

Modification proposal:	<b>Uniform Network Code (UNC) 576: Generation of an estimated meter reading at the Code Cut-Off Date in the absence of an actual meter reading</b>		
Decision:	The Authority <sup>1</sup> directs this modification UNC576 be made <sup>2</sup>		
Target audience:	UNC Panel, UNC Parties and other interested parties		
Date of publication:	8 August 2016	Implementation date:	To be confirmed by the Joint Office

## Background

UK Link is an IT system which enables Gas Shippers and Gas Transporters (GTs) to exchange information relating to supply point administration, the balancing of the gas system and other matters. The GTs' agent Xoserve is undertaking the replacement of UK Link as part of a project referred to as Project Nexus. Project Nexus will fundamentally change the basis of gas settlement. In particular, Smaller Supply Points<sup>3</sup> (SSPs) will now be individually reconciled upon receipt of a valid meter reading, subject to it being successfully paired with an earlier reading. The requirements for meter reading submission are set out in the UNC, which anticipates that a meter reading will be submitted at least once every two years<sup>4</sup>.

To efficiently implement and operate the UK Link system a maximum 7 years' data will be migrated to the new system<sup>5</sup>. However, the proposer of UNC576 states that there are over 17,000 registered supply points that have not had a valid meter reading submitted against them since 1 April 2010. Statistics produced by Xoserve for the Data Management Group show that there are over 46,000 supply points which have not had a meter reading recorded against them for in excess of four years<sup>6</sup>.

If a valid meter reading is not migrated onto the new register, it will not be possible to perform an individual reconciliation as and when a post-Nexus meter reading is received. Whilst reconciliation may be possible once further valid meter readings are received for the relevant supply points, this may be a significant time later, especially given the historic difficulty in obtaining reads. Accurate settlement will be hindered in the meantime.

## The modification proposal

UNC576 proposes that where a valid meter reading has not been recorded on the supply point register for the preceding six years, the GT (or its agent) will generate an estimate that is deemed to have effect as at the prevailing Code Cut-Off date<sup>7</sup>. The example provided in the Final Modification Report (FMR) is that if, by 31 March 2018, a meter reading has not been received dated 1 April 2012 or later, an estimated read will be

<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 49A of the Electricity Act 1989.

<sup>3</sup> A SSP is any supply point which has an Annual Quantity (AQ) of less than 73,200 kWh. We calculate that [domestic households typically consume between 8,000 and 18,000 kWh](#).

<sup>4</sup> Where the supply point is not otherwise classified as being a Daily Metered (DM) or monthly read supply point.

<sup>5</sup> We note that the remaining legacy data will be archived and could still be accessed where required, but not form part of the data pool for routine procedures.

<sup>6</sup> See: <http://www.xoserve.com/wp-content/uploads/DM-Operational-Workgroup-Slides-21Apr2016.pdf>

<sup>7</sup> Under the UNC, the Code Cut-Off date limits retrospective reconciliation to a period of between 3 years to 3 years and 364 days, with the 1 April of the outlying year acting as the fixed cut off date. The Code Cut-Off date is incremented each year to the following 1 April. This limit covers all retrospective transactions governed by the UNC, but is of most significance for energy invoicing given the number of variables as compared to use of system charges. It also applies irrespective of whether these reconciliations would have resulted in debits or credits. The billing position for any date beyond this Code Cut-Off date is considered to be crystallised; i.e. any error that is subsequently discovered will not be further reconciled.

generated with an effective date of 1 April 2015, which would be the applicable Code Cut-Off date.

Although UNC576 is intended to apply initially as part of the migration to UK Link replacement systems that incorporate the Project Nexus requirements, it will form an enduring part of the process thereafter.

Other notable features of UNC576 are that:

- reads submitted solely as part of the annual AQ review process, which are not currently considered to be valid meter reads under the UNC, may be used for the purposes of deriving an estimate;
- where there is no record of a meter reading, the estimated meter reading will be recorded as zero;
- shippers may seek to replace any estimated meter reading with an actual meter reading, as long as the supply point was registered to them on the date associated with the estimate.

### **UNC Panel recommendation**

At its meeting on 21 July 2016 the UNC Panel voted unanimously to recommend the implementation of UNC576<sup>8</sup>.

### **Our decision**

We have considered the issues raised by the modification proposal and the FMR dated 21 July 2016. We have also taken into account the responses to the industry consultation summarised in the FMR and published in full on the Joint Office website<sup>9</sup>. We have concluded that:

- the implementation of UNC576 will better facilitate the achievement of the relevant objectives of the UNC,<sup>10</sup> and
- directing that UNC576 be made is consistent with our principal objective and statutory duties<sup>11</sup>.

### **Reasons for our decision**

We note the strong support from both respondents and the UNC Panel for the proposal. There were eight responses to the industry consultation on UNC576, all of which supported its implementation. We agree with respondents and the UNC Panel that the proposal should be considered against relevant objectives (d) and (f), and that it would have a neutral impact upon the other relevant objectives.

#### ***(d) the securing of effective competition between relevant shippers and between relevant suppliers***

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<sup>8</sup> See: [UNC Panel minutes and voting record](#)

<sup>9</sup> UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.co.uk](http://www.gasgovernance.co.uk)

<sup>10</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: <https://epr.ofgem.gov.uk/Content/Documents/Standard%20Special%20Condition%20-%20PART%20A%20Consolidated%20-%20Current%20Version.pdf>

<sup>11</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.

As noted by the proposer, UNC576 is intended at least in part to facilitate a transition to the new gas settlement arrangements introduced by UNC432. As we noted when accepting UNC432<sup>12</sup>, we consider that such settlement reforms will increase the accuracy in the allocation of energy costs and to a lesser extent transportation costs. This will ensure that cost savings can be achieved by efficient shippers and suppliers, giving them a competitive advantage relative to less efficient operators. UNC576 will extend these benefits by ensuring that energy can be allocated to periods which may otherwise have been irreconcilable. We therefore agree with each of the respondents and the UNC Panel who considered that the implementation of UNC576 would better facilitate relevant objective (d).

***(f) the promotion of efficiency in the implementation and administration of the Code***

We consider that UNC576 will ensure that the individual reconciliation rules are capable of being applied to a greater number of supply points and allow them to be reconciled earlier than would otherwise be the case. Arguably, UNC576 will therefore facilitate the efficient implementation and administration of the new gas settlement arrangements, specifically those introduced by UNC432. Whilst these benefits may be marginal as compared to those set out above in relation to objective d), they are nonetheless positive. We therefore agree with those respondents who suggested that UNC576 would better facilitate relevant objective f).

**Decision notice**

In accordance with Standard Special Condition A11 of the GT licence, the Authority hereby directs that UNC576: '*Generation of an estimated meter reading at the Code Cut Off Date in the absence of an actual Meter Reading*' is made.

**Angelita Bradney**  
**Head of Smarter Markets**

Signed on behalf of the Authority and authorised for that purpose

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<sup>12</sup> UNC432: '[Project Nexus – gas settlement reform](#)'