

# Reconciliation by Difference (RbD) - Initial thoughts

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# Structure of presentation

- Provide a brief summary of respondent views raised from the review of RbD consultation document
- Present Ofgem's initial views given responses received
- Outline Ofgem's proposed way forward

# Summary of respondent views

- Ofgem's review of RbD consultation sought views on:
  - RbD process still fit for purpose?
  - materiality of any RbD issue
  - extent to which RbD issues can be addressed by existing industry processes
  - the role of Ofgem

# Summary of respondent views

## -RbD process still fit for purpose?

- **Most respondents considered RbD still fit for purpose**
  - Achieved its aim- reduce administration costs and burden of reconciling small supply points
  
- **Longer term**
  - widespread take up of Advanced Metering technology should prompt a future review of RbD
  - Cost Benefit Analysis should be undertaken at that time to evaluate whether RbD continues to be valid or whether an alternative reconciliation process is required

# Summary of respondent views

- A number of issues raised with regards to incentives and transparency within the RbD process, for instance:
  - Dynamics between theft and LDZ shrinkage considered to create a perverse incentive on GDNs to detect upstream theft
  - Inadequate iGT incentives to comply either financially or commercially to the terms of their CSEP NExA agreements

## **Materiality of any RbD issue:**

- Issues with the transparency within the RbD process- led to difficulty in establishing the material impact of such issues on RbD calculations
- lack of transparency in xoserve RbD costs- difficult for parties to ascertain the benefits of moving to an alternative reconciliation process

# Summary of respondent views

## **Extent to which RbD issues can be addressed by existing industry processes**

- Mixed views on the extent to which the current industry processes (such as the AQ and shrinkage processes) are robust

# Summary of respondent views

## Ofgem's role

- Generally, respondents considered that any changes to the industry processes can be made through existing governance arrangements and that Ofgem's role should be limited to these arrangements.

# Ofgem's initial views to the RbD consultation

- RbD fit for purpose for the immediate term
- RbD Issues- addressed under existing industry arrangements
  - E.g. Several recent modification proposals (such as UNC081 and iGT Mod SSEP017)
  - Industry feed into the Gas Distribution Price Control Review (GDPCR)
- No regulatory intervention necessary at this stage
  - Up to Industry to take the lead
- Issue with transparency to industry RbD related activities
  - Ofgem to facilitate in co-ordinating industry activity through an RbD issues log



# Ofgem's proposed way forward: RbD issues log (e.g. RbD Audit Sub-Committee)

<b>Item No</b>	<b>1</b>
<b>Issue Title</b>	Improve accuracy of RbD billing/statistics
<b>Date created</b>	Jul 27 2006
<b>Last Updated</b>	Jul 27 2006
<b>Issue Originator</b>	Ofgem's RbD Consultation
<b>Description of issue</b>	<p>To consider whether the RbD audit should be extended to cover</p> <ul style="list-style-type: none"> <li>a) all inputs into RbD processes, esp. manual activities and NTS off-take meter data;</li> <li>b) Processes operated by shippers e.g. the AQ review;</li> <li>c) increase duration of auditing processes and sample size; and</li> <li>d) LSP reconciliation trends from shippers read submissions, USVR resolutions and Consumption adjustments.</li> </ul>
<b>Next steps</b>	To put issue as an agenda item at the next RbD Audit Sub-committee.
<b>Related Ofgem area of work?</b>	GDPCR
<b>How Issue was resolved</b>	ONGOING

## Ofgem's Initial views -Proposed next steps

- Ofgem will liaise with the various industry workgroups/ meetings (E.g. Distribution workstream, RbD Audit sub Committee) to discuss and confirm take up of issues for the RbD issues log
- RbD conclusions – to provide a summary or respondent views and an amalgamated RbD issues log.

# Summary of Presentation

- Provide a brief summary of respondent views raised from the review of RbD consultation document
- Present Ofgem's initial views to responses received
- Outline Ofgem's proposed way forward

# Any Questions?

**Comments can be sent to me at: [ndidi.njoku@ofgem.gov.uk](mailto:ndidi.njoku@ofgem.gov.uk)**