss operational procedures with a view to implementing the new process on 1 October 2007.

DNOs agreed also to put forward a modification to include all to updated file formats in a new version of the CSEP NExA Annexe A. xoserve will ensure that file formats relating to SPA, AQ Review and CSEPs Rec are up to date prior to the Mod.

Operational issues

The initial phase of this project will look at solving the historical problem of missing reconciliation periods.

It was agreed that neutral reconciliation would be allowed on all missing Rec periods over 2 years old. The Ofgem group felt that Mod 152 considerations did not apply in this case.

These reconciliations would be identified and offered by the IGT to the shipper. If the shipper felt that the reconciliation was incorrect it would be their responsibility to send an alternative meter reading covering the same period of time. This would be the only way for a shipper to object to the neutral reconciliation of a given period.

It is acknowledged that it will be near impossible to calculate exactly neutral reconciliation values. xoserve will validate the values and a tolerance will be agreed with the IGTs. This may mean small value debits or credits to shippers.

There may be some data quality issues which need to be tackled. xoserve will assist IGTs in defining which LMNs have missing reconciliations and over which periods these apply.

There is no direct link between LMNs over time within the xoserve system. Therefore where one shipper's ownership ends and another starts the LMN will be different but the link between the two is not be obvious. There may need to be some manual intervention to identify the links.

There are issues where there are gaps between live LMNs which can result in missing periods where no LMN is live. These tend to be a matter of days. It is suggested that these periods also become subject to neutral reconciliation, although an agreement will need to be undertaken as to the allowable size of any such gap.

There have been problems whereby xoserve expect all LMNs on a specific project to be submitted for reconciliation simultaneously. This rule can be relaxed so that each LMN can be reconciled individually. (Please note that there can be more than one meter attached to a single LMN. xoserve will expect all volumes for all meters under a single LMN to be submitted simultaneously)

All of these issues, along with any others identified, will be discussed by IGTs and xoserve prior to the go live date and pragmatic solutions applied.

Industry groups will be provided with progress updates and any major issues will be referred back to the Ofgem group for resolution.

HD_A00_STANDARD_HEADER
(Standard header for all files sent between Transco and another Organisation)

RECORD/FIELD NAME	OPT	DOM	LNG	DEC	DESCRIPTION
TRANSACTION_TYPE	M	T	3	0	A code identifying the type of request that this code represents. VALUE:A00
ORGANISATION_ID	M	N	10	0	A unique identifier that organization a particular customer or organization.
FILE_TYPE	M	T	3	0	An application specific code used to identify the structure and the usage of the file
CREATION _DATE	M	D	8	0	The date on which the file was generated. Date format is YYYYMMDD
CREATION_TIME	M	N	6	0	The time at which the file was generated (within the creation date). Time format : HHMMSS
GENERATION_NUMBER	M	N	6	0	A sequence number which represents an issue of a file from the organization (indicated by the organization id), and , of the file type (indicated by the file type) e.g. The first Nomination file from an Organization will have the number 1, the second, number 2 etc. Each file sent either from an organization to Transco or from Transco to an organization within one file type must have consecutive numbers.
Total			36		

AI_I_GT__I_AND_C_CSEP_REC
RT_J82_REC_IMPORT_FILE

RECORD/FIELD NAME	OPT	DOM	LNG	DEC	DESCRIPTION
TRANSACTION_TYPE	M	T	3	0	A code identifying the type of request that this code represents. VALUE: J82
GT_DATE	M	D	8	0	Creation date of the file. This should be the same for all records within the file. Format: YYYYMMDD
GT_FILE_ID	M	T	16	0	GT unique file reference ID. This should be the same for all records within the file. Format as per UK LINK interface register guidelines. E.g. xxx01.PN000000.CRI. xxx being the GT shortcode.
GT_SHORT_CODE	M	T	3	0	A unique three character shortcode used to identify the IGT.
CSEP_NAME	M	T	30	0	The CSEP site name. The first line of the address of a CSEP.
CSEP_POST_CODE	M	T	8	0	The CSEP postcode.
LOGICAL_METER_NUMBER	M	T	10	0	The logical meter number for the period.
EUC	M	T	8	0	An alphanumeric identifier for the End User Category attached to the Logical Meter Number.
SHIPPER_SHORT_CODE	M	T	3	0	A unique three character name used to identify the Shipper supplying gas to the LMN during the Reconciliation period.
CORRECTED_METRIC_ VOLUME	M	N	10	0	The total corrected metric volume for the Reconciliation period.
READ_START_ DATE	M	D	8	0	This holds the start date of the Reconciliation period. Format: YYYYMMDD.
READ_END_ DATE	M	D	8	0	This holds the end date of the Reconciliation period. Format: YYYYMMDD.
READ_FREQUENCY	M	T	1	0	The frequency that the meter is read; Monthly (M) 6 Monthly (6) Annually (A).
RE_RECONCILIATION	M	T	1	0	To indicate whether the record is a re-reconciliation. Y or N
GT_COMMENTS	O	T	255	0	Any comments from the GT.

RECORD/FIELD NAME	OPT	DOM	LNG	DEC	DESCRIPTION
Total			373		

RT_Z99_STANDARD_TRAILER
(Standard Trailer for all files sent between Transco and another Organisation)

RECORD/FIELD NAME	OPT	DOM	LNG	DEC	DESCRIPTION
TRANSACTION_TYPE	M	T	3	0	A code identifying the type of information that this record contains. VALUE: Z99
RECORD_COUNT	M	N	10	0	The number of detail records contained within the file. This should not include the standard header and standard trailer but should include any file specific trailers if specified for this file
Total			13		
Grand Total			422		

CSEP Reconciliation Rejection Codes from xoserve to IGTs

IGT_FAIL   Invalid IGT short code

MISS_FLD   Some fields are missing from the file

INVOICED   The reconciliations are already invoiced

RE_REC   The reconciliation period indicated is already invoiced.

DUP_REC   The reconciliation period in the file is bad/impossible period

LMN_FAIL   LMNs were not valid in the given reconciliation period

S_E_DATES   Start and end dates are not valid for the IGT

EUC_DOM   Given EUC bands are invalid.