














UNC Final Modification Report		At what stage is this document in the process?
<h1>UNC 0570:</h1> <h2>Obligation on Shippers to provide at least one valid meter reading per meter point into settlement once per annum</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<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 and relate to non-daily metered sites</p>		
	Panel consideration is due on 17 August 2017 (<i>at short notice by prior agreement</i>)	
	High Impact: None	
	Medium Impact: Shippers and Transporters	
	Low Impact:	

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Timetable		 Any questions? Contact: Joint Office of Gas Transporters  enquiries@gasgovernance.co.uk  0121 288 2107 Proposer: ScottishPower  Angela.Love@ScottishPower.com  0141 614 3365 Transporter: Cadent  chris.warner@cadentgas.com  01926 653541 Systems Provider: Xoserve  commercial.enquiries@xoserve.com
Modification timetable:		
Initial consideration by Workgroup	22 December 2015	
Amended Modification considered by Workgroup	22 June 2017	
Workgroup Report presented to Panel	20 July 2017	
Draft Modification Report issued for consultation	20 July 2017	
Consultation Close-out for representations	10 August 2017	
Final Modification Report available for Panel	14 August 2017	
Modification Panel decision	17 August 2017	

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.

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 or not passing system validation. 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.

Why

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 per year, in respect of any non-daily Supply Meter and for this to be used in the settlement. It also proposes that reporting is produced by Transporters and provided to the Performance Assurance Committee to monitor Shipper performance.

The solution envisages that Shippers (and their associated Suppliers) should “take all *reasonable* steps to obtain a meter reading” to correspond with the existing Supply Licence requirement and submit it into settlement.

It is also proposing that the existing meter reading requirements set out in the UNC Section M are removed.

2 Governance

Justification for Urgency, Authority Direction or Self-Governance

The Modification Panel determined that this modification was not suitable for Self Governance, 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 issued to consultation.

The Workgroup agrees with the Modification Panels view that this modification should not be Self-Governance as it could have a material impact on competition, or commercial activities related to, the shipping, transportation or supply of gas because it would impact the settlement regime by increasing the number of valid reads used for settlement purposes.

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 or not passing system validation. In the 2015 Review, whilst there were 83% of AQs revised by the Transporters 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. It is recognised that a proportion of this could be due to more meter readings being received between May and August, however Xoserve has 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 by the Transporters 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 supply points where the latest read is less than 12 months old, there should be an increase in the accuracy of settlement and the bills to Shippers. The Workgroup therefore believes 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.

For the first time the reporting requirement under Modification 0520A - Performance Assurance Reporting (as approved by Ofgem)³ will give visibility of overall Shipper read performance, but also allow for discussion of any perceived issues with UKLINK accepting readings.

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

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

³ <http://www.gasgovernance.co.uk/0520>

There is an opportunity to dovetail this arrangement with the Performance Assurance Arrangements, given that Ofgem has approved Modification 0506V - Gas Performance Assurance Framework and Governance Arrangements and that the reporting proposed under Modification 0520A could be incremented to achieve this objective.

The Workgroup considers it is for the Performance Assurance Committee to determine what reporting, if any, is needed to monitor the requirements proposed under Modification 0570.

It should be noted that the CMA order detailing the requirements to amend Shipper and Transporter licences can be found by using the following link:

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

4 Code Specific Matters

Reference Documents

UNC TPD

Knowledge/Skills

None required

5 Solution

This modification seeks to place a requirement on Shippers to

- submit at least one Valid Meter Reading per year in respect of any non-daily Supply Meter, where the Supply Point has been in the Registered Users ownership for more than 12 months or:
- take reasonable endeavours to submit at least one Valid Meter Reading per year in respect of any non-daily Supply Meter, where the Supply Point has been in the Registered Users ownership for less the 12 months.

For the avoidance of doubt this requirement also covers pre-payment meters.

The solution also proposes that the existing meter reading requirements set out in the UNC Section M are removed.

6 Impacts & Other Considerations

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

This modification has no impact on any current Switching SCR or other industry change.

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none"> • Domestic Consumers • Small non-domestic Consumers • Large non-domestic Consumers (NDM)
What costs or benefits will pass through to them?	There are no direct benefits or costs to pass through to consumers as the reads submitted through this process are likely to be less frequent than those used in consumer billing. However, indirectly the Modification is likely to ensure AQs are updated more frequently and that this information would be available should for competing Shippers/Suppliers should a consumer wish to switch Supplier.
When will these costs/benefits impact upon consumers?	Approximately between 1 and 12 months following implementation depending where the obligation falls for a supply point during a Shippers ownership.
Are there any other Consumer Impacts?	None identified.

Cross Code Impacts

It should be noted that there will be a consequential impact on the iGTUNC, as following the implementation of Modification 0440 - Project Nexus – iGT Single Service Provision, the iGTUNC directly references relevant sections of UNC.

The Legal Text for Modification 0570 will impact a number of the sections of UNC referenced by the iGTUNC and this is likely to require an iGTUNC Fast-Track Modification to correct the referencing errors.

EU Code Impacts

No EU Code impacts have been identified.

Central Systems Impacts

No Central System impacts have been identified

Workgroup Impact Assessment

The Workgroup notes that the proposals in this modification would not place an onerous burden on Shippers and Suppliers to provide a meter reading for settlement purposes, particularly as a Supply Point needs to be in the Shippers ownership for at least 12 months prior to the requirements being effective.

It is noted that as Project Nexus was implemented on 01 June 2017, the benefits highlighted for the 2017 AQ review would not be fully achievable as the requirements for an AQ review would be removed.

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

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 Energy Regulators.	None

This proposal 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 reconciliation and more generally by having more readings available. This proposal 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).

This modification 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 all sites, 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

No implementation timescales are proposed. However, it would be desirable if Transporters implement this modification as soon after an Ofgem decision as possible.

9 Legal Text

Legal Text has been provided by Cadent and is included below. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

Text Commentary

Notes

1. This table is based on the legal text for Modification 0570 published on the Joint Office website on 24 May 2017.
2. Modification 0570 relates to the obligation on Shippers to provide at least one Valid Meter Reading per Meter Point per year.

TPD Section M (Supply Point Metering) (As amended by Modification 0604)	Topic	Explanation
New paragraph 5.9.9	Frequency of Meter Readings when the Supply Point has been in the ownership of the Registered Owner for at least 12 months	States that, in relation to Annual Read Meters, Users must secure at least one Valid Meter Reading in every 12 month period for each Annual Read Meter where the Supply Point has been in the ownership of the Registered Owner for at least 12 months.
New paragraph 5.9.10	Frequency of Meter Readings when the Supply Point has been in the ownership of the Registered Owner for less than 12 months – reasonable endeavours	States that, in relation to Annual Read Meters, Users must use their reasonable endeavours to secure at least one Valid Meter Reading in every 12 month period for each Annual Meter where the Supply Point has been in the ownership of the Registered Owner for less than 12 months.
New paragraph 5.9.11	Frequency of Meter Readings when the Supply Point has been in the ownership of the Registered Owner for	States that, where, despite reasonable endeavours, the User has not been able to secure at least one Valid Meter Reading in 12 months for Annual Read Meters that have been in the ownership of the Registered User for less than 12 months, the User must secure a Valid Meter Reading within a 24 month

	less than 12 months – long stop	period. This 24 month period acts as a long stop date.
New paragraph 5.9.12	Timing of first Meter Read	Retains but moves the requirement for the first meter read to take place between 1 and 12 months from the First Supply Point Registration Date (and corrects the cross reference taking into account the new preceding paragraphs).
New paragraph 5.9.13	Performance reporting	Retains but moves the obligation on the CDSP to provide feedback to Users on their performance in respect of obtaining a Valid Meter Read for Annual Read Meters in accordance with the obligations set out in the preceding paragraphs.
New paragraph 5.9.14	Pre-payment Meters	Clarifies, for the avoidance of doubt, that the obligations in respect of obtaining Valid Meter Reads for Annual Read Meters also apply to Pre-payment meters.
New paragraph 5.9.15	Off-take reconciliation	Retains but moves the statement that each Valid Meter Read in respect of a Class 4 Supply Meter shall give rise to an Offtake Reconciliation.
Amendment to paragraph 5.10.8	Failure to obtain readings	Corrects the cross reference to paragraph 5.9.9(b) in light of the above changes. Allows the Transporter to request a proposal for compliance with the obligations in respect of obtaining Valid Meter Readings for Annual Read Meters where the User has persistently failed to meet them.

Text

TRANSPORTATION PRINCIPAL DOCUMENT

SECTION M – SUPPLY POINT METERING (AS AMENDED BY MODIFICATION 0604)

Delete paragraphs 5.9.9 – 5.9.10 and replace with the following:

- 5.9.9 Each User shall secure, in relation to Annual Read Meters, that a Valid Meter Reading is obtained and provided to the CDSP at least once in every 12 month period for each Annual Read Meter where the Supply Point has been in the Registered User's ownership for more than 12 months.
- 5.9.10 Where the Supply Point for the Annual Read Meter has been in the Registered User's ownership for less than 12 months, the User shall use its reasonable endeavours to secure that a Valid Meter Reading is obtained and provided to the CDSP at least once in the first 12 month period of ownership.
- 5.9.11 Where the Supply Point for the Annual Read Meter has been in the Registered User's ownership for less than 12 months and, despite reasonable endeavours, it has not been possible to provide

a Valid Meter Reading within the first 12 months of ownership in accordance with paragraph 5.9.10, the User shall secure that a Valid Meter Reading is obtained and provided to the CDSP at least once in the first 24 months of ownership.

5.9.13 The CDSP shall notify each User of its performance under 5.9.9 – 5.9.12.

5.9.14 For the avoidance of doubt, the provisions set out in paragraphs 5.9.9 – 5.9.12 also apply to Pre-payment Meters.

Re-number existing paragraph 5.9.11 as paragraph 5.9.12 and replace the cross reference to paragraph 5.9.9 (a) with a cross reference to paragraphs 5.9.9 – 5.9.11.

Re-number existing paragraph 5.9.12 as 5.9.15.

In paragraph 5.10.8, replace the two existing cross references to paragraph 5.9.9(b) with cross references to paragraphs 5.9.9-5.9.12.

Recommendations

10 Consultation

Panel invited representations from interested parties on 20 July 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.

Of the 11 representations received, 9 supported implementation and 2 offered qualified support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Cadent	Support	d - positive	<ul style="list-style-type: none"> This modification, in line with CMA requirements, would if implemented, ensure that a Valid Meter Reading is obtained every 12 months. Any initiative, in this case an increase in the number of reads submitted to the CDSP, which leads to improved settlement accuracy and ultimately more reflective Shipper User invoices, has to be a positive measure. The modification also includes a 'reasonableness' test for Supply Points which have recently been taken into the ownership of a new Shipper User. Agrees with the justification statement within the Draft Modification Report that this modification is not suitable for Self Governance.
Centrica	Support	d - positive	<ul style="list-style-type: none"> The CMA review introduce remedies for more accurate and frequent updates of supply point consumption to improve the allocation of energy. One of these remedies was to submit reads as soon as they become available and at least once

			<p>per year.</p> <ul style="list-style-type: none"> • Agrees with the principle that Shippers should take reasonable steps to obtain these reads and submit them into settlement, as more reads will ensure more accurate settlement of energy. More accuracy should have a positive impact on competition. • Implementation should be aligned to the implementation of the April 2018 CMA Gas Settlement Order. • System and delivery costs are already covered by the Gas Settlement Order. This modification should not have additional costs over and above delivery of the CMA Order.
Corona Energy	Support	d - positive	<ul style="list-style-type: none"> • Is concerned about the levels of Unidentified Gas (UIG) that have been experienced by the market since Nexus go-live, both in terms of its materiality (around 5% of total throughput was deemed UIG for June 2017) and volatility. • A key aspect that affects UIG is the accuracy of Non-Daily Metered (NDM) settlement. The energy allocation for a NDM site, both its AQ and reconciled consumption, can be only be accurate if regular meter readings are submitted for that site. • Supports any development that will increase the number of readings submitted to the CDSP. This change however represents a minor improvement above the current baseline, and efforts should be made by the industry to substantially increase the number of meter readings submitted above this annual minimum, in particular it should look to move to a six monthly read requirement as soon as possible. • Currently seeks to obtain meter readings more frequently from its customer than the current proposed minimum and so there will be little operational impact from this change. • Expects there will be a minor reduction in the levels of UIG due to more frequent settlement reconciliations and more frequent rolling AQ calculations.

EDF Energy	Qualified Support	d - positive	<ul style="list-style-type: none"> • Agrees with the principle of the requirements and the need to improve settlement accuracy. This was highlighted in the CMA gas settlement order which looks to ensure readings obtained are submitted into settlement. • Believe increased settlement accuracy can be achieved by aligning the UNC with the current requirement in the Gas Supply Licence (SLC 21B.4) and placing a requirement on shippers to submit at least one reading into settlement every 12 months • Note that the draft modification is not directly comparative to the requirements of SLC 21B.4, as this places a requirement to 'take all reasonable steps' however the modification requires shippers to 'submit at least one Valid Meter Reading'. It should be acknowledged there is a potential impact of suppliers not being able to obtain readings, despite taking all reasonable steps. Furthermore, there are instances where a valid reading cannot be entered into the CDSP systems due to data issues which can be difficult to resolve. • Consideration should also be given by PAC on the appropriate monitoring under 5.9.13. As drafted the legal text introduces a finite obligation to submit readings without consideration to difficulties that may be encountered. • Cites the electricity arrangements, where the obligation includes a tolerance that acknowledges the challenges set out above. Performance against this is then monitored under the Performance Framework. • Implementation should be aligned with the implementation of the CMA gas settlements order in April 2018. • Assuming that the original scope of Nexus is delivered by the CDSP as planned, there should be no additional costs. Notes that Request 0624R is considering the cost benefit of delivering the full retrospective solution, as originally agreed. Without RAASP, believes that Shippers could require additional resource and manual processing to manage circumstances where a meter read and asset history requires replacement, at additional cost.
E.ON Energy Solutions Ltd	Support	d - positive	<ul style="list-style-type: none"> • Believes that, in the absence of an Annual AQ Review calculation, it is important to ensure the accuracy of charges that the AQ is regularly verified and amended as appropriate. • The introduction of new settlement classes and rolling AQ will naturally encourage the provision of more readings into settlement as only validated, accepted readings will be used for settlement and rolling AQ calculation.

			<ul style="list-style-type: none"> • Should be implemented once the Nexus Modifications 0432 & 0434 are fully implemented, as Modification 0434 will facilitate asset and reading corrections. • Anticipate no additional costs or impacts.
Extraenergy	Support	d - positive	<ul style="list-style-type: none"> • Agrees with the proposer that an increased frequency of meter read submission will improve the accuracy of industry settlement data and allocation of energy. • Believes that increased accuracy in settlement and allocation will have a positive impact on competition between Suppliers and Shippers. • Anticipate no additional costs or impacts.
Flow Energy	Qualified Support	d - positive	<ul style="list-style-type: none"> • Offers qualified support for this proposal as they fully endorse the intent and rationale of the proposal which will provide increased settlement accuracy through increased meter read submissions. • Is slightly cautious in offering full support due to the apparent disparity in the legal text between the suppliers licence (SLC21B.4) and the proposed TPD text in (new) paragraph M 5.9.9. They are unsure whether the CMA view endorsed this view to make this new UNC requirement a higher threshold. • SLC 21 B.4 requires the licensee to take all reasonable steps to obtain a meter reading, whereas M5.9.9 states that Users must secure at least one Valid Meter Reading in every 12 month period. • There will be instances where a read cannot be secured in this 12 month period (e.g. long term vacant, empty properties etc). Such instances require different attention and on occasions multiple attempts to gain access to procure a read and as such it is highly probable that these specific instances will fail the proposed 'must secure' rule. • Taking the proposed text at face value, the potential for significant increased operational costs exists if the intent is that Shippers must procure valid reads for all eligible sites in the prescribed 12 months timeframe. • Clarification is sought on the expectation for all eligible sites to be read, and if not, what the acknowledged position is for those which cannot be read despite the endeavours of the Shipper.

Npower	Support	d - positive	<ul style="list-style-type: none"> • Believes that this modification fulfils the CMA order's requirement for annual reads, which is ultimately beneficial for industry settlements. • Also, increasing the number of meter readings submitted into the settlement system should lead to an increase in the accuracy of gas settlements and allocation. • Supports this modification and agree that the obligation to take a meter reading at least once every year for billing purposes for non-daily metered sites, should be put into the UNC.
ScottishPower	Support	d - positive	<ul style="list-style-type: none"> • Believes that there would be a benefit to the accuracy of the gas settlement arrangements if there is a requirement for Shippers to submit a meter reading once per annum for all supply points. In particular the proposal should ensure that there is much less likelihood for the "line in the sand" date to arrive and for there to be insufficient meter readings for sites to be reconciled before close out. • Notes that, in the intervening period since this MOD was raised, in February 2016, the CMA Gas Settlement Order introduced this requirement into the Gas Supply Licence. This modification therefore is really just formalising the Licence Condition obligation in the Uniform Network Code, requiring a reading to be provided at least once per annum. • Does not believe that there is a lead-time needed for this proposal, as it is already a Supply Licence requirement. • Does not believe that there are additional costs from this proposal
SGN	Support	d - positive	<ul style="list-style-type: none"> • Believes that this modification creates arrangements to increase the submission of valid meter reads which will have a positive impact upon settlement accuracy. • Supports implementation at the earliest date to achieve benefits. • Anticipates no additional costs or impacts.
SSE	Support	d - positive	<ul style="list-style-type: none"> • Agrees that increasing the number of meter readings submitted into the settlement system should lead to an increase in the accuracy of gas settlements and allocation, and that this action will ensure that less gas is left unreconciled at the line in the sand. • Should allow at least one annual read to be submitted to enable gas settlements to become more accurate at very little marginal cost.

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 0570 should [not] be implemented