













Workgroup Report	At what stage is this document in the process?
<p>0570:</p> <p>Obligation on Shippers to provide at least one valid meter reading per meter point into settlement once per annum</p>	
<p>Purpose of Modification:</p> <p>This modification proposes to create a condition in the UNC to correspond with the requirement on Suppliers under the Supply Licence (SLC 21B.4) to take a meter reading at least once every year for billing purposes. In the case of the UNC this would be for use within gas industry settlement</p>	
	<p>The Workgroup recommends that this modification should:</p> <ul style="list-style-type: none"> • proceed to Consultation <p>The Panel will consider this Workgroup Report on [17 November 2016]. The Panel will consider the recommendations and determine the appropriate next steps.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: Shippers and Transporters [why not SG?]</p>

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Timetable		
Modification timetable: <i>(amend as appropriate)</i>		
Initial consideration by Workgroup	22 nd December 2015	
Amended Modification considered by Workgroup	25 th August 2016	
Workgroup Report presented to Panel	17 th November 2016	
Draft Modification Report issued for consultation	17 th November 2016	
Consultation Close-out for representations	8 th December 2016	
Final Modification Report presented to Panel	10 th December 2016	
UNC Modification Panel decision	15 th December 2016	
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1 Summary

What

Since December 2014, under the Gas Supplier Licence (SLC 21B.4) there has been a requirement on the licensee to take all reasonable steps to obtain a meter reading (including any meter reading transmitted electronically from a meter to the licensee or provided by the Customer and accepted by the licensee) for each of its Customers at least once every year. This Condition does not apply to customers with pre-payment meters.

Why

Whilst the above requirement is in place to try and ensure that customers get at least one accurate bill each year, there is nothing that requires that meter readings are provided into settlement every year to improve settlement accuracy. It has become apparent through recent and previous AQ Review processes that Shippers have readings that are used in the amendment phase of the Review, but that these are either not being provided through business as usual processes to the Transporters Agent or not being accepted by them. There therefore appears to be a reduced number of readings being provided/accepted into settlement to determine settlement volumes when compared to the number of readings used by Shippers to manually determine new AQs through the amendment phase.

By increasing the number of meter readings accepted into the settlement system, there should be an increase in the accuracy of settlement and the bills to Shippers and it will ensure that meter readings are submitted ahead of line in the sand.

How

This modification seeks to place a requirement on Shippers to submit at least one reading into settlement once per year and for this to be used in the settlement process if the read meets the criteria and is received in time. It also proposes that reporting is produced by Transporters Agent and provided to the Performance Assurance Committee to monitor Shipper performance.

The solution envisages a grace period in relation to post-Nexus meter reading tolerances and a tolerance level overall of [XX%], reflecting the Supply Licence requirement “to take all *reasonable* steps to obtain a meter reading”.

2 Governance

Justification for Urgency, Authority Direction or Self-Governance

The Workgroup agreed with the Modification Panels determination that Self Governance procedures are not appropriate for this modification, as it is likely to have a material impact on commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes and for Shippers, where they rely on Suppliers for the provision of meter readings into the settlement process.

Requested Next Steps

This modification should:

- [be subject to self-governance]
proceed to Consultation

As the modification is sufficiently developed for industry views to be considered and a recommendation made on whether the modification should be implemented.

3 Why Change?

Since December 2014, under the Gas Supplier Licence (SLC 21B.4) there has been a requirement on the licensee to take all reasonable steps to obtain a meter reading (including any meter reading transmitted electronically from a meter to the licensee or provided by the Customer and accepted by the licensee) for each of its Customers at least once every year. This Condition does not apply to customers with pre-payment meters.

Whilst this requirement is in place to try and ensure that customers get at least one accurate bill each year, there is nothing that requires that meter readings are provided into settlement every year to improve settlement accuracy. It has become apparent through recent and previous AQ Review processes that Shippers have readings that are used in the amendment phase of the Review, but that these are either not being provided through business as usual processes to the Transporters Agent or not being accepted by them. In the 2015 Review, whilst there were 83% of AQs revised by the Transporters Agent at the T04 stage, ultimately there were 91% of sites where the AQ was updated by the time the values went live on 1st October 2015. The Proposer recognises that a proportion of this could be due to more meter readings being received between May and August, however the Transporters Agent have advised in the past that they do have amendments using meter readings from before the Amendment window.

Xoserve presented on some elements that could be contributing to settlement risk during the early stages of discussion on the introduction of the Performance Assurance Workgroup. Within this presentation and as captured in the minutes¹, it was noted that there were 70k sites where no readings had been received

¹ <http://www.gasgovernance.co.uk/sites/default/files/Minutes%20PA%20120613%20v1.0.pdf> (page 2 second last para)

by the Transporters Agent in 4 years, but that for roughly 80% of the sites a reading (not lodged with Transporters) was used to speculatively calculate the AQ.²

There therefore appears to be a reduced number of readings being provided or accepted into settlement to determine settlement volumes, when compared to the number of readings successfully used by Shippers to manually determine new AQs through the amendment phase. This may be due to the validation rules applied in UKLINK, but it is unclear if this is the case.

By increasing the number of meter readings submitted to the settlement system, there should be an increase in the accuracy of settlement and the bills to Shippers. There are concerns that whilst Project Nexus will change the risks faced by Shippers from Settlement inaccuracy going forward, it will be quite some time before Project Nexus is implemented to enact this change. Indeed Ofgem are signalling that 1st April 2017 is the earliest possible date that Nexus can be implemented successfully. It is proposed that, as the Supply Licence requirement SLC 21B.4 has been in place for over 12 months that it is prudent to ensure that there is a similar requirement on Shippers for settlement. Equally there should be a benefit following the deployment of Project Nexus, if Shippers submit more readings into the settlement process prior to Project Nexus, as this should improve post-Nexus AQ accuracy, thus resulting in more accurate allocation.

4 Code Specific Matters

Reference Documents

Performance Assurance Framework;

Modification 0520A - Performance Assurance Reporting;

Gas Supplier Licence (SLC 21B.4)

Knowledge/Skills

No additional skills or knowledge required to assess this modification.

5 Solution

This modification seeks to place a requirement on Shippers to submit one reading into settlement once per year for all meter points (with the exception of pre-payment meters) for [XX%] of their portfolio and for this to be used in the settlement process, if the read meets the read validation criteria and is received in time.

That reporting implemented through Modification 0520A should provide reports to the Performance Assurance Committee, to allow it to monitor meter reading submission and assess if the interim target is being achieved. That reporting proposed under Modification 0520A could be incremented to achieve this objective. Modification 0520A propose reporting read performance, however another field would be

² <http://www.gasgovernance.co.uk/sites/default/files/PAF%20June%2013.pdf> (slide 6 bullet point 3)

necessary as none of the reports within the modifications show readings at year 1. Modification 0520A Schedule 1A Report 4 and Schedule 1B Report 4 could be amended to include this provision.

The solution envisages a grace period in relation to post-Nexus meter reading tolerances and a tolerance level overall of [XX%], reflecting the Supply Licence requirement “to take all *reasonable* steps to obtain a meter reading”.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

The proposal has no impact on any current Switching SCR.

Consumer Impacts

To be assessed by the Workgroup.

Cross Code Impacts

None identified

EU Code Impacts

None identified.

Central Systems Impacts

To be assessed by the Workgroup.

Pre Project Nexus Implementation

This modification proposal should be able to be implemented ahead of Project Nexus go-live, as it does not change any of the functionality of the current UKLINK solution. In addition there is already a Licence requirement on Suppliers to take all reasonable steps to obtain a meter reading (with the exception of pre-payment meters), therefore there should be no additional impacts to Suppliers. Shippers may however, need to put in place arrangements with their relevant Suppliers to ensure that the readings are provided to settlement.

Project Nexus Implementation

No impact to Project Nexus implementation is anticipated.

Post Project Nexus Implementation

No impact post Project Nexus is anticipated.

User Pays

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of	None

This modification has a positive impact on Relevant Objective (d), in that it will have a positive effect on competition between relevant Shippers and Suppliers. By requiring that readings are provided into settlement, accuracy of transportation and energy billing will be improved through more LSP reconciliation and more generally by having more readings available for the AQ Review, ahead of Project Nexus implementation. In particular this modification will address the issue identified above where readings are not being provided into settlement and sites not being reconciled before the line in the sand date (currently three to four years).

Post Project Nexus it will also have the effect of ensuring AQs are updated more frequently throughout the year and that reconciliation is taking place at least annually across all supply points in the SSP and LSP markets.

Currently for LSP sites, and for all sites after Project Nexus implementation, it could also have an effect of ensuring that Shippers/Suppliers settlement and billed volumes are aligned, if the same readings used for billing are used to derive settlement reconciliation volumes.

8 Implementation

There is already a requirement for Suppliers to obtain a meter reading under the Supply Licence (SLC 21B.4) and therefore this does not place any additional requirement to obtain readings, however it is recognised that Supplier/Shipper processes may need to be changed to ensure that readings flow into the Transporters' systems. In addition, monitoring of the submission/acceptance of readings may be necessary to understand where performance issues are.

As no implementation timescales are proposed and given that this modification has a grace period and tolerance, this modification could be implemented as soon as an Authority decision is given.

9 Legal Text

Legal Text has been provided by [name] and is [included below/published alongside this report]. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

Text Commentary

Insert text here

Text

Insert text here

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This [self-governance] modification should proceed to consultation.