















UNC Draft Modification Report	At what stage is this document in the process?
<h1>UNC 0633 (0638):</h1> <h2>Mandate monthly read submission for Smart and AMR sites from 01 December (April) 2018</h2>	<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="margin-bottom: 5px;">01 Modification</div> <div style="margin-bottom: 5px;">02 Workgroup Report</div> <div style="margin-bottom: 5px;">03 Draft Modification Report</div> <div style="margin-bottom: 5px;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>This modification brings forward to 01 December 2017 the effective implementation date of the CMA remedy (aligns shipper Code obligations with the CMA Gas Settlement Order and Modification 0594R RFI findings for) mandating Smart and AMR meters to submit reads on a monthly basis from 01 April 2018. This will enable utilisation of more consumption data throughout industry processes and will ease (drive more accurate settlement and) Unidentified Gas (UIG) exposure (positions) for Shippers.</p>	
	<p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this modification.</p> <p>The close-out date for responses is 20 November 2017, which should be sent to enquiries@gasgovernance.co.uk. A response template, which you may wish to use, is at: https://www.gasgovernance.co.uk/0633.</p> <p>The Panel will consider the responses and agree whether or not this modification should be made.</p>
	<p>High Impact: Shippers (and Transporters)</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: None</p>

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Timetable		Other: Gareth Evans  gareth@waterswye.co.uk  07500 964447
Modification timetable:		
Initial consideration by Workgroup	26 October 2017	
Workgroup Report presented to Extraordinary Panel	09 November 2017	
Draft Modification Report issued for consultation	09 November 2017	
Consultation Close-out for representations	20 November 2017	
Final Modification Report available for Panel	21 November 2017	
Modification Panel decision	24 November 2017	

1 Summary

What

The CMA has directed the industry to submit reads for Smart and Automated Meter Reading (AMR) sites every month from 01 April 2018 to improve settlement accuracy. This leaves a period of six months where the current processes will stay in place. (The Gas Settlement Order implementation date was specifically reviewed and the majority UNC parties who responded confirmed they are working towards the April 2018 date. Article 8.1 of the Order states the Licence obligations fall away if a UNC modification is raised to the same effect.)

Why

(It is noted that Modification 0633 to introduce the monthly read obligation for the 01 December 2017. This would be a new obligation implementation date. Given the complexity of a new obligation date for system and process delivery, this proposal aligns the Code obligation to CMA Order implementation date. Corona believes") The benefits of moving this date forward 6 months to 01 December 2017 will be seen in both potentially reduced Unidentified Gas (UIG) and reduced scaling factor volatility. (")

(Notwithstanding the proposal bringing the date forward by 4 rather than 6 months, the proposer believes this proposal causes other parties Code compliance issues should the Code obligation not align with the CMA Gas Settlement Order.

Given the compressed timescales for Modification 0633 and how close it is to the proposed 01 December 2017 implementation date, under the UNC Modification Rules it is not possible to raise an alternate proposal without delaying Modification 0633. The proposer (of Modification 0638) believes this proposal can be closely linked to the Modification 0633 proposal as a standalone proposal with both modifications being consulted at the same time.)

How

This modification is proposing to bring forward to 01 December 2017, (align the Code obligation) the effective implementation date of the CMA remedy that (for) all sites with Smart or AMR devices to submit 1 read per month from 01 April 2018.

2 Governance

Justification for Authority Direction

The Modification Panel determined that this modification should be subject to Authority Direction as currently it is estimated that UIG costs are around £20-40m a month to the industry, which is driven in part by inaccurate AQs caused by a lack of meter reads. This modification should have a significant impact in improving the accuracy in AQs, hence UIG volatility. This modification might therefore have a material impact on Shippers who will be required to submit reads every month (to deliver post-Nexus benefits to consumers) and help reduce UIG.

(Through the CMA investigations¹ it was concluded that² -

¹ <https://www.gov.uk/cma-cases/energy-market-investigation>

With respect to any Supply Meter able to remotely transmit Valid Meter Readings referred to in Article 3.1, Retail Gas Suppliers must:

- (a) take all reasonable steps to obtain a Valid Meter Reading at least once per month;
- (b) submit at least once per month to the Relevant Gas Transporter all Valid Meter Readings obtained since the previous submission in accordance with the Transportation Principal Document Section M of the UNC.

This was to improve settlement accuracy. Within the order the CMA left the door open until the 01 September 2016 to make further directions. The Ofgem/Workgroup 0594R Gas Settlements RFI resulted in parties supporting the base case of monthly reads and 13 out of 15 responses confirmed they were working towards the 01 April 2018 delivery date.)

Requested Next Steps

This modification should:

- be considered a material change and not subject to self-governance
- Issued to consultation

The Workgroup agreed with the Panels views on the potential materiality of implementing this modification. However, not all agreed with the reasons for the impacts as set out later in the report.

The Workgroup agreed the modification is sufficiently understood to be issued to consultation.

(Given that Modification 0638 is closely linked with discussions at Workgroup 0633, the proposer (of Modification 0638) believes both proposals should be consulted at the same time. Failure to issue these proposals for a November consultation will seriously risk Modification 0633 01 December 2017 implementation date. We believe Panel can take pragmatic steps to avoid a delay to this proposal and Modification 0633.)

3 Why Change?

The CMA has directed the industry, as part of its investigation into the Energy Market, (that) for every site with a smart or AMR meter installed to submit one Valid Meter Read each month to Xoserve (the CDSP) from 01 April 2018³.

Workgroup participants support this proposition, however, some believe that the industry will benefit from having this obligation brought in earlier, as more accurate settlement will reduce the current high levels of UIG and volatility being experienced in the market.

(The CMA Gas Settlement Order, including the April implementation date, was reviewed through the Ofgem/UNC0594R workgroup RFI⁴. The Request for Information findings were that the 01 April 2018 implementation date should remain unchanged - *As a result, the April 2018 implementation date will*

² <https://assets.publishing.service.gov.uk/media/58513e4d40f0b60e4c0000b7/energy-market-gas-settlement-order-2016.pdf>

³ <https://assets.publishing.service.gov.uk/media/58513e4d40f0b60e4c0000b7/energy-market-gas-settlement-order-2016.pdf>

⁴ <https://www.gasgovernance.co.uk/sites/default/files/ggf/UNC594R%20RFI.docx>

*remain and the PAC will be responsible for monthly monitoring and reporting*⁵. Through the FRI most responses confirmed they were working towards the April 2018 implementation date.

The April 2018 implementation date was ratified by the CMA through their September communication⁶. In the communication, the CMA confirmed it had received no evidence from suppliers or other stakeholders to amend the Order date. The CMA also references the UNC0594R review, where no evidence was provided to amend the date. Therefore, the proposer believes it is appropriate that Code obligations align with the CMA remedy implementation date.

To comply with the CMA Order relevant industry parties, have mobilised project teams to deliver internal system and contractual changes. These projects are complex and expensive to deliver. To request an earlier obligation date that involves large scale change, is unacceptable as all system changes require a minimum of six months' implementation notice.

This information was provided to Corona at the 0633 Workgroup, but Corona decided to progress with their proposal unchanged. As a result, Centrica has raised this change to realign UNC Code obligations with the industry consulted and CMA instructed implementation date of 01 April 2018.

The proposer notes that Corona's proposal states greater read volumes "will reduce the current high levels of UIG and volatility being experienced in the market". There is no evidence to support this statement. Increased read volumes will enable the industry to know the true UIG levels at an earlier stage, but Modification 0633 can't be sure if it will result in an increased or decreased UIG values. This information was also communicated to Corona at 0634 Workgroup.)

4 Code Specific Matters

Reference Documents

The Energy Market Investigation (Gas Settlement) Order 2016

Knowledge/Skills

None

5 Solution

Include a formal obligation in the UNC for every site that has either a Smart Meter or AMR device installed to submit one valid read a month from 01 December 2017 (01 April 2018).

⁵ <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2017-10/Minutes%200594R%20280917%20v2.0.pdf>

⁶ <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2017-09/CMA%20Gas%20Settlement%20Letter.pdf>

6 Impacts & Other Considerations

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

There is no impact on any other industry change or the SCR.

Consumer Impacts

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none"> No direct consumer impacts identified.
What costs or benefits will pass through to them?	<ul style="list-style-type: none"> No direct costs or benefits identified. However, some participants consider the accurate apportionment of costs supports competition which would be an indirect benefit to consumers.
When will these costs/benefits impact upon consumers?	<ul style="list-style-type: none"> None identified.
Are there any other Consumer Impacts?	<ul style="list-style-type: none"> No other consumer impacts identified.

Cross Code Impacts

There may be an impact on the iGT UNC in terms of referencing and similar obligations.

EU Code Impacts

There is no impact on any EU energy code.

Central Systems Impacts

Changes to UK Link systems are not anticipated as the capacity currently exists for the additional reads to be implemented. However, this is still to be confirmed by Xoserve.

It is expected that the Performance Assurance Committee (PAC) would monitor compliance.

(This change does not amend the meter read flag obligations, so it does not amend the Transporter Monthly Read Must Read obligations.)

Workgroup Impact Assessment (0633)

Some participants were concerned that this modification would impact parties' systems implementation programmes for the submission of monthly reads for Smart and AMR meters, currently mandated from 01 April 2018. However, others felt that a full system solution was not the only option to meet the requirements as this modification, as its impacts were for an interim period.

Some challenged whether this modification would materially impact UIG and therefore if it merited bringing forward the CAM remedies. However, others felt it would benefit settlement by ensuring meter reads were made available which should support accurate cost apportionment.

Some participants felt this modification might have an adverse impact on UIG by increasing volatility. However, other felt this risk was overstated and that the provision of more data should improve settlement accuracy.

Some participants noted that a consequence of implementation might mean these additional monthly read sites would potentially fall into the scope of the “Must Read” process and that this should be clarified within the solution/legal text, to ensure they remained outside the scope of “Must Reads” process if that is the intention.

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.	Impacted (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 Energy Regulators.	None

Some participants consider this modification should increase the number of meter reads that are used in settlement, which will improve settlement accuracy and hence cost apportionment. This should further competition and relevant objective (d). However, others felt this impact was overstated and this modification could potentially be a negative impact on competition by increasing industry costs.

8 Implementation

No formal implementation date is proposed; however, the modification is seeking implementation by 01 December 2017 (01 April 2018) and therefore requires compressed development timescales.

9 Legal Text

Due to the compressed timescales, Legal Text was not available for consideration by the Workgroup.

10 Recommendations

Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this modification.

Panel have also asked respondents to consider:

1. Is this proposal inconsistent with the CMA requirement?
2. Do you believe there are any implications and/or consequential impacts that this proposal might have on Transporters' "must read" obligations?