













UNC Final Modification Report	At what stage is this document in the process?
<p>UNC 0633 (0638): Mandate monthly read submission for Smart and AMR sites from 01 December (April) 2018</p>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #ccc; padding: 2px; display: flex; align-items: center; gap: 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>Panel consideration is due on 24 November 2017 (<i>at short notice by prior agreement</i>)</p>
	<p>High Impact: Shippers (and Transporters)</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: None</p>

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Timeline		
Modification timetable:		
Initial consideration by Workgroup	26 October 2017	
Workgroup Report presented to 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	
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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 -

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 Panel's 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 to Modification 0633, Panel determined that both proposals should be consulted on at the same time. As failure to issue these proposals for a November consultation would seriously risk Modification 0633 proposed 01 December 2017 implementation date.

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 2018 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 remain and the Performance Assurance Committee (PAC) will be responsible for monthly monitoring and*

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

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>

*reporting*⁵. Through the RFI most responses confirmed that parties 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 it is uncertain as to whether implementation of Modification 0633 will result in 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, available at: <https://www.gov.uk/cma-cases/energy-market-investigation>

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 of 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 CMA 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, others 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 these modifications 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 Modification 0633 could potentially be a negative impact on competition by increasing industry costs.

8 Implementation

No formal implementation dates are proposed; however, these modifications are seeking implementation by 01 December 2017 (UNC0633) and 01 April 2018 (UNC0638).

9 Legal Text

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

However, Legal Text and supporting commentary was subsequently provided by Northern Gas Networks prior to consultation and is published alongside this report.

10 Consultation

Panel invited representations from interested parties on 09 November 2017. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Modification 0633

Of the 18 representations received, 6 supported implementation, 3 provided comments and 9 were not in support.

Modification 0638

Of the 18 representations received, 14 supported implementation, 1 offered qualified support and 3 were not in support.

Preference expressed

Of the 18 representations received, 3 expressed a preference for **0633**, 14 expressed a preference for **0638** and 1 did not express a preference for either modification.

Representations were received from the following parties:

Organisation	Response	Prefer	Relevant Objectives	Key Points
Cadent	0633 Support		d) - Positive	<ul style="list-style-type: none"> • Welcomes measures which require an increased volume of Meter Reading submissions to the CDSP. Increased read frequency is a proven way to improve the accuracy of Annual Quantities (AQs) and for timely Individual Meter Point Reconciliation to occur. • Notes that the Legal Text is identical for both Modifications (despite the 'Solution' within each proposal identifying a specific effective date for the new provisions) and that the Proposals
	0638 Support	0638	d) - Positive	

				<p>differ only in respect of when implementation would occur.</p> <ul style="list-style-type: none"> Recognises that this is an unusual approach to Legal Text and understands this approach has been adopted with the consent of each proposer. Therefore, on this occasion does not view this as a significant process impediment although has a minor concern that this may create an undesirable precedent.
Centrica Plc	0633 Oppose			<ul style="list-style-type: none"> Feels unable to support Modification 0633 on the grounds it does not take into account the CMA Order and position letter, nor implementation guidelines and risks placing multiple parties in breach of Code. However, in supporting Modification 0638, believes that it does take into account the above considerations and aligns the Code implementation date to the CMA (Gas Settlement) Order and Request 0594R findings. Considers that Modification 0638 implementation aligns to the CMA Order and seeks to introduce a 01 April 2018 Code implementation date or similar to be directed by the Gas Transporters. Given the very compressed timescales of Modification 0633, has not been able to assess the costs associated with an earlier implementation, believing this activity would be a waste of resource given focus is already on delivering an April 2018 implementation and an earlier date is unachievable. Believes that Modification 0638 has no additional costs as it delivers the CMA Order. Requests there is clarification of the implementation timescale rules. Understands across every code there are implementation timescale rules depending upon whether the change is Administration, Document or Systems, but believes this should be clarified alongside the Transporter implementation notification obligations. To its knowledge, the gas and electricity industry should not mandate system changes with less than six months notice.
	0638 Support	0638	d) - Positive	

				<ul style="list-style-type: none"> Notes that Modification 0633 states more reads will result in reduced UIG. No party can be sure if more reads will increase or decrease the final UIG position and there has not been any evidence presented to support this. Agrees that more reads will mean the industry settles energy more quickly, which will reveal the true UIG cost (higher or lower) sooner.
Corona Energy	0633 Support	0633	d) - Positive	<ul style="list-style-type: none"> Believes that Modification 0633 allows for more consumption data for various industry processes and will help ease Unidentified Gas (UIG) and reduced scaling factor volatility as well as improve gas settlement accuracy for shippers sooner than Modification 0638.
	0638 Oppose			
E.ON	0633 Oppose			<ul style="list-style-type: none"> Notes that although the same solution has been proposed for both options, there are two different dates for implementation and one cannot be met due to the modification process and the other aligns with the CMA Order. Therefore, supports alignment with the CMA order. Whilst fully understanding and engaged with trying to resolve the current UIG issues, agrees it is potentially due to lots of little issues over multiple modifications, however, none proposed are a silver bullet, including these. Does not perceive the benefits to be those proposed, or based on feedback at the recent UIG meetings and does not agree there are benefits of accelerated implementation which Modification 0633 proposes. Also notes that the legal text only focusses on AQs >293,000 kWh, however, the CMA order does not mirror these exclusions which they should. This is the reason for E.ONs qualified support of Modification 0638. Concerned that depending on the date the Authority makes a decision and the proposed date, it could leave only a matter of weeks between the implementation dates proposed in Modifications 0633 and 0638.
	0638 Qualified Support	0638	d) - Positive	
EDF Energy	0633 Oppose			<ul style="list-style-type: none"> Supports the implementation of Modification 0638 as it aims to deliver the requirements of the CMA Gas Settlement Order, as transposed
	0638	0638	d) - Positive	

	Support			<p>in to Gas Supply Licence condition 21B.4b, which provides an implementation date of 01 April 2018.</p> <ul style="list-style-type: none"> Given that these modifications are currently under consultation and will require Authority approval, believes it is unreasonable to amend the implementation date at such short notice. Would not be able to support the Modification 0633 proposal to bring forward the implementation date to 01 December 2017, as it does not provide sufficient time to finalise the system development required. Would not be able to develop these requirements in time for a 01 December 2017 implementation and notes that during the recent Ofgem request for information regarding Request 0594R, industry was asked to provide feedback on the lead time needed to deliver the requirements. The industry collectively indicated that April 2018 was realistic and achievable; therefore, sees no reason to deviate from this intention. Does not believe that Modification 0633 provides any firm evidence to indicate how it would better address the current UIG issues. Understands the ongoing issues around Unidentified Gas, and remains concerned that the time and resource of the industry would be better focussed on developing a more strategic and holistic plan to resolve the issues around UIG. Would welcome the recommendation from Ofgem that Xoserve should lead on identifying and developing the most appropriate next steps regarding UIG.
ENGIE	0633 Comments			<ul style="list-style-type: none"> Recognises that the levels and volatility of UIG are, quite rightly, of great concern to the industry. Believes that model error in the Non-Daily Metered (NDM) forecasting algorithm is the most plausible explanation for the level and volatility of UIG post Nexus. Does not believe that the nature of this error is fully understood, and incremental gains in UIG resulting from both these modifications may
	0638 Support	0638	d) - Positive	

				<p>well be marginal, at least in the short term, while the operational risks from implementing Modification 0633 in such a challenging timescale are material.</p> <ul style="list-style-type: none"> In the short term, while further analysis is undertaken on the nature of the NDM algorithm error, would rather support initiatives to fix the initial UIG estimate at the “enduring” UIG level, recalculating actual UIG once sufficient meter reads had been received.
extraenergy	0633 Oppose		d) - Negative	<ul style="list-style-type: none"> Believes that Modification 0638 aligns monthly meter reading for AMR and Smart meters with the direction put in place by the CMA. This was an agreed date that industry parties have been working towards. Feels it is unacceptable to move the goal posts at such a late stage in reaction to a perception that it will improve the level of UIG, when there is no clear evidence that this is the case. UIG is complex in nature and an increased number of meter reads may only serve to highlight the volume of UIG rather than “solve” it. Believes that by bringing forward these timescales, Modification 0633 serves to increase industry costs and therefore consumer costs, noting that a solution mandating Smart meter reads is significantly more onerous upon domestic Shippers, given the number of meter points and therefore size of project required. Whilst unable to provide specific costs, points out that a 01 December 2017 implementation would increase costs significantly and is highly impractical given the re-planning and reallocation of limited resource.
	0638 Support	0638	d) - Positive	
Flow Energy	0633 Comments			<ul style="list-style-type: none"> Observes that the evidence to support an earlier implementation (Modification 0633) is predicated on those reads improving settlement accuracy and as a consequence the level of UIG falling. This aspiration and desire must be evidenced-based however and then balanced against known increased costs and risks that an earlier implementation may bring. Previous consultations in this area have made it clear that shipper organisations plan and schedule
	0638 Support	0638	d) - Positive	

				<p>system changes and releases a number of months in advance.</p> <ul style="list-style-type: none"> Notes that moving from an April 2018 date to December 2017 date may be achievable for a proportion of those sites captured by the legal text, however this may not be the case for all shipper organisations based on their systems and existing processes. Points out that costing a 01 December 2017 release has not been achievable to date, but it is likely that areas of non-compliance would result if 01 December was sanctioned as the effective date.
Gazprom Energy	0633 Support	0633	d) - Positive	<ul style="list-style-type: none"> Believes that the earlier implementation of Modification 0633 will help address the ongoing industry issues relating to UIG. With millions of AMR and Smart Metering already deployed, it seems prudent to enable the benefits of access to more granular data as soon as reasonably practicable. Has not identified any significant costs associated with implementation of either modification.
	0638 Support		d) - Positive	
Northern Gas Networks	0633 Support		d) - Positive	<ul style="list-style-type: none"> Feels able to support both modifications, as either would further the objectives set out in the CMA Gas Settlement Order 2016 regarding the mandating of monthly read submissions. Agrees that more readings being submitted would improve settlement accuracy. Prefers Modification 0638 as a reasonable lead time may be required for some parties to be able to comply with the requirement. Raises a point for consideration regarding the interoperability of early smart meters following a change of Supplier event. Understands that not all Suppliers are able to connect to, and obtain reads from, other Suppliers' smart meters. This may have the effect of reverting the smart meter to acting as a traditional meter or lead suppliers to exchange the existing smart meter for another that they can remotely access. In the event of these meters being required to be monthly read, this could have detrimental effect
	0638 Support	0638	d) - Positive	

				on the ability of shippers to comply with the meter read frequency.
Npower	0633 Oppose			<ul style="list-style-type: none"> • While supportive of the broad aims of this modification, there remain a number of reasons why they cannot fully support implementation of Modification 0633. • Given the constricted development timescale for Modification 0633, a number of issues have not been addressed. Firstly, it is not clear that detailed analysis has taken place to understand the effect of adding these additional reads into the settlement process during the winter period. From a general theoretical perspective, it would make sense that providing more read data into settlements would make UIG more stable and levels more reflective. However, given some of the broader AQ movements at industry level since the rolling AQ process has been introduced, and given the increase in gas demand during the winter months, there is no guarantee without more detailed analysis that levels of UIG would not actually increase for a short period. • Furthermore, the level of benefit potentially afforded by bringing this date forward (if realised) is not clear. • In addition, issues around transporter ‘must read’ triggering and reporting still need to be addressed, which the shorter development timescale has not provided enough time to include and consider. • If Modification 0633 is implemented (the same point would apply to 0638), believes that there is scope to request further Workgroup input for retrospective development and addressing of the ‘must read’ and reporting issues. • In supporting Modification 0638, notes that it seeks to introduce into the UNC an implementation date for smart and AMR monthly read submission of 01 April 2018, which aligns with the original CMA gas settlement order. • Believes this Modification 0638 allows those organisations that were already planning for a 01 April system delivery date to complete that
	0638 Support	0638	d) - Positive	

				work appropriately, and time for the effect of bulk additions of read data in certain meter populations to be understood more fully, and be implemented outside of the more volatile winter months.
Opus Energy	0633 Support	0633	d) - Positive	<ul style="list-style-type: none"> Notes that Xoserve recently confirmed the ongoing Unidentified Gas (UIG) issue is costing the industry approximately £20-40m per month. Given the financial impact this is having on gas shippers, strongly supports the implementation of Modification 0633. Believes there are substantial benefits from the industry submitting additional reads for NDM sites, which will improve the accuracy of AQs and help alleviate a portion of the UIG volatility. Conversely, in opposing Modification 0638, it notes that if it is implemented, the industry will continue to be exposed to the current level of UIG volatility until at least April 2018, as other solutions are only at the blueprint stage. Is of the opinion that the successful implementation of either Modification 0633 or 0638 relies on the CDSP being able to identify Smart or AMR devices, and suggests that until Modification 0632S is implemented, it will be difficult to verify shipper compliance with the CMA remedy. Believe that the implementation of Modification 0632S should be prioritised to support the ongoing development of the Gas Performance Assurance Framework (PAF), as this will allow the verification of accurate meter reading submission frequencies for Product Class 4 meter points for shipper performance reports 2A.5 and 2B.5 which will focus on individual meter point reconciliation. Should Modification 0638 be implemented, Opus Energy would encourage the CDSP to request that where gas shippers are able to submit monthly reads for Smart or AMR devices in advance of April 2018, they do so on a voluntary basis to help tackle the UIG levels in the interim.
	0638 Oppose			
Orsted	0633			

	Comments			<ul style="list-style-type: none"> • Supports the intention of both modifications to address the issues of unidentified gas volatility. • Believes that whilst both modifications will achieve the CMA Gas Settlement order, Modification 0638 aligns with the implementation date given by the CMA of 01 April 2018 and supports industry responses to the request for information for UNC Request 0594R.
	0638 Support	0638	d) - Positive	
ScottishPower Energy Management	0633 Oppose			<ul style="list-style-type: none"> • Fully supports the implementation of monthly readings for all Smart and AMR meters, which is reflective in ScottishPower's response to Request 0594R.
	0638 Support	0638	d) - Positive	<ul style="list-style-type: none"> • Also supports all proposals that will benefit the volume of Unidentified Gas across the market. • Does not, however, believe that moving the implementation of the mandating of monthly readings at such short notice will deliver the benefit to outweigh the cost and impact of changing delivery plans. For this reason, supports Modification 0638 and opposes Modification 0633. • Considers the proposal under Modification 0633 to move the implementation date forward by 4 months, giving a lead-time between Modification Panel decision and implementation of only 7 days, places an unreasonable delivery timescale. Therefore, Modification 0633 would result in a negative impact on the relevant objective d) Securing of effective competition between relevant Shippers, as those organisations who have development plans aligned with the CMA Order implementation timescale of April 2018 will be left at a significant disadvantage. The same relevant objective (d) would be a positive impact for Modification 0638, as this would provide clarity and consistency with the changes imposed by the CMA Order, aligning the UNC with SLC. • Points to the fact that analysis performed by Engage Consulting quantifies the risk to settlement caused by Product Class 4 read frequency at £1.35m to initial allocation only. Any misallocation would be corrected at meter point level reconciliation and, therefore, this is a

				<p>cashflow risk. Does not believe that the risk to unidentified gas mitigated by a monthly read frequency will be significantly enhanced by bringing forward the implementation date, considering the CMA Order implementation date is not a significant period of time away.</p> <ul style="list-style-type: none"> • Based on the information provided in their previous Request 0594R RFI response, estimates that 4 months extra costs would equate to >£20m across the industry. • Notes that under the CMA proposals and Modification 0638, from April any misallocated gas caused by sites with a Smart or AMR meter will be reconciled within 1 month of implementation, very quickly mitigating the effect of infrequent readings on UIG. • Notes that for Modification 0638, the analysis has already been undertaken, with development and associated costs already identified and included in the delivery plan and budget for an April 2018 implementation date. • Notes that for Modification 0633, there would be an impact on delivery plans to deliver this functionality sooner than the currently-planned implementation date of April 2018. • This would require workarounds which are not an efficient way to operate and an accelerated requirement for monthly read across all parties, which would generate increased costs across the industry. This, in turn, could impact on those costs passed onto customers earlier than had been originally anticipated.
SGN	0633 Support	No pref	d) - Positive	<ul style="list-style-type: none"> • Supports Modifications 0633 and 0638 as either would potentially improve the frequency of Meter Reading submission to the CDSP from sites at which Smart or AMR is present, in accordance with the CMA Energy Market Investigation (Gas Settlement Order) 2016. • With regards the specific implementation date, and therefore the preference of one Modification over the other, defers to Shipper guidance as to the most efficient and suitable timescales.
	0638 Support	No pref	d) - Positive	
SSE Supply	0633			

	Oppose			<ul style="list-style-type: none"> • Notes that the date of the CMA requirement was reviewed and discussed at length in the UNC Workgroup 0594R, with a subsequent request for information (RFI) being issued. • The RFI responses were very much in favour of retaining the 01 April 2018 implementation date as originally specified in the CMA requirement and most parties confirmed that they are working to meet this April 2018 implementation date. • This date was confirmed by the CMA in a September communication, where it was stated by the CMA that it had received no request from shippers or other stakeholders to amend the date. • Noting that the CMA also referenced the UNC Request 0594R review, where no evidence was provided to amend the date, and agrees with the proposer of Modification 0638, that the Code obligations should align with the CMA remedy implementation date and in the absence of any credible evidence to change. • Believes that there is also no evidence presented within Modification 0633 that its implementation would bring any benefits to the level or volatility of unidentified gas which it is seeking to address. • Has not been able to analyse the costs should Modification 0633 be implemented, but believes that they would be significant.
	0638 Support	0638	d) - Positive	
Utilita Ltd	0633 Oppose			<ul style="list-style-type: none"> • Whilst supportive of measures to improve the efficiency of the gas settlement processes, believes increasing the provision of Meter Reads to the CDSP on a monthly basis will lead to greater accuracy of AQs and potential reductions in Unidentified Gas (UIG) volatility. • Remains concerned with the proposed implementation date of Modification 0633 of 01 December 2017 due to business arrangements already being in place for the setting of the AQ for capacity in December. • Would need to assess the way in which these changes would impact on AQs. However, an April 2018 as opposed to December 2017
	0638 Support	0638	d) - Positive	

				implementation date will allow industry time to prepare for these changes with potentially significant commercial impacts.
Wales & West Utilities	0633 Oppose		d) - Negative f) - Negative	<ul style="list-style-type: none"> • In clearly opposing both modifications, believes that both Modifications need further development. • Also notes that the CMA order introduces the read obligation into Supplier licences so a modification is not required, though it may be desirable. Given this, it is sensible to ensure that the modifications are well developed and address consequential issues. • Does not believe the modifications are sufficiently well developed and believes that both are negative for relevant objective (f). • Furthermore, considers that Modification 0633 in addition brings forward the obligations to 01 December, with very short notice, which is unreasonable for organisations that are building their system to be ready for 01 April 2018. For this reason, considers that Modification 0633 is negative for relevant objective (d). • Is of the opinion that there may also be implementation issues that have not been fully explored. • Believes it may face costs of CDSP system changes to remove sites with Smart or AMR meters from being included in the monthly must read “pot”. • Notes that the report does not usefully discuss the two issues of consistency with the CMA order and consequential effect on must reads, as there was not sufficient time available, due to the compressed timescales. • Believes that it is not clear whether the DMSP will need to do a data fix to list all these Supply Points as Monthly Read or whether Shippers will be required to reconfirm them all as Monthly Read. If latter is the case then it would be assumed that the CDSP would need to put in validation to check that these reconfirmed sites fit the criteria. In both cases, it seems that some change to CDSP systems is required before either modification can be implemented.
	0638 Oppose	0638	d) - None f) - Negative	

				<ul style="list-style-type: none"> • Feels unable to support the implementation of Modifications that are not fully developed and strongly believes that further work is required on the following areas: Must reads and the Level of obligation.
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Responding parties were also requested to address the following question in their representations.

Q1: Respondents were asked to consider whether the proposal(s) are inconsistent with the CMA requirement.

Organisation	Key Points
Cadent	<ul style="list-style-type: none"> • Notes that each proposal does not correspond with the precise terms of the CMA Gas Settlement order. In particular, has identified that the order requires Gas Suppliers to “take all reasonable steps to obtain a Valid Meter Reading at least once per month”. With respect to this, observes that the UNC Shipper User obligations are therefore more onerous than that required by the CMA order for Gas Suppliers. • From a perspective of improving UNC settlement processes and maximising the benefits of the enhanced UNC arrangements introduced under Project Nexus, is supportive of measures which advocate the submission to the CDSP of an increased volume of Meter Readings.
Centrica Plc	<ul style="list-style-type: none"> • Believes both proposals are inconsistent with the CMA requirement. The CMA Order contains a reasonable endeavours obligation to obtain and submit reads. Both UNC Modifications mandate an absolute obligation to submit reads for every Smart and AMR meter. Connectivity issues could prevent the receipt of a read. This could prevent a read being submitted into settlements. Also with the DCC central system not being ready, it should be noted that churned meters (post CoS) often no longer run in ‘smart-mode’, therefore reads are not sent to the new supplier. This will prevent the gaining supplier and relevant shipper being compliant with Code until they undertake further action. • Believes that if development of the Modifications had not been undertaken within such tight timescales, these issues could have been addressed and solutions amended before the proposals were issued to consultation. • Suggests that as a way forward, if both Modifications are rejected, a Variation Request could be raised to address the solution deficiencies. If either proposal is approved, believes a new Modification will be required to better align UNC obligations to Licence obligations.
Corona Energy	<ul style="list-style-type: none"> • Does not believe that the proposal(s) are inconsistent with the CMA requirement and also notes that when the CMA requirement was made, unidentified gas (UIG) was not a significant concern to shippers.
E.ON	<ul style="list-style-type: none"> • This proposal seeks to implement prior to the date explicitly referenced in the order, also the CMA Order does not include the threshold of 293,000kWh which this legal text does, and it sees the Modification seeking to implement only a selection of supplies in comparison to the intent of the order, therefore would prefer that the legal text mirrored the obligations.
EDF Energy	<ul style="list-style-type: none"> • Believes that the proposal(s) are inconsistent with the CMA requirement, and cites the fact that 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. The proposal to bring the date forward to 01

	December 2017 is an inconsistent approach to that outlined by the CMA, and reflected in licence.
ENGIE	<ul style="list-style-type: none"> Both obligations are more onerous, committing the industry to performance standards, where the order required “reasonable steps”. However, Modification 0638 better aligns with the timescale of the CMA requirement.
extraenergy	<ul style="list-style-type: none"> Whilst suggesting that the proposals are consistent with the CMA requirement in terms of intent, believes that the reducing timescales to achieve this, as Modification 0633 proposes, are not.
Flow Energy	<ul style="list-style-type: none"> No specific comment provided.
Gazprom Energy	<ul style="list-style-type: none"> In considering whether the proposals are inconsistent with the CMA requirements, notes that whilst Modification 0633 brings in the requirement to provide more granular readings in advance of the date set out by the CMA, it should be noted that industry issues relating to the scale of UIG have only recently come to light. In the absence of a CMA requirement, the industry would have been seeking to implement solutions to address UIG in a timely fashion, which would have included changes to read submission frequency. Points out that it should also be noted that when the analysis of a suitable implementation date was undertaken, under Request 0594R Meter Reading Submission for Advanced & Smart Metering, the issue of UIG had not been considered as part of the industry consultation.
Northern Gas Networks	<ul style="list-style-type: none"> No specific comment provided.
Npower	<ul style="list-style-type: none"> Believes that Modification 0633 is inconsistent with the CMA order as it seeks to implement this change before the date stated in the order.
Opus Energy	<ul style="list-style-type: none"> Does not believe that the proposal is inconsistent with the CMA requirements, as it would expedite the CMA’s desired outcome.
Orsted	<ul style="list-style-type: none"> No specific comment provided.
ScottishPower Energy Management	<ul style="list-style-type: none"> Is of the opinion that Modification 0633 is inconsistent with the CMA requirement, as the CMA requirement has an implementation date of 01 April 2018. Also notes that Section 3.3 (a) of the CMA Order states that Retail Gas Suppliers must ‘take all reasonable steps to obtain a Valid Meter Reading at least once per month’, however the UNC legal text makes no such reference to ‘taking all reasonable steps’.
SGN	<ul style="list-style-type: none"> Believes both Modifications would appropriately discharge the intentions of the CMA’s order.
SSE Supply	<ul style="list-style-type: none"> Believes that Modification 0638 is consistent with the CMA requirement.
Utilita Ltd	<ul style="list-style-type: none"> Believes the Modifications’ drafting support the intentions of the CMA requirement.
Wales & West Utilities	<ul style="list-style-type: none"> In acknowledging that the proposal is not inconsistent with the CMA requirements, notes that it imposes a stronger obligation than that in the CMA order.
<p><i>Q2: Respondents were asked whether they believe there are any implications and/or consequential impacts that these proposals might have on Transporters’ “must read” obligations.</i></p>	
Organisation	Key Points
Cadent	<ul style="list-style-type: none"> Believes that each proposal as drafted does not preclude Transporters from seeking to procure ‘must reads’ under the terms of UNC TPD Section M5.10

	<p>'Failure to obtain readings'. The terms of Section M5.10.2 (a) provide that a Transporter is able to exercise discretion on whether it elects to procure 'must reads' and at this time it is practice to obtain these for Monthly Read Supply Meters. However, given that under each Modification the volume of Monthly Read Supply Meters would increase significantly, and it would be necessary to review policy accordingly. One matter of uncertainty is whether the CDSP is able to identify and distinguish AMR and Smart Supply Meters from the prevailing Monthly Read Supply Meter population which are eligible for 'must reads'?</p> <ul style="list-style-type: none"> • Notes that some parties have expressed a concern that a GT might elect to undertake such 'must reads', and finds this surprising as given the automated nature of the read procurement and submission of Meter Readings, it is logical to assume that failure to provide reads for this category of Supply Meter would be rare? Furthermore, believes it is reasonable to assume that parties may well be encouraged to ensure correct operation of read equipment in the knowledge that failure would otherwise lead to the likelihood of a 'must read' occurring. • Notwithstanding the above, and noting the uncertainty in the functionality of UK-Link, Cadent would not initiate 'must reads' at Supply Meters over and above the present Monthly Read population of Supply Meters without first consulting with the industry.
Centrica Plc	<ul style="list-style-type: none"> • Believes that there is absolutely no linkage between either of these proposals and the Transporter Must Read obligations. Whilst Modification 0633 is silent on the matter, Modification 0638 is clear that the proposal does not amend the meter read flag obligations. • Believes that it is worth noting that within the gas industry there are two processes that use the term Monthly Read and this may have caused the confusion. The original use of the term is applied to sites based on their consumption, with larger sites having an obligation to submit monthly reads. For these sites, Must Read obligations kick-in after 4 months if a read is not provided. • The other use of the term was introduced through Nexus BRDs and relates to metering technology. Specifically, Smart Meter and AMR equipment that can submit monthly reads. The two processes must not be confused. • Notes that neither Modification proposal seeks a change to the Must Read arrangements, and suggests that if parties wish to amend these arrangements a separate Modification, or potentially a DSC Change would be required. • Also believes that it may be appropriate to amend one of the monthly read terms to avoid future confusion.
Corona Energy	<ul style="list-style-type: none"> • Does not believe there are any impacts on must-read obligations for Smart or AMR.
E.ON	<ul style="list-style-type: none"> • Whilst believing that there may be impacts, has been unable to quantify either way.
EDF Energy	<ul style="list-style-type: none"> • Believes the existing Must Read provisions, associated with annual read and monthly read sites, will require review, based on the implementation of Modifications 0633/0638. Smart and AMR sites will need to be set as 'monthly read' in order to reflect the requirement to submit readings at least monthly. Monthly read sites carry a Must Read parameter of 4 months. • Points out that under Supply Licence Condition 49, suppliers have an obligation to 'take all reasonable steps to establish and maintain communication' with a smart meter. This requirement sets a higher standard for suppliers to attain, under which suppliers are likely to be making significant effort to resolve any issues preventing communication.

	<ul style="list-style-type: none"> Believes that smart meters should be exempt from the Must Read requirements under the UNC.
ENGIE	<ul style="list-style-type: none"> No specific comment provided.
extraenergy	<ul style="list-style-type: none"> In considering whether or not there are any implications or consequential impacts on the Transporters' must read obligations, notes that a Transporter has provided assurances to the industry that any changes to the must read process would be fully consulted on.
Flow Energy	<ul style="list-style-type: none"> In considering whether or not there are any implications or consequential impacts on the Transporters' must read obligations, notes that a Transporter have confirmed they will consult on Must Read obligations being considered regarding this area. Any potential changes should only be assessed for a post April 2018 period.
Gazprom Energy	<ul style="list-style-type: none"> Notes that whilst increasing the frequency of meter read submission, there should also be a proportionate approach to the requirement for a must read obligation. Suggests that it would seem logical to ensure that a common sense approach, as set out by one Transporter, would be adopted across the market by all Transporters.
Northern Gas Networks	<ul style="list-style-type: none"> No specific comment provided.
Npower	<ul style="list-style-type: none"> Believes that there might be further impacts that have not yet been identified.
Opus Energy	<ul style="list-style-type: none"> Does not believe that there would be any negative impact on Transporters' "must read" obligations. Obligating gas shippers to acquire and submit a monthly read into settlement (where a site has a Smart or AMR device fitted) may in fact reduce the number of sites that reach the "must read" stage.
Orsted	<ul style="list-style-type: none"> Has not been able to assess whether there are any impacts on the Transporters' must read obligations.
ScottishPower Energy Management	<ul style="list-style-type: none"> In considering whether there are any implications or consequential impacts on Transporters' must read obligations, notes that the volume of MPRNs moving to a required monthly read would consequently increase the volume of potential sites requiring a 'must read', to which Transporters would be required to adapt accordingly to accommodate. Believes it is worth noting that any impacts will have been apparent since the CMA Order was announced, however, would impact from an earlier date should Modification 0633 be implemented.
SGN	<ul style="list-style-type: none"> Does not consider that either Modification has a direct impact on the provision of must reads.
SSE Supply	<ul style="list-style-type: none"> Does not believe that there are any implications or consequential impacts on Transporters' must read obligations.
Utilita Ltd	<ul style="list-style-type: none"> Is not concerned with any implications or consequential impacts that either Modification has on must-read obligations for Smart or AMR.
Wales & West Utilities	<ul style="list-style-type: none"> In considering whether there are any implications or consequential impacts on the Transporters' must read obligations, notes that as drafted under both Modifications, all Smart and AMR meters become eligible for monthly must reads which may result in must reads being required for a large number of low consumption premises should the equipment fail to send in reads. While there are probably ways of resolving this retrospectively, it would be more sensible to consider this in the Modification, as this is a more efficient way of dealing with consequential issues which have been identified in advance.

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report, and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

12 Recommendations

Panel Recommendation

Members recommended:

- that Modification 0633 should [not] be implemented
- that Modification 0638 should [not] be implemented
- that Modification [0633/0638] better facilitates the Relevant Objectives than Modification [0633/0638]