

## Final Modification Considerations by Workgroup

### **0395 - Limitation on Retrospective Invoicing and Invoice Correction** **0398 - Limitation on Retrospective Invoicing and Invoice Correction (3 to 4 year solution)**

#### Final Modification Report Considerations

Summary of responses received:

- Quantify the benefits of the modifications in terms of the reduction in shippers' risk and credit exposure;

British Gas considers Xoserve is in the best position to provide this information and analysis.

- Determine the causes of energy remaining un-reconciled after 3-5 years;

British Gas considers there are several factors why energy can be un-reconciled within the industry. The main cause is the inability to obtain a meter read. Reasons for un-reconciled energy include -

- a) Vacant premises
  - b) Delayed due to warrant process to gain access which is more complex in the business LSP arena
  - c) Asset mismatch between Shipper and Xoserve
  - d) No meter on site and Xoserve not informed
  - e) Dirty address data, resulting in shipper being unable to find the meter and/ or the site itself
  - f) Xoserve systems record meter point as dead, however a meter is actually on site
  - g) Prime and Sub scenarios with difficulties in submitting all reads at the same time, sometimes primes and subs are in different shippers' ownerships
  - h) Meter blocked access
- Set out the typical lead times to resolve settlement disputes or adjustments, together with the estimated scale and age profile of such adjustments;

British Gas considers Xoserve is in the best position to provide this information.

- Consider the financial implications of a shortened reconciliation window in terms of re-distribution between Small Supply Point (SSP) and Large Supply Point (LSP) sectors (or vice versa);

British Gas considers the industry activity relating to the re-distribution of energy and the resulting cost through the mechanism RbD (and even the AUGÉ) is that LSP sector reconciliations result in a credit to the LSP sector and a subsequent debit to the SSP sector.

Assuming the consumption trends continue there is likely to be a net gain to the domestic market. We believe the proposal to shorten the reconciliation window could act as an incentive within the LSP market to reconcile more often to ensure credit energy is not left 'trapped' in the SSP market.

There could be a concern that a shorter reconciliation window could result in LSP Shippers not being incentivised to reconcile accounts if the reconciliation is a debit. This could result in energy not being correctly apportioned.

They consider this risk can be mitigated through incentives that already exist in code such as meter read submission compliance and that the only way to validate the financial implications, would be to request Xoserve to complete the analysis.

- Further consider the impact of these modifications upon UNC Parties non-code liabilities, their ability to mitigate any associated risk and the applicability of remedies outside of the normal settlement process.

British Gas considers in scenarios where customer account resolution takes longer than 2 years there is a risk in the LSP sector that industry charging may not be passed through accurately via customer charging if accounts are not reconciled in a timely manner.

### **The Workgroup initial meeting response**

- Whether further reconciliation subsequent to the proposed cut off would ordinarily be expected to simply confirm the original allocations, or involve a significant redistribution of costs;

Both British Gas and E.ON UK consider Xoserve is best placed to provide the overall industry picture. Xoserve are in the unique position of having viability of the market's aged reconciliation activity for each party.

RWE npower consider that further reconciliation subsequent to the proposed cut off would ordinarily be expected to simply confirm the original allocations.

- The extent to which suppliers' tariffs currently anticipate the risk of reconciliation and the likely effect that its removal may have on tariff structures;

E.ON UK advises that this is incorporated into our overall risk management strategy.

RWE npower does not consider there will be any effect on tariff structures.

- The extent to which meter reading performance is influenced by the prevailing settlement window;

British Gas considers the proposal to shorten the reconciliation window could act as an incentive within the LSP market to reconcile. This would ensure energy is not 'trapped' in the SSP sector. Within British Gas the aim is to reconcile sites as frequently as practical. The modifications would not change this approach.

There could be a concern that a shorter reconciliation window could result in LSP Shippers debits being trapped in the SSP sector. This could result in the cost of the energy not being correctly apportioned. They consider this risk can be mitigated through incentives that already exist in code such as meter read submission compliance.

E.ON UK do not understand this question as meters are required to be read at least every two years, i.e. more frequently than either of the close out periods in Modification 0395 or 0398.

RWE npower considers the prevailing settlement window does allow additional time to obtain meter readings for those MPRNs that prove difficult to access.

- The impact on the relevant objectives of the differences between the two modifications, namely the relative length of the proposed settlement windows and their respective implementation dates;

British Gas considers Xoserve is best placed to provide the analysis.

The 3-4 year model enables an additional 12 months to correct sites that have been difficult to obtain meter reads and reconcile. Notwithstanding this British Gas views the 3-4 year model as a transitional step towards

0395 0398  
FMR Considerations  

---

18 April 2012

Version 1.0

Page 3 of 4

© 2012 all rights reserved

the 2-3 year model.

E.ON UK considers Modification 0398 better supports the relevant objectives.

The MEUC supports the implementation of Modification 0395 rather than 0398 but only if there was no increase in cost for the I&C sector.

- The optimum implementation date for each modification;

British Gas considers this modification should be implemented six months after approval to enable system and process development. They have no preferred date, although the 1<sup>st</sup> April 2013 would appear to be sensible.

E.ON UK would prefer if Modification 0398 were implemented as soon as possible.

- Identify alternative remedies under the UNC, in equity and in law, including consideration of how the Limitation Act 1980 would be applied and its effect on any right of recovery

British Gas agrees with Ofgem that the Limitation Act 1980 does not conflict with either proposal. The proposals are seeking to reduce the Settlements window and this does not relate to the right to recover a debt.

RWE npower were unable to identify alternative remedies.