

**UNC Workgroup 0451 Minutes  
Individual Settlements For Pre-Payment & Smart Meters**

**Tuesday 11 June 2103**

**Consort House, 6 Homer Road, Solihull B91 3QQ**

**Attendees**

|                        |       |                       |
|------------------------|-------|-----------------------|
| Tim Davis (Chair)      | (TD)  | Joint Office          |
| Helen Cuin (Secretary) | (HCu) | Joint Office          |
| Alex Ross-Shaw         | (ARS) | Northern Gas Networks |
| Andrew Margan          | (AM)  | British Gas           |
| David Addison          | (DA)  | Xoserve               |
| Dean Johnson           | (DJ)  | Xoserve               |
| Hilary Chapman         | (HCh) | Xoserve               |
| Huw Comerford          | (HC)  | Utilita               |
| Jon Dixon*             | (JD)  | Ofgem                 |
| Jonathan Kiddle*       | (JK)  | EDG Energy            |
| Leanne Thomas          | (LT)  | RWE npower            |
| Mark Jones             | (MJ)  | SSE                   |

\* via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/0451/110613](http://www.gasgovernance.co.uk/0451/110613)

**Urgent Timetable**

| <b>Process</b>  | <b>Date</b>        |
|---|--------------------|
| Workgroup Meeting   | 02 July 2013       |
| Workgroup conclude report                                   | 25 July 2013       |
| Panel consider report, issue for consultation               | 15 August 2013     |
| Consultation closes   | 09 September 2013  |
| Panel provide recommendation and submit report to Authority | 19 September 2013  |
| Authority decision  | By 01 October 2013 |

**1.0 Review of Minutes and Actions**

**1.1 Minutes**

The minutes were accepted.

**1.2 Actions**

**0451/01:** Shippers to provide to Xoserve evidence on the profile of credit and PPM/Smart meters – Xoserve to collate.

**Update:** DA confirmed data had been provided by Utilita. AM explained that British Gas had examined the possibility of providing a profile. AM suggested Xoserve may be able to provide a profile for credit customers, using the EUC 1B band to identify low consumption groups. DA highlighted that any data recorded by Xoserve would not include pre-payment meters. TD asked if any other suppliers could provide data to prove or disprove the data provided by Utilita.

AM explained that prepayment meters are over allocated through RbD in winter and under allocated in the summer. However, as these sites are not daily read it would be difficult to provide an accurate profile. He had therefore suggested using the demand estimation sample to look at low consuming customers as these would be expected to be similar to prepayment customers in relation to under and over allocation. He also asked if the demand estimation sample could be broken down into consumption segments, for example

consumption below 5,000, below 10,000, and below 15,000 to evaluate if there is an over/under allocation in all segments. Xoserve agreed to look into this but was uncertain if there would be enough sites in the sample for it to be statistically robust. DA also challenged what this analysis would demonstrate, and whether the group would be able to conclude from the data obtained that pre-payment meters have a different consumption pattern.

It was recognised daily reads were not available, but low consuming customer within EUC Band 1B may provide a good comparator. The group considered that low consuming credit customer were not included in the scope of the modification and the data from Xoserve may trigger the need to examine this in order not to unduly discriminate against this group. DA agreed Xoserve would look at the information that goes into EUC 1B based on the existing AQ stratifications.

JD recognised that it may not be possible to provide an accurate prepayment profile as sufficient data is not collected. He also recognised there would be some crudity with the information that could be provided by Xoserve. He explained that Ofgem were looking to be provided with some information which justifies a change from existing practice. If there is a case that low consuming sites (including a subset of prepayment meters) have a different profile, then this needs to be provided to assist Ofgem's decision process. DA perceived that Ofgem would be reasonably relaxed that the data available may not be a function of the metering arrangements but more of a function of the consumption. JD recognised that the metering arrangements may not correlate with consumption, as a customer on a credit meter could equally be managing their finances with a low consumption as a pre-payment customer. But he would welcome data that reasonably demonstrates profiles at different consumption levels. **Closed.**

#### **New Action 0451/001b: Xoserve to provide data on low consuming customers from EUC Band 1B**

**0451/03: Business Rules** - Xoserve to produce some example scenarios demonstrating how the election/reconciliation processes might work.

**Update:** HC explained the Business Rules have been updated however example scenarios had not yet been compiled. **Carried Forward**

**0451/04: Business Rules** - All parties to consider control measures/sanctions to be included to prevent/reduce any perceived opportunities for inappropriate behaviour.

**Update:** For further consideration. **Carried Forward**

## **2.0 Discussion**

### **2.1 Legal Text**

ARS confirmed this was under discussion with lawyers.

### **2.2 Amended Modification**

TD invited views on the simpler alternatives that had been outlined at the previous meeting. DA believed that an offline adjustment may be possible and would reduce the systemised implementation timescale, which is currently estimated to be 12 months.

AM wanted to encourage reconciling as accurately as possible. He was concerned on one hand that the alternative approach recognised that the current profile is not effective, but a factor would be used to address the equality in the way the profiles run. He recognised there needed to be a balance but didn't want to simply implement a different inaccuracy.

The Workgroup understood that this modification accelerates some of the required changes as part of Project Nexus. DA believed that there would be an increase in costs by bringing the change effectively earlier than Project Nexus. The other option would be not to change Nexus but to consider retrospection and provide notice of such retrospection to manage.

TD highlighted to the Workgroup the importance of considering development costs against the actual cost savings and the benefit of bringing forward a change that would cost the industry more money to implement now rather than wait.

HC was keen to pursue the change even if this used an alternative reallocation solution rather than a systemised reallocation.

The Workgroup considered whether to continue with a systemised solution, which could take 12 months to implement or proceed with a redistribution through RbD. LT was concerned about the impact to customer bills with an adjustment method such as Alternative 1 and the impact to credit customers by using a redistribution of RbD, she was concerned that low consuming credit customers could be subjected to higher costs whilst trying to reduce costs for other customers.

The Workgroup considered concerns around Alternative 2 and the difficulty of ascertaining a reliable consumption profile within the available time and any impacts to the AUG process. AM remained concerned that by using any correction method the Workgroup could end up correcting an inaccuracy with a further inaccuracy.

It was recognised that there would be a greater burden on information but also this was an interim solution until Nexus individual reconciliation. This was a judgement about bringing forward a change in the simplest form.

Despite HC expressing an interest in Alternative 1 for ease of implementing a solution quickly with some benefit, AM, JK, LT and MJ were not in a position to support a modification that didn't reconcile to actual reads.

### **2.3 Business Rules**

HCh provided a suggested business rule in line with Modification 0693 – Revision of the NDM 'More Frequent Reading Provisions'. The Workgroup recognised that sites, if moved to this category, may provide more frequent meter readings and accepted Xoserve's suggestion for managing this.

The Business Rules were reviewed and discussed.

DA explained it would be difficult for Xoserve to determine the exact cost for development or the exact savings that would be made for Nexus if the solution was implemented as a pre-Nexus phase. It was anticipated that the Nexus build would supersede any pre-implemented solution.

LT was concerned about inappropriate behaviours, notably control around the opting in/out process and validation of the pre-payment flag.

AM was concerned that the pre-payment flag may not have been maintained as this is no longer a billable item and challenged the validation of pre-payment flags and smart metering flags. He was concerned inaccurate pre-payment flags could invalidate any charges. DA explained a SPAA change is currently considering the validation of smart metering flags, but no validation is undertaken on pre-payment or smart metering flags at present.

It was recognised that an all inclusive systemised solution based on a data item that may or may not be accurate may be no better than the simpler alternative solutions.

LT enquired if the development costs could be apportioned through User Pays only to those Shippers who opt in. The Workgroup considered the complexities of asking parties to cover the development costs based on an opting in process and how this may jeopardise sign on, with the fear that one party could end up picking up the entire costs for a small portfolio of prepayment meters and the inability to recover these costs.

The Workgroup considered implementation and how to manage the option to opt in retrospectively. Questions were raised around how retrospectivity could work on a portfolio of pre-payment customers which could change by the time the system is able to bill retrospectively. LT could not envisage how waiting a year, to implement a process supported by all parties with a retrospective adjustment, would resolve any cashflow issues.

JD enquired if the modification with a systemised solution could not be implemented for a year, with a retrospective adjustment based on actual reads submitted, and whether there was a case for a transitional simple solution using an alternative solution in the short term with a further interim systemised solution that would assist reconciliation on actual reads going forward until the implementation of Nexus.

**Action 0451/05: Xoserve to consider the ability to create a transitional arrangement modification with the functionality to reconcile on actual reads either with a twelve month implementation systemised solution or wait until Nexus individual reconciliation.**

LT was concerned that, with an interim measure, any adjustments would need to be taken into account and would result in more work and more complexity. However it was acknowledged this could assist with cashflow issues.

HC agreed to reconsider the Business Rules to take into account retrospection.

TD asked the group to consider if anything further detail was required to enable legal text to be drafted and Xoserve to build the appropriate systems. DA confirmed that Xoserve and the Proposer had reviewed the Modification 0270 rules and determined how things should be treated for Modification 0451; the Business Rules make the modification more explicit but not necessarily simpler.

## 2.4 Next Steps

HC will reconsider the modification and the alternatives, plus retrospection within the Business Rules.

At the next meeting (02 July 2013) the Workgroup will consider:

- review data on low consuming customers
- revised Business Rules and retrospection
- transitional arrangements
- development of legal text.

TD emphasised that the Workgroup Report must be completed on 25 July since the timetable set by Ofgem when granting urgency could not be altered nor extended.

## 3.0 Any Other Business

None raised.

## 4.0 Diary Planning for Workgroup

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Tuesday 02 July 2013, at Consort House, 6 Homer Road, Solihull B91 3QQ.

Thursday 25 July 2013, at Consort House, 6 Homer Road, Solihull B91 3QQ.

**Action Table**

| Action Ref | Meeting Date | Minute Ref | Action  | Owner    | Status Update |
|------------|--------------|------------|---|----------|---------------|
| 0451/01    | 13/05/13     | 2.0        | Provide to Xoserve evidence on the profile of credit and PPM/Smart meters – Xoserve to collate. | Shippers | <b>Closed</b> |

| Action Ref | Meeting Date | Minute Ref | Action   | Owner       | Status Update          |
|------------|--------------|------------|--|-------------|------------------------|
| 0451/01b   | 11/06/13     | 1.2        | Xoserve to provide data on low consuming customers form EUC Band 1B  | Xoserve     | <b>Pending</b>         |
| 0451/03    | 29/05/13     | 2.0        | <i>Business Rules</i> - Produce some example scenarios demonstrating how the election/ reconciliation processes might work.  | Xoserve     | <b>Carried Forward</b> |
| 0451/04    | 29/05/13     | 2.0        | <i>Business Rules</i> - All parties to consider control measures/sanctions to be included to prevent/reduce any perceived opportunities for inappropriate behaviour.   | All Parties | <b>Carried Forward</b> |
| 0451/05    | 11/06/13     | 2.3        | Xoserve to consider the ability to create a transitional arrangement modification with the functionality to reconcile on actual reads either with a twelve month implementation systemised solution or wait until Nexus individual reconciliation. | Xoserve     | <b>Pending</b>         |