

UNC Final Modification Report		At what stage is this document in the process?
<h1>UNC 0664V:</h1> <h2>Transfer of Sites with Low Valid Meter Reading Submission Performance from Classes 2 and 3 into Class 4</h2>		<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;">01 Modification</div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;">02 Workgroup Report</div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;">03 Draft Modification Report</div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px; background-color: #f4a460;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>To create an obligation for Shippers to move Supply Points with low Valid Meter Reading submission performance from Classes 2 and 3 into Class 4, following a consecutive period of poor performance. The CDSP will automatically move any Supply Points not moved by the Shipper in such a scenario (after an allowed period of time).</p>		
	Panel consideration is due on <b>20 May 2021</b>	
	High Impact: Shippers	
	Medium Impact: CDSP	
	Low Impact: Transporters	

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	 0121 288 2107
	Proposer: <b>Mark Jones</b> <b>SSE</b>
	 <a href="mailto:mark.jones@sse.co.uk">mark.jones@sse.co.uk</a>
	 07810 858716
	Transporter: <b>Cadent</b>
	 <a href="mailto:gurvinder.dosanjh@cadentgas.com">gurvinder.dosanjh@cadentgas.com</a>
	 01926 653541
	Systems Provider: <b>Xoserve</b>
	 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>

Timetable	
<b>Modification timetable:</b>	
Initial consideration by Workgroup*	28 August 2018
Workgroup Report presented to Panel*	20 February 2020
Draft Modification Report issued for consultation*	21 February 2020
Consultation Close-out for representations*	19 March 2020
Final Modification Report available for Panel*	24 March 2020
Modification Panel decision*	16 April 2020
Draft Variation Request considered by Workgroup*	11 August 2020
Workgroup Supplemental Report presented to Panel*	17 September 2020
Variation Request considered by Panel	17 September 2020
Draft Modification Report 0664V issued for consultation	17 September 2020
Consultation 0664V Close-out for representations	12 October 2020
Final Modification Report 0664V available for Panel	14 October 2020
Modification Panel decision ( <i>at short notice</i> )	15 October 2020
Variation Request 0664V considered by Panel	17 June 2021
Draft Modification Report 0664VVS issued for consultation	21 June 2021
Consultation 0664VVS Close-out for representations	28 June 2021
Final Modification Report 0664VVS available for Panel	01 July 2021
Modification Panel decision	15 July 2021
* relates to the original 0664 modification	

## 1 Summary

### What

*This Modification was initially developed at PAC and is being monitored by PAC.*

Post Nexus delivery Unidentified Gas (UIG) is shared out using weighting factors determined by the Allocation of Unidentified Gas Expert (AUGE), and currently less UIG is apportioned to Class 2 and Class 3 Supply Points than to Class 4 Supply Points. However, poor performance in the obtaining of Valid Readings from Supply Meters at Supply Points in these settlement classes does not improve the situation regarding temporary UIG but hinders it further. The PAC has been monitoring the situation over recent months, and it has become clear that poor performance can continue with no incentive (beyond Uniform Network Code (UNC) breach) to rectify the situation in the short term. For this reason, the PAC is seeking to create additional incentives in this area to ensure Shippers reach and maintain a minimum level of Valid Meter Readings that are submitted to the CDSP for both Classes 2 and 3 as established in the UNC.

## Why

At present, while Valid Meter Reading submission performance targets are clearly laid out in the UNC TPD Section M, there is no further incentive to ensure Valid Meter Reading performance reaches a suitable level and is maintained. As it stands, without additional incentives, Shippers are able to move large numbers of sites (with potentially high associated energy consumption) into Classes 2 and 3 and, therefore, reduce their UIG exposure. Whilst reading submission in these classes has improved recently, there remain a number of shippers with significant sized portfolios in these classes who are submitting very low numbers of Valid Meter Readings to the CDSP and appear not to be operating effective business processes that meet the requirements of these classes.

## How

The solution will create an obligation for Shippers to transfer those Supply Points in Classes 2 and 3 where the percentage of Valid Meter Readings obtained from the Supply Meters is below the minimum required standard into Class 4. Valid Reading submission performance will be measured at Supply Point level, with those Supply Points falling below a specified benchmark for a consecutive period being automatically transferred to Class 4. After an allowed period of time, where a Shipper does not move Supply Points that have fallen below the threshold in accordance with the obligation, the CDSP will automatically move those Supply Points into Class 4. There will be no requirement to transfer those Supply Points from Classes 2 and 3 into Class 4 that have had a change of Supplier during the consecutive period where the minimum required Valid Meter Reading standard has not been reached.

## 2 Governance

### Justification for Authority Direction

#### Initial proposal which has now been superseded

This Modification should follow Authority Direction procedures, as it could have a material impact on competition. The Modification proposes the introduction of obligations related to Valid Meter Reading submission performance for Class 2 and 3 Supply Points to ensure Shippers that use the relevant settlement classes are able to fulfil the associated Valid Meter Reading submission obligations. As a result, there could be a material impact on competition and contractual obligations for Shippers and Suppliers.

#### Requested Next Steps, (as detailed in section 15)

This Modification should:

- Convert to self-governance
- Proceed to a short consultation.

#### Supplemental Note on Governance;

As part of Variation Request 664V, a request has been made that the Panel reconsider its decision to submit the Modification to the Authority for a direction.

During the development process, the Authority submitted a statement to the Workgroup (discussed as AOB at the 0664V Workgroup on 12 November 2020), that expressed a view that the Modification should now be considered as satisfying Self-Governance criteria, a view with which the Workgroup concurs.

### 3 Why Change?

As it stands currently, performance targets for Valid Meter Reading submissions are clearly laid out in the UNC for all settlement classes. The current Valid Meter Reading submission targets for Class 2 and 3 Supply Points as stated in UNC TPD Section M, stands at 97.5% of a Shipper's portfolio for Class 2, and 90% of a Shipper's portfolio per month for Class 3. However, Shippers can benefit from lower UIG weighting factors by moving sites into Classes 2 and 3, but with no incentive or link to minimum levels of Valid Meter Reading submission performance. Without this link, the additional readings available in these classes will not help the temporary UIG situation, but would further hinder it, potentially creating more unreconciled gas in these categories.

Since November 2017, the PAC has been monitoring levels of Valid Meter Reading submissions for Classes 2 and 3 as the post Nexus settlement classes have been taken up by Shippers and there are now some 2.1 million Supply Points currently in Class 3. However, the post Nexus regime is now over two years old, and read submission performance remains poor, despite the CDSP offering and giving support to Shippers to improve meter reading submission levels. Given that this educative approach has not been successful to date, the PAC feels that further incentives are needed in this area to improve read submission levels for the new settlement classes.

The most recently reported (anonymous) read submission levels are below (as at October 2019),

#### Read Performance as of Oct-19

Shipper Name	PC1	PC2	PC3	PC4-Monthly Read	PC4-Annual Read
Ankara	96.77%	-	-	-	-
Apia	-	-	-	40.00%	95.18%
Baghdad	-	-	-	0.00%	74.56%
Banjul	-	-	90.32%	66.67%	84.98%
Berlin	-	-	0.00%	50.00%	95.31%
Bern	-	-	-	0.00%	95.49%
Bishek	-	-	28.83%	0.00%	75.60%
Bissau	-	-	-	50.00%	-
Bratislava	-	-	-	0.46%	5.71%
Brazzaville	100.00%	100.00%	17.90%	25.46%	93.65%
Bucharest	-	-	87.83%	19.07%	75.46%
Castries	-	-	-	-	96.99%
Dili	-	-	80.00%	36.48%	95.76%
Djibouti	-	-	0.00%	62.13%	94.44%
Dublin	-	-	-	100.00%	96.90%
Gaborone	-	-	-	50.00%	81.50%
Gitega	84.51%	95.21%	76.90%	37.07%	83.80%
Hamilton	-	-	-	28.11%	90.65%
Islamabad	-	-	-	23.27%	96.18%
Kampala	-	-	70.00%	50.00%	83.64%
Kinshasa	-	-	-	44.00%	91.85%
Lisbon	-	-	0.07%	18.38%	87.28%
Luanda	-	58.71%	92.89%	80.72%	84.93%
Luxembourg	-	-	-	28.57%	93.34%
Majuro	-	-	-	72.50%	95.17%
Malabo	-	-	64.17%	79.63%	94.73%
Manama	-	-	9.05%	64.67%	97.05%
Maputo	-	-	-	12.50%	-
Marigot	-	-	-	100.00%	100.00%
Mogadishu	-	-	-	28.57%	84.27%
Monaco	48.39%	-	81.72%	0.00%	-

Monrovia	-	-	-	75.79%	72.75%
Nairobi	-	-	-	50.00%	96.15%
Nassau	100.00%	-	-	-	100.00%
Nuuk	-	-	-	28.95%	97.05%
Oranjestad	-	-	-	27.47%	93.56%
Papeete	88.59%	83.38%	90.44%	75.03%	85.34%
Paramaribo	-	-	-	-	100.00%
Philipsburg	88.99%	70.22%	-	40.58%	92.06%
Prague	-	-	-	26.67%	93.47%
Praia	100.00%	0.00%	78.45%	41.60%	83.80%
Pyongyang	-	-	-	6.67%	16.67%
Quito	-	-	-	53.24%	96.76%
Ramallah	89.00%	0.00%	-	71.21%	95.83%
Reykjavík	80.23%	64.27%	65.32%	93.25%	95.33%
Riyadh	0.00%	-	0.00%	66.67%	93.41%
Rome	93.86%	73.90%	98.47%	88.39%	92.94%
Roseau	-	0.00%	45.24%	62.42%	71.13%
Saipan	92.93%	60.39%	48.39%	74.50%	85.62%
Sarajevo	-	-	-	50.67%	80.02%
Seoul	-	-	80.50%	81.53%	94.28%
Sukhumi	-	-	70.07%	46.94%	88.37%
Suva	-	-	-	-	90.07%
Taipei	-	-	80.35%	39.13%	94.28%
Tallinn	-	-	7.01%	41.39%	92.62%
Tarawa	-	-	-	27.34%	65.66%
Tehran	66.67%	100.00%	-	-	-
Thimphu	100.00%	39.52%	-	88.78%	85.51%
Tiraspol	-	100.00%	-	-	-
Tripoli	-	-	-	0.00%	96.31%
Tunis	-	-	-	83.33%	74.82%
Valletta	66.67%	-	-	66.67%	93.33%
Vilnius	-	-	-	83.28%	92.37%
Warsaw	83.33%	0.00%	-	0.00%	-
Washington	100.00%	53.76%	2.78%	74.60%	88.99%
<b>Industry Total</b>	<b>82.22%</b>	<b>56.21%</b>	<b>52.57%</b>	<b>47.14%</b>	<b>86.95%</b>

The CDSP will be entitled to charge Shippers on a Supply Point basis for all Supply Points that it reclassifies from Classes 2 and 3 to Class 4 on behalf of Shippers in each calendar month. The CDSP will set out the charging rates and invoicing arrangements within the DSC Contract.

The potential benefits of introducing this modification are below:

#### SSE Analysis of Costs and Benefits

Table of Unidentified Gas Weighting Factors for Gas Year 2020/21

	Supply Meter Point Classification			
	Class 1	Class 2	Class 3	Class 4
EUC Band 1	0.22	5.28	45.30	120.98
EUC Band 2	0.22	5.28	13.68	117.79
EUC Band 3	0.22	4.93	9.17	15.29
EUC Band 4	0.22	3.87	9.17	11.76
EUC Band 5	0.22	2.47	8.56	8.04

EUC Band 6	0.22	1.13	6.30	4.79
EUC Band 7	0.22	0.33	5.14	2.47
EUC Band 8	0.22	0.22	0.42	1.55
EUC Band 9	0.22	0.22	0.22	0.22

#### Assumptions

UIG of 4% which equates to a 6% allocation on Class 4 in EUCs 1 & 2.

EUC1 usage is 400 therms (approx.12,000 kWh).

EUC2 usage is 3,500 therms (approx.100,000 kWh).

Price of Gas Is 40p / therm.

#### Potential UIG Avoidance Calculations Based on the above Assumptions

Multiplying the avoided UIG based on the table by the above assumptions gives the below results:

1. Avoidance of UIG from Class 4 to Class 3 in EUC1 is £6.15 per site. 100,000 sites = £615,000
2. Avoidance of UIG from Class 4 to Class 2 in EUC1 is £9.40 per site. 100,000 sites = £940,000
3. Avoidance of UIG from Class 4 to 3 in EUC2 is £72.38 per site. 10,000 sites = £723,800
4. Avoidance of UIG from Class 4 to Class 2 in EUC2 is £78.32 per site. 10,000 sites = £783,200

The CDSP has confirmed that there are 3.9m sites in Class 3 and also confirmed that the AQ at risk there is 170,000 sites in class 3 where no reads have been provided and noted that the analysis provided is modest and that these costs could be greater. Therefore, the benefits when compared to the costs, could be realised in a matter of months.

## 4 Code Specific Matters

### Reference Documents

UNC TPD Section M - <https://www.gasgovernance.co.uk/TPD>

Supplemental Report for Modification 0664 <https://www.gasgovernance.co.uk/0664>

Variation Request for Modification 0664V <https://www.gasgovernance.co.uk/0664>

## 5 Solution

The solution will deal with the transfer of poor performing Supply Points (from Classes 2 or 3 to class 4),

### New Defined Terms:

The following new defined terms will be required to be added to the UNC

### **Minimum Percentage Requirement**

The minimum percentage of **Valid Readings** required over each Performance Period for each Supply Point in order for the Supply Point to remain in Class 2 or Class 3. For the avoidance of doubt, a Meter Reading will be determined as being a Valid Reading including Meter Readings for Smaller Supply Points that are not specifically subject to Validation, but are determined to be valid (M5.8.3 refers – as introduced by UNC Modification 0700) for determination of meeting performance.

This will be set at 25% initially for both Classes 2 and 3 (i.e. each Supply Meter Point in Class 2 or 3 must obtain Valid Meter Readings for 25% of the days within the Performance Period). The Minimum Percentage Requirement will be reviewed on an annual basis by the PAC.

Where there is more than one Minimum Percentage Requirement in place across a Performance Period then the lower of the Minimum Percentage Requirements must be met for all of the Performance Period.

### **Minimum Performance Measure**

The percentage of Supply Points that must meet the Minimum Percentage Requirement over each Performance Period in order for all Supply Points to remain in Class 2 or Class 3. This will be set at 90% initially for both Classes 2 and 3. The Minimum Percentage Requirement will be reviewed on an annual basis by the PAC.

Where there is more than one Minimum Performance Measure in place across a Performance Period then the lower of the Minimum Percentage Requirements must be met for all of the Performance Period.

The PAC has confirmed it agreed a 25% target for read performance for 90% of a Shippers Portfolio was suitable as an initial value, recognising this can be reviewed and amended on an annual basis by the PAC.

### **Performance Measure**

The percentage of daily Valid Meter Readings received, as measured by the CDSP, for each Supply Point in Classes 2 and 3 over each Performance Period.

### **Performance Period**

The time period over which each Performance Measure will be derived. This will initially be set as a consecutive 3 calendar month period, but will be reviewed on an annual basis by the PAC. Where there is a change to the Performance Period then all Performance Measures commencing from that date on will be on the revised Performance Period. Any Performance Periods in place at the date of the Performance Period change will be unaffected by the Performance Period change.

### **Performance Month**

The Supply Meter must be classified as either Class 2 or 3 for the entire calendar month to be considered for a Performance Month within the Performance Period. Where a Supply Meter has been reclassified outside of Class 2 or 3 for any part of the month, or been subject to a Change of Shipper after the first calendar day of the month, it will not be considered either to contribute to performance within the month, nor be considered as part of the Shipper Portfolio for determining the 'Performance Contributing Portfolio'.

### **Performance Contributing Portfolio**

This is the Shippers total Class 2 and Class 3 Supply Meter Point portfolios, less any Supply Meters that are not included within the Performance Month – e.g. as a result of reclassification or Shipper transfer on any day other than the first of the month.

### **Lock-out Period**

The time period over which Shippers will not be able to re-register Supply Points into Classes 2 or Class 3 that have been removed from either of these Classes due to them failing the Minimum Percentage Requirement.

The Lock-out Period will begin on the day of re-registration into Class 4. The lock-out period will cease to apply if there is a change of Shipper at the Supply Point or if the Supply Point qualifies to be registered as a Class 1 Supply Point. The lock-out period will be initially set at 3 months and will be reviewed on an annual basis by the PAC. Where there is a change to a Lock-Out Period all Supply Points that are in a Lock-Out period will be subject to the shorter of the Lock-Out periods.

**Notification of revised Minimum Percentage Requirement, Minimum Performance Measure, Performance Period and Lock-Out Period**

For each Gas Year, the Performance Assurance Committee will maintain or revise the Minimum Percentage Requirement, the Minimum Performance Measure, the Performance Period and Lock-Out Period.

The Performance Assurance Committee will consult with the Uniform Network Code Committee on any revisions and provide the reasons for the revisions.

Not later than 31st August in the Preceding Year (and in sufficient time to meet CDSP system time constraints), the PAC will confirm to the CDSP any revisions, who will apply them from 1<sup>st</sup> October for the upcoming Gas Year. The PAC will also confirm any revisions to Users.

Where the Performance Assurance Committee is unable to or does not determine any revisions for the upcoming Gas Year, the CDSP shall rollover all values applying in the preceding Gas Year

The business rules are below.

**Business Rules**

1. It is proposed that the current read provision obligations in section M, 5.7 and 5.8 are extended to add minimum individual Supply Meter Reading performance targets (Minimum Percentage Requirement). In addition to the existing portfolio level, Valid Read submission targets, each Supply Point registered in settlement Classes 2 and 3 will have Valid Supply Meter Readings measured daily where they meet the criteria to be considered for the Performance Month.

2. While the existing portfolio level Valid Reading submission targets will remain (97.5% per day for Class 2, 90% per day for Class 3), in addition, each Supply Point will need to meet a minimum level of performance over the Performance Period. If any Supply Meter in either Class 2 or 3 provides less than [25%] of daily reads (the 'Minimum Percentage Requirement') across the consecutive period, the Supply Point will be required to be reclassified to Class 4 following that period provided that the Shipper has not met a satisfactory performance across its Class 2 and 3 Performance Contributing Portfolio (as described in Business Rule 10..

3. The table below demonstrates the mechanism for measuring Supply Point level read performance, where the number of accepted Valid Meter Readings provided for a Supply Point in any given Performance Month is recorded and measured to generate an individual monthly read submission performance. The Performance Measure calculated for each Supply Point will be average of the Performance Months contained within each Performance Period.

	MPRN 1	MPRN 2	MPRN 3	MPRN 4	MPRN 5	MPRN 6	MPRN 7	MPRN 8	MPRN 9	MPRN 10
Day 1	1								1	
Day 2	1	1							1	
Day 3	1	1			1				1	
Day 4	1	1							1	
Day 5	1	1			1	1			1	
Day 6	1	1				1				
Day 7	1	1		1	1	1				
Day 8	1	1				1				
Day 9	1	1			1	1				
Day 10	1	1				1				
Day 11	1	1			1	1				
Day 12	1	1				1				
Day 13	1	1			1	1				
Day 14	1					1				
Day 15	1				1	1				
Day 16	1					1				1
Day 17	1				1	1				1
Day 18	1					1				1
Day 19	1				1	1				1
Day 20	1					1				
Day 21	1					1				
Day 22	1					1				
Day 23						1				
Day 24	1				1	1				
Day 25	1				1	1				
Day 26	1				1					
Day 27	1				1					
Day 28	1				1					
Day 29	1									
Day 30	1									
Day 31										
<b>Total</b>	<b>29</b>	<b>12</b>	<b>0</b>	<b>1</b>	<b>14</b>	<b>21</b>	<b>0</b>	<b>5</b>	<b>4</b>	<b>0</b>
<b>Percentage</b>	<b>93.55%</b>	<b>38.71%</b>	<b>0.00%</b>	<b>3.23%</b>	<b>45.16%</b>	<b>67.74%</b>	<b>0.00%</b>	<b>16.13%</b>	<b>12.90%</b>	<b>0.00%</b>

4. Read submission would be measured by the receipt of a Valid Reading, accepted into CDSP systems, including those not explicitly subject to Validation (re: M5.8.3) but deemed valid for performance purposes. The relevant percentage would be calculated for each Performance Period, calculated as the straight average of each Performance Month without any weighting for the number of days in each month and so, for example, where a Performance Period included the months of January, February and March, February’s performance would have equal weighting as those of January and March in determining the performance over the Performance Period, which will be set initially as a 3 month period, and set on an annual basis by the PAC.

5. Following a change of Shipper, Supply Point Valid Reading performance will be reset for the new Shipper. Performance measurement will begin from the 1st day of the next Performance Period after the change of Shipper for the Supply Point and so allowing complete months to be measured.

6. Any Supply Meters that move into Class 2 or 3 from Class 1 or 4 after the first day of the month will be considered against the Performance Period from the start of the subsequent month – i.e. the start of the next Performance Month.

7. Any Supply Meters that move from Class 3 to Class 2 or vice-versa during the Performance Period will have to meet the Valid Meter Reading submission level of the lower target for the whole of the Performance Period.

8. Reporting will be produced and sent to Shippers by the 20th day of each month and will highlight to Shippers all Supply Points where the individual Performance Measure has fallen below the Minimum Performance Standard. Notification and backing data containing the individual Supply Points will be sent to the relevant Shipper(s). Summary reporting will also be delivered to the PAC in a timely manner.

9. Affected Shippers will be obliged to change the class of the relevant Supply Points to Class 4 at the earliest opportunity, but in any event the transfers must be completed within 20 calendar days from receipt of the report. The only exceptions to this are:

- i. any Supply Points where the Class 1 Requirement applies during the Performance Period – including, for the avoidance of doubt, those where the Supply Meter Point is comprised in a Supply Point in respect of which the circumstances set out in the Class 1 Ratchet Charge Guidance Document apply.
- ii. any Supply Points where the supplier has changed during the Performance Period or prior to the reclassification of the Supply Point. Where a change of supplier occurs during the Lock-Out Period then the Lock-Out period will immediately end.

10. To allow for faulty meters and problematic sites any Shipper that achieves the Minimum Performance Measure for:

- a) at least [90%] of their Class 2 Supply Meter portfolio shall not be required to reclassify any existing Class 2 Supply Meters to Class 4
- b) at least [90%] of their Class 3 Supply Meter portfolio shall not be required to reclassify any existing Class 3 Supply Meters to Class 4”

11. The Performance Measure will be solely based on the Performance Period. Any improvement in performance after a Performance Period, but prior to the registration into Class 4, will not be considered and cannot be used as a reason for non-registration into Class 4. Once a Supply Point is determined to have failed the Performance Target for a Performance Period the Supply Point will be required to be reclassified – regardless whether performance subsequent to the Performance Period, but prior to reclassification, improves such that the Supply Point would not have failed the Performance Target in the subsequent Performance Period.

12. If the identified poor performing Supply Points have not been registered and become effective into Class 4 within 20 days of receipt of the reports by Shippers, the CDSP will reclassify these Supply Points to class 4 as soon as is practical. For the avoidance of doubt, any poor performing sites that fail the target will remain in the Performance Contributing Portfolio and will continue to contribute to any subsequent Performance Period measures until they are registered into Class 4

13. Any Supply Points in Classes 2 and 3 transferred to Class 4 due to the failure to meet the minimum Performance Measure at the Supply Meter may not be transferred to Classes 2 and 3 for a minimum Lock-out period, which will initially be set at (3) months, from their transfer into Class 4. This Lock-Out Period will be determined on an annual basis by the PAC. This condition will not apply after a change of Shipper where the new Shipper will be able to change any Class 4 Supply Point into Class 2 or Class 3 in line with normal UNC timescales. This Lock-Out period will not apply to a Supply Point that requires to be re-registered from Class 4 to Class 1.

14. New reports will need to be added to the Performance Assurance Register in order to provide Shipper performance in adhering to the criteria specified in this Modification. These are included below.

### Schedule 2A.x – Industry Peer Comparison View

Report Title	<b>Sites converted from PC 2/3 to PC4 by the CDSP due to low read submission levels at individual supply points</b>
Report Reference	2A.x (reference to be determined following implementation of UNC Modification 0664)
Report Purpose	To compare Shipper performance in managing their valid meter reading submission for Class 2 and 3 supply points against the minimum

	submission at supply point level (not against the UNC portfolio level targets), by reporting on the number of sites which the CDSP has converted to Class 4, following failure to meet the minimum requirements at levels over the Performance Period.
Expected Interpretation of the report results	The aim is to understand whether required UNC minimum standards are being met. The report should identify performance across all market participants
Report Structure (actual report headings & description of each heading)	Monthly non-cumulative report Peer Comparison Identifier Product Class Count of supply points for which the CDSP has moved to Class 4 during the month Industry Total
Data inputs to the report	SSC Peer Comparison Identifier Product Class Count of sites converted by the CDSP Excludes Class changes initiated by the Shipper
Number rounding convention	Whole numbers
History (e.g. report builds month on month)	A Rolling 12-month view provided monthly
Rules governing treatment of data inputs (actual formula/specification to prepare the report)	Sites are counted if they became live as Class 4 on any date in the calendar month.  Sites are excluded if the Shipper initiated the Class change, or if the Class change was due to a change of Shipper  The report is prepared as soon as possible after the end of the calendar month
Frequency of the report	Monthly
Sort criteria (alphabetical ascending etc.)	Peer Comparison Identifier alphabetically
History/background	Requirement introduced to support UNC Modification 0664 obligations

Additional comments	
Estimated development costs	
Estimated ongoing costs	

Supply Points converted from PC2 or PC3 to PC4 by the CDSP due to low read submission (in accordance with UNC obligations x.x.x)							
	Month x		Month x + 1		Month x + 2		Etc for 12 months
Sub-category	PC2	PC3	PC2	PC3	PC2	PC3	
Identifier A	0	0	0	0	0	0	
Identifier B	0	0	0	0	00	0	
etc							
Total	0	0	0	0	00	0	

## Schedule 2B.x – Performance Assurance Committee View

Report Title	<b>Sites converted from PC 2/3 to PC4 by the CDSP due to low read submission levels at individual supply points</b>
Report Reference	2B.x (reference to be determined following implementation of UNC Modification 0664)
Report Purpose	To compare Shipper performance in managing their valid meter reading submission for Class 2 and 3 supply points against the minimum submission at supply point level (not against the UNC portfolio level targets), by reporting on the number of sites which the CDSP has converted to Class 4, following failure to meet the minimum requirement levels over the Performance Period, as a count of Supply Points, as a percentage of the Shipper's Supply Points in that Class and as an aggregate Rolling AQ.
Expected Interpretation of the report results	The aim is to understand whether required UNC minimum standards are being met. The report should identify performance across all market participants
Report Structure (actual report headings & description of each heading)	<p>Monthly non-cumulative report</p> <p>Shipper Short Code</p> <p>Product Class</p> <p>Count of supply points for which the CDSP has moved to Class 4 during the month</p> <p>Percentage of the Shipper's Supply Points in that Class that have been moved each month (as a percentage of their position at the start of the performance month)</p> <p>Aggregate Rolling AQ of the Shipper's Supply Points in that Class that have been moved each month</p> <p>Industry Totals</p>
Data inputs to the report	<p>SSC</p> <p>Product Class</p> <p>Count of sites converted by the CDSP</p> <p>Rolling AQ of the Shipper's Supply Points in that Class that have been moved</p> <p>Total count of the Shipper's Supply Points in that Class at the start of the month</p> <p>Excludes Class changes initiated by the Shipper</p>
Number rounding convention	<p>Whole numbers</p> <p>Percentage figures to 1 decimal place</p>
History (e.g. report builds month on month)	A Rolling 12-month view provided monthly
Rules governing treatment of data inputs (actual	Sites are counted if they became live as Class 4 on any data in the calendar month.

formula/specification to prepare the report)	Sites are excluded if the Shipper initiated the Class change, or if the Class change was due to a change of Shipper  The report is prepared as soon as possible after the end of the calendar month
Frequency of the report	Monthly
Sort criteria (alphabetical ascending etc.)	Shipper shortcode alphabetically
History/background	Requirement introduced to support UNC Modification 0664 obligations
Additional comments	
Estimated development costs	
Estimated ongoing costs	

Count of Supply Points converted from <b>Class 2</b> to Class 4 by the CDSP due to low read submission (in accordance with UNC obligations x.x.x)								
	Month x		Month x + 1		Month x + 2		Etc for 12 months	
Sub-category	Count	AQ	Count	AQ	Count	AQ	Count	AQ
Shipper A	0	0	0	0	0	0		0
Shipper B	0	0	0	0	00	0		0
Total	0	0	0	0	00	0		0

Percentage of Shipper's Supply Points in <b>Class 2</b> converted to Class 4 by the CDSP due to low read submission (in accordance with UNC obligations x.x.x)							
<b>Class 2</b>	Month x	Month x + 1	Month x + 2	Month x + 3	Month x + 4	Month x + 5	Etc for 12 months
Identifier A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Identifier B	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
etc	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Industry Performance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
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Count of Supply Points converted from <b>Class 3</b> to Class 4 by the CDSP due to low read submission (in accordance with UNC obligations x.x.x)								
	Month x		Month x + 1		Month x + 2		Etc for 12 months	
Sub-category	Count	AQ	Count	AQ	Count	AQ	Count	AQ
Shipper A	0	0	0	0	0	0		0
Shipper B	0	0	0	0	00	0		0
Total	0	0	0	0	00	0		0

Percentage of Shipper's Supply Points in Class 3 converted to Class 4 by the CDSP due to low read submission (in accordance with UNC obligations x.x.x)							
<b>Class 3</b>	Month x	Month x + 1	Month x + 2	Month x + 3	Month x + 4	Month x + 5	Etc for 12 months
Identifier A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Identifier B	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
etc	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Industry Performance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## Schedule 2A.y – Industry Peer Comparison View

Report Title	<b>Class 2 and 3 Individual Read Performance against the Minimum Percentage Requirement</b>
Report Reference	2A.y (reference to be determined following implementation of UNC Modification 0664)
Report Purpose	To compare Shipper performance in managing their valid meter reading submission for Class 2 and 3 supply points against the Minimum Percentage Requirement at supply point level (not against the UNC portfolio level targets), by reporting on the proportion of the portfolio achieving the applicable Minimum Percentage Requirement, plus the count. (Note that the Minimum Percentage Requirement will be reviewed by PAC each year and therefore may change from time to time).
Expected Interpretation of the report results	The aim is to understand whether required UNC minimum standards are being met. The report should identify performance across all market participants.
Report Structure (actual report headings & description of each heading)	<p>Monthly non-cumulative report</p> <p>Peer Comparison Identifier</p> <p>Product Class</p> <p>Percentage of the Shipper's portfolio (by count) which met the Minimum Percentage Requirement each month of the report period</p> <p>Industry Performance Percentage</p>
Data inputs to the report	<p>SSC</p> <p>Peer Comparison Identifier</p> <p>Product Class</p> <p>Individual meter point read performance (percentage of days for which reads were accepted for the month)</p> <p>Minimum Percentage Requirement</p>
Number rounding convention	To one decimal place
History (e.g. report builds month on month)	A Rolling 12-month view provided monthly
Rules governing treatment of data inputs (actual)	Sites are excluded if there was a Shipper transfer or Class change (whether initiated by the Shipper or the CDSP) in the month.

formula/specification to prepare the report)	The report is prepared at least 10 days after the end of the calendar month, and is therefore reported 2 months in arrears.
Frequency of the report	Monthly
Sort criteria (alphabetical ascending etc.)	Peer Comparison Identifier alphabetically
History/background	Requirement introduced to support UNC Modification 0664 obligations
Additional comments	
Estimated development costs	
Estimated ongoing costs	

Percentage of individual Supply Points where the Minimum Percentage Requirement of [x%] has been achieved by month (by count)							
<b>Class 2</b>	Month x	Month x + 1	Month x + 2	Month x + 3	Month x + 4	Month x + 5	Etc for 12 months
Identifier A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Identifier B	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
etc	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Industry Performance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Percentage of individual Supply Points where the Minimum Percentage Requirement of [x%] has been achieved by month (by count)							
<b>Class 3</b>	Month x	Month x + 1	Month x + 2	Month x + 3	Month x + 4	Month x + 5	Etc for 12 months
Identifier A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Identifier B	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
etc	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Industry Performance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## Schedule 2B.y – Performance Assurance Committee View

Report Title	<b>Class 2 and 3 Individual Read Performance against the Minimum Percentage Requirement</b>
Report Reference	2B.y (reference to be determined following implementation of UNC Modification 0664)
Report Purpose	To compare Shipper performance in managing their valid meter reading submission for Class 2 and 3 supply points against the Minimum Percentage Requirement at supply point level (not against the UNC portfolio level targets), by reporting on the proportion of the portfolio achieving the applicable Minimum Percentage Requirement, plus the count and aggregate Rolling AQ of the Supply Points that have not achieved the Minimum Percentage Requirement. (Note that the Minimum Percentage Requirement will be reviewed by PAC each year and therefore may change from time to time).
Expected Interpretation of the report results	The aim is to understand whether required UNC minimum standards are being met, and quantify the likely risk to Settlement of Supply Points which are falling below the standard. The report should identify performance across all market participants.
Report Structure (actual report headings & description of each heading)	<p>Monthly non-cumulative report</p> <p>Shipper Shortcode</p> <p>Product Class</p> <p>Percentage of the Shipper's portfolio which met the Minimum Percentage Requirement each month of the report period</p> <p>Industry Performance Percentage</p> <p>Count and aggregate Rolling AQ of Supply Points which did not meet the Minimum Percentage Requirement each month of the report period</p>
Data inputs to the report	<p>SSC</p> <p>Product Class</p> <p>Individual meter point read performance (percentage of days for which reads were accepted for the month)</p> <p>Rolling AQ</p>
Number rounding convention	<p>Percentages to one decimal place</p> <p>Whole numbers of Supply Points</p> <p>Aggregate Rolling AQ (kWh)</p>
History (e.g. report builds month on month)	A Rolling 12-month view provided monthly

Rules governing treatment of data inputs (actual formula/specification to prepare the report)	Sites are excluded if there was a Shipper transfer or Class change (whether initiated by the Shipper or the CDSP) in the month.  The report is prepared at least 10 days after the end of the calendar month, and is therefore reported 2 months in arrears.
Frequency of the report	Monthly
Sort criteria (alphabetical ascending etc.)	Shipper Shortcode alphabetically
History/background	Requirement introduced to support UNC Modification 0664 obligations
Additional comments	
Estimated development costs	
Estimated ongoing costs	

Percentage of individual Supply Points where the Minimum Percentage Requirement of [x%] has been achieved by month							
<b>Class 2</b>	Month x	Month x + 1	Month x + 2	Month x + 3	Month x + 4	Month x + 5	Etc for 12 months
Shipper A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Shipper B	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
etc	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Industry Performance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Percentage of individual Supply Points where the Minimum Percentage Requirement has been achieved by month							
<b>Class 3</b>	Month x	Month x + 1	Month x + 2	Month x + 3	Month x + 4	Month x + 5	Etc for 12 months
Shipper A	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Shipper B	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

etc	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Industry Performance	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Count and aggregate Rolling AQ of Supply Points where the Minimum Percentage Requirement of [x%] has <b>not</b> been achieved by month								
Class 2	Month x		Month x + 1		Month x + 2		Etc for 12 months	
	Count	AQ	Count	AQ	Count	AQ	Count	AQ
Shipper A	0	00,000	0	00,000	0	00,000	0	00,000
Shipper B	0	00,000	0	00,000	0	00,000	0	00,000
etc	0	00,000	0	00,000	0	00,000	0	00,000
Industry Totals	0	00,000	0	00,000	0	00,000	0	00,000

Count and aggregate Rolling AQ of Supply Points where the Minimum Percentage Requirement of [x%] has <b>not</b> been achieved by month								
Class 3	Month x		Month x + 1		Month x + 2		Etc for 12 months	
	Count	AQ	Count	AQ	Count	AQ	Count	AQ
Shipper A	0	00,000	0	00,000	0	00,000	0	00,000
Shipper B	0	00,000	0	00,000	0	00,000	0	00,000
etc	0	00,000	0	00,000	0	00,000	0	00,000
Industry Totals	0	00,000	0	00,000	0	00,000	0	00,000

## 6 Impacts & Other Considerations

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

None identified.

#### Consumer Impacts

It should be noted that settlement classes do not necessarily correlate to customer products (in that settlement read submission does not necessarily impact the type of product offered to the customer by a supplier). If this were to be the case, non-submission of meter reads could potentially be detrimental to the customer – this Modification seeks to ensure that Shippers are able to appropriately manage the expected performance levels before moving Supply Points into these settlement classes.

However, this will need further consideration by the workgroup as there may be links to customer contracts that the Modification may need to consider.

#### Cross Code Impacts

It has been identified that there is an impact on IGT UNC and a housekeeping Modification will be raised by the proposer to address the inclusion of UNC section M 5.17.

#### EU Code Impacts

None identified.

#### Central Systems Impacts

There have been central systems impacts identified and discussed with CDSP in relation to this change which have been captured in XRN 4990.

## 7 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 Modification proposes additional incentives to ensure timely submission of Valid Meter Readings for the relevant classes to be used for settlement purposes and to increase the accuracy of UIG. As such, more accurate and frequent read submission data in central systems should lead to more accurate cost allocation and so, therefore, furthering competition and relevant objective d.

The introduction of the Lock-out period excludes shipper lock-out where a change of supplier has occurred, in order to avoid suppliers being potentially penalised due to the performance of previous suppliers. The proposer believes that this will prevent the modification potentially being at odds with the Ofgem Switching Programme which puts the supplier rather than the shipper at the heart of the switching process.

## 8 Implementation

Will be aligned with the XRN 4990

9 Legal Text

EXPLANATORY TABLE

MODIFICATION 0664V

TRANSFER OF SITES WITH LOW VALID METER READING SUBMISSION PERFORMANCE FROM CLASSES 2 AND 3 INTO CLASS 4

Reference	Explanation
Transportation Principal Document	
Section M – Supply Point Metering	
5.17	New paragraph headed 'Performance Assurance: Class 2 and 3 Supply Meter Points'.
5.17.1	<p>New definitions:</p> <ul style="list-style-type: none"> <li>- Aggregate Valid Meter Reading Requirement; the requirement a User secure the Minimum VMR Requirement for not less than 90% of Class 2 and 3 Supply Meter Points in a Performance Period;</li> <li>- Individual Valid Meter Reading Requirement; requirement a User secure a Valid Meter Reading is obtained for Class 2 and 3 Supply Meter Points for 25% of days in a Performance Period;</li> <li>- Performance Period: a period of one or more calendar months as determined by the PAC;</li> <li>- Lock-out Period; a period as determined by the PAC during which the Registered User may not re-classify a Supply Meter Point which has been reclassified as Class 4 following the Registered User's failure to achieve the Aggregate Valid Meter Reading Requirement for a Performance Period</li> <li>- Relevant Class 2 and Class 3 Meter Points; in relation to a User and a calendar month, are relevant Supply Meter Points with the appropriate class where the User was the Registered User for all days in the calendar month.</li> </ul>
5.17.2	PAC to notify Users and the CDSP annually of the Applicable Percentage for Class 2 and 3 Supply Meters for the following Gas Year for the purposes of both the Aggregate Valid Meter Reading Requirement and the Individual Valid Meter Reading Requirement

	<p>definitions, i.e. what will initially be 90% and 25% respectively for both Class 2 and 3 (though they may diverge if the PAC so determine).</p> <p>PAFA also to notify Users annually of the duration (in calendar months) of each Performance Period and the Lock-out Period in the following Gas Year.</p>
5.17.3	<p>The requirement that a User secure that for each of Class 2 and 3 the User secure satisfaction of the Aggregate Valid Meter Reading Requirement and the Individual Meter Reading Requirement.</p>
5.17.4	<p>CDSP to notify User of their performance, and where the Aggregate Valid Meter Reading Requirement is failed the CDSP will identify those sites at which the Individual meter Reading Requirement was not satisfied, i.e. a Failed Supply Meter Point.</p>
5.17.5	<p>Following notification by the CDSP that a site is a Failed Supply Meter Point the Registered User will takes steps by way of a Supply Point Amendment to have the Failed Supply Meter Point reclassified as a Class 4 Supply Meter Point. The re-classification should be effective within 20 days of the CDSP's notification the site is a Failed Supply meter Point, failing which the CDSP will effect the re-classification to Class 4.</p>
5.17.6	<p>The re-classification rule will however not apply if in relation to the Failed Supply Meter Point the Class 1 Read Requirement applies or a change of supplier occurs at any time during the Performance Period.</p>
5.17.7	<p>This prohibits a User re-classifying a site as Class 2 or 3 following its re-classification as Class 4 under paragraph 5.17.5 prior to the end of the Lock-out Period or if earlier the date following any change in supplier at the Failed Supply Meter Point,.</p>
5.17.8	<p>In relation to a Performance Period which straddles different Gas Years, where different Applicable Percentages apply to calendar months in each year the Aggregate VMR Requirement and the Minimum VMR Requirement calculation for the Performance Period will use the lower Applicable Percentage for all calendar months in the Performance Period regardless of which year in which the month falls.</p>

5.17.9	To address sites which move between Class 2 and 3 in a Performance Period but which remain registered with the same User; the site will be deemed to be in the Class with the lower Applicable Percentage, or where the same, the Class applying following the change in Class.
<b>Transition Document</b>	
<b>Part IIC</b>	
1.3.7	Opening values for each Applicable Percentage, and for the duration of the Performance Period and Lock-out Period.

**MODIFICATION 0664V**

**TRANSFER OF SITES WITH LOW VALID METER READING SUBMISSION PERFORMANCE FROM CLASSES 2 AND 3 INTO CLASS 4**

Proposed legal text

**TRANSPORTATION PRINCIPAL DOCUMENT**

**SECTION M – SUPPLY POINT METERING**

*Add new paragraph 5.17 to read as follows:*

**5.17 Performance Assurance: Class 2 and 3 Supply Meter Points**

5.17.1 For the purposes of this paragraph 5.17:

- (a) **"Aggregate Valid Meter Reading Requirement"** is the requirement, in respect of each Class of Relevant Supply Meter Point, that a User secure the Individual Valid Meter Reading Requirement is satisfied for not less than the Applicable Percentage of the User's Relevant Supply Meter Points in a Performance Period;
- (b) **"Individual Valid Meter Reading Requirement"** is the requirement, in respect of a Relevant Supply Meter Point, that a User secure a Valid Meter Reading is obtained for the Relevant Supply Meter Point for not less than the Applicable Percentage of Days in a Performance Period;
- (c) **"Lock-out Period"** means in relation to a Failed Supply Meter Point the period determined as such by the PAC (commencing on the date the Failed Supply Meter Point is re-classified in accordance with paragraph 5.17.5) and notified to Users in accordance with paragraph 5.17.2;
- (d) **"Performance Period"** means the period determined as such by the PAC (commencing on the first day of a calendar month and comprising one or more consecutive calendar months) and notified to Users in accordance with paragraph 5.17.2;
- (e) in relation to a User and a calendar month:

- (i) a "**Relevant Class 2 Supply Meter Point**" is a Supply Meter Point comprised in a Class 2 Supply Point in respect of which the User was the Registered User of the Supply Point for all days in the calendar month;
- (ii) a "**Relevant Class 3 Supply Meter Point**" is a Supply Meter Point comprised in a Class 3 Supply Point in respect of which the User was the Registered User of the Supply Point for all days in the calendar month;
- (iii) a "**Relevant Supply Meter Point**" is a Relevant Class 2 Supply Meter Point or (as the case may be) a Relevant Class 3 Supply Meter Point.

5.17.2 The Performance Assurance Committee will in respect of a Gas Year notify Users and the CDSP by no later than 31 August in the Preceding Year of:

- (a) the applicable percentage (an "**Applicable Percentage**") which shall apply in relation to each Class of Relevant Supply Meter Point for the purposes of determining if a User has satisfied the Aggregate Valid Meter Reading Requirement and the Individual Valid Meter Reading Requirement in a Performance Period in respect of each Class of Relevant Supply Meter Point;
- (b) the number of calendar months in each Performance Period commencing from the first calendar month of the Gas Year; and
- (c) the duration of the Lock-out Period in relation to a Supply Meter Point which is identified as a Failed Supply Meter Point during the Gas Year.

5.17.3 Each User shall secure that in respect of each Class of Relevant Supply Meter Point and a Performance Period:

- (d) the Aggregate Valid Meter Reading Requirement is satisfied in relation to the User's Relevant Supply Meter Points; and
- (e) the Individual Valid Meter Reading Requirement is satisfied in relation to each of the User's Relevant Supply Meter Points.

5.17.4 The CDSP will notify each User by no later than twentieth (20<sup>th</sup>) day of the calendar month following the end of a Performance Period, and in respect of each Class of Relevant Supply Meter Point:

- (f) if the User has failed to satisfy the Aggregate Valid Meter Reading Requirement; and
- (g) if so, the identity of those Relevant Supply Meter Points in respect of which the User has failed to satisfy the Individual Valid Meter Reading Requirement (each a "**Failed Supply Meter Point**").

and paragraph 5.17.5 shall apply in respect of each Failed Supply Meter Point.

5.17.5 Where this paragraph applies, and subject to paragraph 5.17.6, the User shall submit, as soon as reasonably practicable, a Supply Point Amendment to change the Class of the Failed Supply Meter Point to a Class 4 Supply Meter Point with an effective date no later than twenty (20) days following the CDSP's notification under paragraph 5.17.4 (failing which the CDSP shall as soon as reasonably practicable thereafter revise the Supply Point Register such that the Failed Supply Meter Point is re-classified as a Class 4 Supply Meter Point).

5.17.6 Paragraph 5.17.5 shall not apply in relation to a Failed Supply Meter Point if on any Day during the relevant Performance Period:

- (a) the Class 1 Requirement applies in relation to the Failed Supply Meter Point; or

(b) a change of supplier occurs in respect of the Failed Supply Meter Point.

5.17.7 Following the change of Class of a Failed Supply Meter Point in accordance with paragraph 5.17.5 the User who is the Registered User of the Failed Supply Meter Point during the relevant Performance Period shall not be permitted to change the Class of the Failed Supply Meter Point to Class 2 or Class 3 until the earlier of:

(a) the expiry of the Lock-out Period; or

(b) if a change of supplier occurs in respect of the Failed Supply Meter Point during the Lock-out Period, the date following the date on which such change was effective.

5.17.8 Where an Applicable Percentage for a Gas Year is different from the equivalent Applicable Percentage for the Preceding Year the lower Applicable Percentage shall be treated as applying in respect of each Performance Period which includes a calendar month falling in both the Gas Year and the Preceding Year.

5.17.9 Where a User changes the Class of a Relevant Supply Meter Point from Class 2 to Class 3, or vice versa, and the User continues as the Registered User of the Supply Point in which the Supply Meter Point is comprised for all days in a Performance Period, the Supply Meter Point shall be deemed for the purposes of this paragraph 5.17 to be a Relevant Supply Meter Point falling in:

(c) the Class with the lowest Applicable Percentage applying in respect of the Individual Valid Meter Reading Requirement in relation to the calendar month in which the change of classification was effective;

(d) where the Applicable Percentages referred to paragraph (a) are the same, the Class of the Supply Meter Point following the change in classification.

## **TRANSITION DOCUMENT**

### **PART IIC**

*Add new paragraph 1.3.7 to read as follows:*

#### **1.3.7 TPD Section M5.17**

For the purposes of TPD Section M5.17 and for the Gas Year in which the Code Modification referred to as Modification 0664 is implemented and effective from:

(e) in relation to the both Relevant Class 2 Supply Meter Points and Relevant Class 3 Supply Meter Points:

(i) the Applicable Percentage in relation to the Aggregate Valid Meter Requirement is ninety per cent (90%);

(ii) the Applicable Percentage in relation to the Minimum Valid Meter Reading Requirement is twenty-five per cent (25%);

(f) the Performance Period is a period of three (3) calendar months, and the first Performance Period shall commence on the first day of the calendar month following implementation of and the effective date of the Code Modification referred to as Modification 0664; and

(g) the Lock-out Period is a period of three (3) months.

## 10 Consultation 0664

Panel invited representations from interested parties on 20 February 2020. The summaries in the following table are provided for reference on a reasonable endeavours' basis only. It is recommended that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 11 representations received 3 supported implementation, 1 provided comments and 7 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Cadent	Support	d - positive	<ul style="list-style-type: none"> <li>• Supports this Modification, and understands if implemented, it would ensure Supply Points are in the appropriate Class which matches their ability to provide reads.</li> <li>• Believes this should help with UIG by ensuring that those Supply Points which are unable to provide the correct level of reads are removed from Classes 2 and 3 where they would have received an unwarranted benefit of a lower AUG allocation.</li> <li>• Welcomes the ability for Xoserve to be able to recover any costs incurred moving Supply Points to Class 4 as this should incentivise Shippers to carry this out themselves in a timely manner.</li> <li>• Agrees implementation should take place as soon as any changes to relevant parties' systems/processes are in place.</li> <li>• Had no further comments on the question raised by panel to consider whether the proposal has an impact on Shippers who ship for other parties?</li> </ul>
ENGIE	Oppose	d – negative	<ul style="list-style-type: none"> <li>• Supports in principle the intention of the Modification in order to reduce Unidentified Gas (UIG) charges, however does feel that this Modification as designed, would potentially have an adverse effect on Gas Settlement accuracy and on UIG charging.</li> <li>• Believes moving problem sites to Class 4 will reduce the number of daily read sites reducing the overall accuracy of settlement.</li> <li>• Believes it would seem preferable to introduce a performance assurance regime that incentivises Shippers to resolve Class 2 issues in order to improve overall Class 2 performance, rather than reducing the overall size of the class.</li> </ul>

			<ul style="list-style-type: none"> <li>• Feels the actual solution design, by allowing 90% to cover all faults may not be realistic in all instances. ENGIE feels it would be preferable to remove any sites that have a fault flag raised from the calculation completely. In addition, any sites where the issue of reads not being accepted lies with the CDSP should also be removed from the calculation.</li> <li>• Does not believe the customer impact of this change has been considered. Understands many customers in Class 2 will be on contractual products that rely on their consumption being settled daily. Moving them into Class 4 would mean they couldn't access these products anymore and may result in contracts needing to be requoted. Customers will not understand the need for this action.</li> <li>• Believes 6 months' is required to develop systems and process.</li> <li>• Proposes there would be a Customer Service impact in explaining Class changes and the contract amendments that come out of that.</li> <li>• Feels there should be reporting and system developments to monitor at MPRN level.</li> <li>• Is satisfied that the Legal Text delivers the intent of the solution.</li> </ul>
E.ON	Oppose	d - positive	<ul style="list-style-type: none"> <li>• Supports in principle, the intent of the Modification as it is striving to deliver benefits into the UIG allocations through delivery of a mechanism which stops the ability to incorrectly classify supply points for prolonged periods of time.</li> <li>• Believes the associated cost and effort required to deliver the solution within the CDSP's systems outweigh any potential benefits that could be bought forward in UIG costs; with payback for the CDSP's developments taking an unknown number of years for the UIG benefit to be realised.</li> <li>• Feels that enabling the CDSP to force class changes where a Shipper fails to do so in a timely fashion does not act as an incentive to meet this obligation, therefore E.ON concludes that this part of the proposed change is over engineering the solution.</li> <li>• Believes that a much more effective and cost-efficient solution would be to set an incentive on Shippers to ensure that class changes are invoked in a timely fashion through the Performance Assurance Framework (PAF) currently under development as part of UNC 0674.</li> <li>• Believes that the costs associated to the solution that EON are unable to quantify the benefits and believe that the</li> </ul>

			<p>solution should be focussed on compliance/incentives rather than addressing non-compliant shippers who fail to act.</p> <ul style="list-style-type: none"> <li>• Understands should the Modification be approved, the CDSP and Modification implementation timings need to be aligned with a minimum of 6 months' notice to allow for system changes as believe they will be required as part of the CDSP solution.</li> <li>• Feels E.ON are not able to quantify development costs as they do not have the systems insight into impacts because XRN 4990 has not yet been sufficiently developed.</li> <li>• Does not believe that the costs outlined in the ROM will decrease but have concerns it will increase and would then have further impacts on E.ON costs to deploy the solution.</li> <li>• Believes under the proposed solution that the largest portion of costs will be against systems impacts based on the CDSP's solution rather than E.ON costs.</li> <li>• Understands that this element of the solution can only be considered once the XRN's solution becomes clear which is typically after the Modification has been approved.</li> <li>• Believes the CDSP develops in detail once the principles have been agreed, however on this occasion the delivery of the detail of XRN 4990 has resulted in E.ON being unable to completely assess how this will impact on E.ON, because they believe the detailed solution is overengineered which has resulted in E.ON being unable to support the principle.</li> </ul>
Gazprom	Oppose	d - negative	<ul style="list-style-type: none"> <li>• Supports in principle, the intent of the Modification; however believes the proposed solution creates undue discrimination between Suppliers who use a third party Shipper and other Suppliers who do not.</li> <li>• Believes any test should be at the relevant Supplier level which would ensure parties are treat fairly and equitably and no undue discrimination occurs due to the relative performance of another relevant Supplier.</li> <li>• Disagrees with the Proposer that the modification is positive of relevant objective d as it introduces arrangements that lead to the different treatment of Suppliers Feels there will be a number of relevant Suppliers dependant on whether they do or do not utilise a third party Supplier.</li> <li>• Has not identified any significant costs associated with this modification however Gazprom would note that the cost for implementing the solution in central systems are estimated to be between £140-£220k but no details of the actual financial benefits are provided.</li> </ul>

			<ul style="list-style-type: none"> <li>• Believes a substantial notice period should be provided as it may lead to the requirement to make substantial changes to commercial arrangements to reflect the consequential impact of another Suppliers performance impacting a Supplier utilising a common third party shipping arrangement.</li> <li>• No further comments on the Legal Text were provided.</li> <li>• In relation to the additional question raised during the consultation has noted that in principle supports the intent of the proposal however Gazprom believe the proposed solution creates undue discrimination between Suppliers who use a third party Shipper and other Suppliers who do not. As we have set out to the proposer we believe any test should be at the relevant Supplier level which would ensure parties are treated fairly and equitably and no undue discrimination occurs due to the relative performance of another relevant Supplier</li> <li>• Has highlighted concerns throughout the proposals development, namely that the proposed solution fails to address the scenario were a Shipper provides shipping services for third party Suppliers.</li> <li>• Believes that in such circumstances there will be a number of relevant Suppliers using a third party Shipper and determining compliance at the relevant Shipper level instead of the relevant Supplier level risks compliant Suppliers being unfairly and unduly penalised.</li> <li>• Believes the provision of meter reads is not a relevant Shipper driven activity instead it is the relevant Supplier who is the key party who has the direct contractual relationship with the consumer and accordingly undertakes meter reading activities primarily for billing purposes.</li> <li>• Noted that Third Party Shippers provide choice a key route to market for new Suppliers entering the competitive market enabling innovate service offering for consumers across both the domestic and non-domestic energy markets. A regime that penalises relevant Suppliers performing above the required standard due to other relevant Supplier/s not meeting their targets is inherently unfair when performance can be measured at the relevant Supplier level thus ensuring a level playing field for market participants whether they self-ship or utilise a third party shipping arrangement.</li> </ul>
ICoSS	Oppose	d – negative	<ul style="list-style-type: none"> <li>• Does not support the proposal as feels it is inflexible creating fixed performance targets and does not take into account the many potential issues which a shipper may encounter in submitting meter reads, such as intermittency</li> </ul>

			<p>issues with Smart/AMR meters or problems with third party suppliers.</p> <ul style="list-style-type: none"> <li>• Believes the proposal is discriminatory between Shippers and will not achieve the resolution of the root causes of poor performance.</li> <li>• Believes that a flexible approach through Performance Assurance regime will help address the issues identified regarding abuse of product classification to avoid UIG costs, without creating the negative impacts as identified above.</li> <li>• Noted that a significant lead-in period would be required prior to implementation to allow the significant amount of work to change any arrangements with third party suppliers, in order to reverse existing operational processes to guarantee read submissions.</li> <li>• Believes that these proposals will require substantial changes to internal processes and higher costs in managing sites to address short term issues with intermittent meter reading provision.</li> <li>• Legal text was not reviewed.</li> <li>• Noted that they agree with concerns that there will be an impact on shippers who have more than one supplier business for which they ship. Basing performance on shipper short codes, rather than supplier short code, will penalise high performing suppliers or allow poor performing suppliers to avoid charges.</li> <li>• Feels it also limits the ability of an individual supplier to influence performance if it is being aggregated with others and believes that this will have a negative impact on those that ship for multiple 3<sup>rd</sup> parties.</li> </ul>
Npower Group	Oppose	d - positive	<ul style="list-style-type: none"> <li>• Supports in principle, the intent of the Modification and understand the benefits for this change but opposes the change due to the impacts to Npower's I&amp;C customer; from a customer point of view Npower thinks the negatives outweigh the benefits being proposed.</li> <li>• Notes during March, Npower had experienced issues (which are still on-going) whereby Xoserve are impacting the read performance for Class 2 sites due to issues on the Xoserve side with the gateway. If this happened for a prolonged period of time, Npower could see sites forced into a Class 4 through no fault of npower, so reassurance is needed as to how sites impacted by this would be treated.</li> <li>• Has concerns regarding the impacts moving sites may create downstream, for example, if Class 2 sites not being</li> </ul>

			<p>able to control their Supply Offtake Quantity (SOQ) when moved into Class 4 which from a customer point of view isn't what they require.</p> <ul style="list-style-type: none"> <li>• Believes more than 6 months' is required to develop systems and process.</li> <li>• Feels Npower would need to consult with their third parties to understand the development costs, but costs would be significant compared to the benefits for the solution.</li> <li>• Provided no comments on the Legal Text.</li> <li>• Provided no comments on the impact on Shippers who ship for other parties.</li> </ul>
OVO Energy and OVO (S) Gas Limited	Oppose	d - none	<ul style="list-style-type: none"> <li>• Understands the rationale for this Modification, as this could potentially lead to the negating the misuse of the favourable UIG weighting factors that are allocated to Classes 2 and 3, and are supportive in principle.</li> <li>• Does do not believe that the proposed solution is the most efficient way to address Shipper shortcomings.</li> <li>• Believes that the commentary within the Modification sets out "obtaining of Valid Readings from Supply Meters at Supply Points in these settlement classes does not improve the situation regarding temporary UIG but hinders it further."</li> <li>• Believes that there is no demonstrable evidence presented within this Modification of the difference this proposed approach will make to the UIG situation, aside from narrative.</li> <li>• Appreciates that there is a potential consideration that the solution indicates "overengineering", noting it has fairly significant costs associated with the implementation within the CDSP's systems without a clear indication of benefits realisation.</li> <li>• Feels the Modification consultation does not seem to address how Shippers would manage the Lock-out period, where it is moving from being able to re-register classes within 2 months (current process) to 3 months.</li> <li>• Notes this could include manual intervention and monitoring – that addressing this scenario could contribute to additional costs in the implementation.</li> <li>• No comments on Legal Texts, Impacts and costs.</li> </ul>
ScottishPower	Support	d – positive	<ul style="list-style-type: none"> <li>• Agrees with the principle of the Modification and its relevant objective. Shippers should only benefit from having sites in</li> </ul>

			<p>class 2 and 3 when they are meeting read performance as per the current UNC rules.</p> <ul style="list-style-type: none"> <li>• Queries how this Modification benefits UIG in the short or even medium term. By giving the CDSP powers to move sites into class 4 it does not necessarily translate to shippers improving their performance. Some shippers may take immediate action to have the supply point reclassified as Class 2 or 3 or again accept the supply meter points have moved back and continue to perform poorly in PC4.</li> <li>• Believes a 6 months lead time would be required to allow for system changes that are yet to be defined as part of XRN 4990.</li> <li>• Cannot quantify development and ongoing costs at present as XRN 4990 is not fully developed and is at “initial review stage”.</li> <li>• Proposes both the Modification and the XRN should be aligned together for delivery.</li> <li>• Provided no comment on the Legal Text.</li> </ul>
<p>SSE Energy Supply Limited</p>	<p>Support</p>	<p>d - positive</p>	<ul style="list-style-type: none"> <li>• Fully supports the Modification as the Proposer. Industry reporting has revealed that there a number of shippers who have been placing large numbers of sites into product classes 2 and 3 for a significant period of time, and subsequently have been registering very low volumes of valid readings in the CDSP systems on a portfolio basis for these sites.</li> <li>• Believes the principle objective of placing these sites into these product classes very much appears to achieve a much lower level of UIG for these sites. If the much lower daily meter reading target of 25% for 90% of the portfolio, as proposed by this Modification, is unable to be achieved over a rolling three month period, then SSE feel that these customers, who should in reality be meeting the much higher stated UNC targets, should not be benefitting from the lower UIG which these product classes are allocated.</li> <li>• Understands whilst arguments have been put forward about smart meters not working or communicating correctly, the 90% portfolio target in the Modification allows for these problems, and that if there are significant numbers with these issues then they should be moved by the shipper concerned into product class 4.</li> <li>• Notes large numbers of sites that are spuriously placed into these categories send incorrect signals to the CDSP, who has to ramp up its systems and processes to meet this indicated higher meter reading processing demand, even</li> </ul>

			<p>though, in reality, the levels will not reach those indicated, resulting in industry work and costs to mitigate for scenarios which may never occur, but which look possible from the number of sites put into product classes 2 and 3.</p> <ul style="list-style-type: none"> <li>• Proposes implementation as soon as possible, acknowledging the fact that the system changes will have to be scheduled into a future UK Link System release by the CDSP.</li> <li>• Believes there are no significant costs.</li> <li>• Considered the impact on Shippers who ship for other Parties and commented that the four product classes are shipper settlement classes and they are not supplier or customer classes. Shippers may choose to offer corresponding products to suppliers and customers, but are under no obligation to do so, in the same way they do not have to offer any other form of structured commercial contract.</li> <li>• Noted in Workgroup discussions it was clear that some shippers who ship for other suppliers are actually delegating some of their shipper tasks to the appointed suppliers, such as, for example, the provision of meter readings.</li> <li>• Noted It is clear that all obligations under the UNC in relation to shippers are the responsibility of the shipper, and so if a shipper effectively outsources any aspect of its obligations to a supplier, or to any other agent for that matter, then the shipper is still the party responsible for its own performance under the UNC. In order to guard against performance being deficient in any way, shippers should put in place proper commercial contracts with those parties to incentivise them so that expected UNC performance standards are always met.</li> </ul>
<p>Total Gas &amp; Power Ltd</p>	<p>Comments</p>	<p>d – positive</p>	<ul style="list-style-type: none"> <li>• Fully supports the concept of increased read submission to improve settlement accuracy and UIG allocation, however, believes the proposal requires further development at Workgroup.</li> <li>• Appreciates the industry should always strive to submit as many reads into settlement as possible and these should be in the required timeframe for the settlement product class.</li> <li>• Understands that AMR and smart meters can have connectivity and reliability issues and there is also a risk around DCC operational performance.</li> <li>• Appreciates operational issues on specific meters can take time to be resolved and in small portfolios this can significantly affect aggregate portfolio performance, which</li> </ul>

			<p>means this Modification could adversely affect small shippers more than larger shippers.</p> <ul style="list-style-type: none"> <li>• Understands that a balance needs to be taken in relation to not giving UIG benefit to those who are actively seeking benefit from moving between read classes and not making any attempt to meet the read performance levels.</li> <li>• Sees this Modification as having the right intentions but that it is a compromise and does not provide the perfect solution</li> <li>• Believes there is a concern that some sites with genuine issues that can be resolved and therefore will perform well may be moved into settlement product class 4 and not allowed back which would reduce the number of reads into settlement which is against the best practice for the industry.</li> <li>• Believes there would be an impact on 'business as usual; (BAU) operational costs of minor significance and potentially some customer contractual impacts</li> <li>• Notes that Total Gas &amp; Power does not ship for other parties</li> <li>• Believes they would face BAU operational costs of minor significance and potentially some customer contractual impacts.</li> <li>• Did not review or comment on the Legal Text.</li> </ul>
Utility Warehouse	Oppose	d – positive	<ul style="list-style-type: none"> <li>• Supports in principle, the intention of the Modification in order to improve the allocation of UIG and preventing misclassification of supply points for longer than necessary, however Utility Warehouse feel it does not address the root cause(s) of how read performance within class 2 and 3.</li> <li>• Does not support the proposed solution.</li> <li>• Believes one of the contributing factors to this is the inability to obtain meter reading due to Smart meter communication issues, which may be caused by technology and continued energy supply or infrastructure instability. The SMETS2 technology is still in its infancy with suppliers experiencing multiple issues.</li> <li>• Suggest the performance levels of 25% and 90% should be reviewed to ensure they accurately reflect achievable levels of performance given the Smart Technology challenges.</li> <li>• Feels the incentives targeted at improving this measure through the Performance Assurance Framework would be a more efficient and cost effective solution. This would allow for more agile review and adjustment of the performance metrics.</li> </ul>

		<ul style="list-style-type: none"> <li>• Believes more than 6 months' is required to develop systems and process.</li> <li>• Cannot comment on the cost of system impacts or complexity of the development required as XRN4990 does not yet contain sufficient detail regarding the technical solution.</li> <li>• Has concerns that the Rough Order of Magnitude (ROM) could increase as the scope of change is developed, which in turn could have an impact on the implementation costs faced by other parties.</li> <li>• Provided no comments on the Legal Text.</li> <li>• Provided a comment on the impact on Shippers who ship for other parties, suggesting the change of profile class is often driven by supplier activity and interactions with the customer and not the shipper, such as following an installation of Smart meter. As such there may be instances in which a supply point is locked-out due to shipper, not supplier activity or there may be agreements whereby a shipper limits the ability of a supplier to amend the profile class. In these instances, whilst the supplier has made efforts to increase read performance and subsequently change the profile class, they are prevented from doing so by factors outside of their influence. As such, these factors should be considered as part of the proposal.</li> </ul>
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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 Workgroup Supplemental Report for Modification 0664

This Supplemental Report is made pursuant to Rule 9.5.4 of the Modification Rules.

The purpose of Modification 0664, is to create an obligation for Shippers to move Supply Points with low Valid Meter Reading submission performance from Classes 2 and 3 into Class 4, following a consecutive period of poor performance. The CDSP will automatically move any Supply Points not moved by the Shipper in such a scenario (after an allowed period of time).

### Reasons for Inviting Further Consultation

Following consultation in March 2020, 11 representations were made, 3 supported implementation, 1 provided comments and 7 opposed.

Members determined unanimously during the UNC Panel meeting, that due to the concerns raised on a number of areas within the Final Modification Report (FMR), that this should be referred back to the UIG Workgroup requesting further analysis.

The following questions were provided by Panel during discussion requesting a Supplemental Report is produced for UNC Panel in July 2020, a subsequent request was made to UNC Panel in July to extend reporting until August 2020.

Workgroup discussed each of the questions raised independently during the April, May, June and July UIG Workgroup meetings. The following outlines the questions raised, a summary of the key areas discussed from the FMR and the analysis and conclusions:-

**Costs and Benefits**

**1. The costs and benefits have not been demonstrated, these should be reviewed and might have an associated impact on the Rough Order of Magnitude (ROM) or delivery of the change.**

Workgroup reviewed the details of the ROM which had identified that the change costs for an enduring solution would cost at least £140k but not more than £220K to implement noting that these costs did not include for Market Trials.

**The following issues relating to the costs were raised by representatives during consultation and discussed by Workgroup:**

Representative	Issue	Conclusion
<p><b>E.ON</b></p>	<ul style="list-style-type: none"> <li>• Believes the associated cost and effort required to deliver the solution within the CDSP’s systems outweigh any potential benefits that could be bought forward in UIG costs; with payback for the CDSP’s developments taking an unknown number of years for the UIG benefit to be realised.</li> <li>• Feels that enabling the CDSP to force class changes where a Shipper fails to do so in a timely fashion does not act as an incentive to meet this obligation, therefore E.ON concludes that this part of the proposed change is over engineering the solution.</li> <li>• Believes that a much more effective and cost-efficient solution would be to set an incentive on Shippers to ensure that class changes are invoked in a timely fashion through the Performance Assurance Framework (PAF) currently under development as part of UNC 0674.</li> <li>• Believes that the costs associated to the solution that EON are unable to quantify the benefits and believe that the solution should be focussed on compliance/incentives rather than</li> </ul>	<p>The CDSP advised workgroup, that the costs in the ROM included elements of class change, that they were an estimate and that once the exact system changes were known, that the costs could slightly reduce but it is not known at this stage. Workgroup wanted further clarity on these costs and timeframe.</p> <p>EON workgroup representative, advised that they do not believe that the costs outlined in the ROM will decrease but have concerns it will increase and would then have further impacts on E.ON’s costs to deploy the solution.</p> <p>Also believes under the proposed solution that the largest portion of costs will be against systems impacts based on the CDSP’s solution rather than E.ON costs.</p> <ul style="list-style-type: none"> <li>• Understands that this element of the solution can only be considered once the XRNs solution becomes clear which is typically after the Modification has been approved.</li> <li>• Believes the CDSP develops in detail once the principles have been</li> </ul>

	<p>addressing non-compliant shippers who fail to act.</p> <p>Feels E.ON are not able to quantify development costs as they do not have the systems insight into impacts because XRN 4990 has not yet been sufficiently developed.</p> <ul style="list-style-type: none"> <li>• Does not believe that the costs outlined in the ROM will decrease but have concerns it will increase and would then have further impacts on E.ON costs to deploy the solution.</li> </ul>	<p>agreed, however on this occasion the delivery of the detail of XRN 4990 has resulted in E.ON being unable to completely assess how this will impact on E.ON, because they believe the detailed solution is overengineered which has resulted in E.ON being unable to support the principle</p> <p>In order to address the above concerns, the proposer provided an analysis of the volumes and how quickly the costs could be realised.</p> <p>Details of this analysis are detailed on Page 5 of this report.</p> <p>E.ON and the Workgroup were satisfied that this addressed the concerns.</p>
<p><b>Gazprom (oppose)</b></p>	<ul style="list-style-type: none"> <li>• Has not identified any significant costs associated with this modification however Gazprom would note that the cost for implementing the solution in central systems are estimated to be between £140-£220k but no details of the actual financial benefits are provided.</li> <li>• Believes that these proposals will require substantial changes to internal processes and higher costs in managing sites to address short term issues with intermittent meter reading provision.</li> </ul>	<p>The Proposer noted in their consultation rep, that the large numbers of sites that are spuriously placed into these categories send incorrect signals to the CDSP, who has to ramp up its systems and processes to meet this indicated higher meter reading processing demand, even though, in reality, the levels will not reach those indicated, resulting in industry work and costs to mitigate for scenarios which may never occur, but which look possible from the number of sites put into product classes 2 and 3.</p> <p>The analysis provided by the Proposer on Page 6 of this report addressed these concerns.</p>
<p><b>N-Power (oppose)</b></p>	<ul style="list-style-type: none"> <li>• Would need to consult with their third parties to understand the development costs, but costs would be significant compared to the benefits for the solution.</li> </ul>	<p>The analysis provided by the Proposer outlined above satisfied this issue.</p>

<p><b>OVO Energy and OVO (S) Gas Limited (Oppose)</b></p>	<ul style="list-style-type: none"> <li>• Appreciates that there is a potential consideration that the solution indicates “over engineering”, noting it has fairly significant costs associated with the implementation within the CDSPs systems without a clear indication of benefits realisation.</li> </ul> <p>Feels the Modification consultation does not seem to address how Shippers would manage the Lock-down period, where it is moving from being able to re-register classes within 2 months (current process) to 3 months.</p> <ul style="list-style-type: none"> <li>• Notes this could include manual intervention and monitoring – that addressing this scenario could contribute to additional costs in the implementation.</li> </ul>	<p>The analysis provided by the Proposer outlined above satisfied this issue.</p> <p>In addition, the concerns raised relating to the Lockout Period have been addressed in the Variation Request to 0664 and in this report.</p>
<p><b>Scottish Power (Support)</b></p>	<ul style="list-style-type: none"> <li>• Cannot quantify development and ongoing costs at present as XRN 4990 is not fully developed and is at “initial review stage”.</li> </ul>	<p>As detailed above and outlined in this report.</p>
<p><b>Total Gas &amp; Power Ltd (Comments)</b></p>	<ul style="list-style-type: none"> <li>• Believes there would be an impact on ‘business as usual; (BAU) operational costs of minor significance and potentially some customer contractual impacts</li> </ul>	<p>As detailed above.</p>
<p><b>Utility Warehouse (Oppose)</b></p>	<ul style="list-style-type: none"> <li>• Has concerns that the Rough Order of Magnitude (ROM) could increase as the scope of change is developed, which in turn could have an impact on the implementation costs faced by other parties.</li> </ul>	<p>As detailed above, further clarification has been provided on Page 7 of this report.</p>

As summarised above, some Workgroup Participants felt that the costs identified outweigh the Benefits and that the Modification, does not act as an incentive, some Workgroup Participants felt that the XRN Solution should be clearer.

The purpose of this Modification is to ensure that Shippers meet the higher read submission obligations in order to benefit from:

- Lower UIG weighting factors by moving sites into Classes 2 and 3.

In order to address the costs and benefits, the proposer SSE, provided some estimated volumetrics during the May Workgroup to demonstrate how quickly the cost benefits would be realised, highlighting that costs could be recompensed in one or two months on a circa of 100,000 sites, explaining that putting more into class 4,

would allow for better forecasting for NDM allocations. Some Workgroup Participants felt that this needed to be demonstrated further and requested further modelling to be available for the June 2020 Workgroup.

The following table provides a holistic view of the current and proposed read submission target levels, CDSP advised that there are approximately 3.9m sites in Class 3 and 170,000 approximately 3.8 TWh of AQ that no reads have been submitted. 500 in Class 2 as at the 10th June 2020. Only 40 of Class 2 have not had a read.

<b>Product Class</b>	<b>Current Read Submission Target Level</b>	<b>Proposed Read Submission Target Level for Small Supply Points - not subject to validation.</b>	<b>Minimum Percentage requirement over each performance period</b>	<b>The Initial Time Period for each Performance Measure derived *</b>	<b>Poor Performing Supply points must be registered by Shipper into Class 4</b>
Class 2	97.5% per day	25%	90%	Consecutive **3 months	Within 20 days of receipt of reports by Shippers, the CDSP will reclassify.
Class 3	90% per day	25%	90%	Consecutive **3 months	Within 20 days of receipt of reports by Shippers, the ***CDSP will reclassify.

*\*reviewed annually by PAC and will consult with UNCC no later than 31<sup>st</sup> August in the preceding year which will then be applied for 1<sup>st</sup> October Gas Year.*

*Note: During the PAC meeting in June, PAC confirmed it agreed a 25% target for read performance for 90% of a Shippers Portfolio was suitable as an initial value, recognising this can be reviewed and amended on an annual basis. CDSP confirmed that PAC reporting requirements have been considered.*

*\*\* Supply meter must be classified as Class 2 or 3 for the entire calendar month (if outside for any part of month, or change of shipper after the first calendar day, will not be considered as part of shipper portfolio and not contributed to portfolio.*

*\*\*\*Lock-out period begins on the day of re-registration into Class 4 and ceases if there is a change of Shipper at the supply point Suggesting is to Where a Supplier change occurs that the Lock out period will not apply. This would be a change to the Modification, the Legal Text and Business would not change.*

Scottish Power commented during consultation questioning how this Modification benefits UIG in the short or even medium term. By giving the CDSP powers to move sites into class 4 noted that it does not necessarily translate to shippers improving their performance. Some shippers may take immediate action to have the supply point reclassified as Class 2 or 3 or again accepting the supply meter points have moved back and continue to perform poorly in PC4.

The proposer in their response highlighted that SSE feels that customers, who should in reality be meeting the much higher stated UNC targets, should not be benefitting from the lower UIG which these product classes are allocated.

The following Analysis was provided by the Proposer during the June 2020 Workgroup Meeting.

**SSE Analysis of Costs and Benefits**

**Table of Unidentified Gas Weighting Factors for Gas Year 2020/21**

<b>Supply Meter Point Classification</b>	<b>Class 1</b>	<b>Class 2</b>	<b>Class 3</b>	<b>Class 4</b>
EUC Band 1	0.22	5.28	45.30	120.98
EUC Band 2	0.22	5.28	13.68	117.79
EUC Band 3	0.22	4.93	9.17	15.29
EUC Band 4	0.22	3.87	9.17	11.76
EUC Band 5	0.22	2.47	8.56	8.04
EUC Band 6	0.22	1.13	6.30	4.79
EUC Band 7	0.22	0.33	5.14	2.47
EUC Band 8	0.22	0.22	0.42	1.55
EUC Band 9	0.22	0.22	0.22	0.22

**Assumptions**

UIG of 4% which equates to a 6% allocation on Class 4 in EUCs 1 & 2.  
 EUC1 usage is 400 therms (approx. 12,000 kWh).  
 EUC2 usage is 3,500 therms (approx. 100,000 kWh).  
 Price of Gas Is 40p / therm.

**Potential UIG Avoidance Calculations Based on the above Assumptions**

Multiplying the avoided UIG based on the table by the above assumptions gives the below results:

1. Avoidance of UIG from Class 4 to Class 3 in EUC1 is £6.15 per site. 100,000 sites = £615,000
2. Avoidance of UIG from Class 4 to Class 2 in EUC1 is £9.40 per site. 100,000 sites = £940,000
3. Avoidance of UIG from Class 4 to 3 in EUC2 is £72.38 per site. 10,000 sites = £723,800
4. Avoidance of UIG from Class 4 to Class 2 in EUC2 is £78.32 per site. 10,000 sites = £783,200

A Workgroup Participant felt that the analysis does demonstrate the costs and appreciates that there could be more detailed modelling that could be achieved, however believes that this has addressed the concerns raised during the consultation. CDSP confirmed that there are 3.9m sites in Class 3 and confirmed that the AQ at risk there is 170,000 sites in class 3 where no reads have been provided. Noting that the analysis provided is modest and that these costs could be greater.

CDSP provided an update on the ROM, highlighting that another element of this change in relation to the Supplier and shipper element will need to be addressed during the lockout period and linking this to the Centralised Switching Service (CSS). This would change the Supply Point confirmation process. CDSP advised that they believe that the magnitude of costs provided in the ROM is still correct. This was £140k - £220k (with a potential additional £30k added to the higher end to take into account the last bullet point below) and will need to:

- Workout how best to implement the lock out phase of the functionality, taking into account that the lock out period is now being proposed for the same Shipper / Supplier combination only, as it is likely that this would not be implemented until relatively close to the CSS Implementation, and changing the process that will be obsolete post CSS makes little sense.

- CDSP expects that the SPC and Confirmation processes may need to be changed to take account of the Supplier identity described above.
- Workout the costs to incorporate the lockout functionality into CSS as since the ROM was produced the CSS Design has been baselined and progressed, so will need to be undertaken as a Change Request to the Programme.
- Work up options for implementation which might include a transitional phase to minimise change pre CSS which will be effective for a small effective period, this level of detail is probably best determined in a detailed assessment in Capture for the DSC Change Proposal (XRN4990). We need DSC Change Management Committee to help us determine whether we do this now (in advance of the Modification decision) or wait for the Modification decision.
- Advised, If this transitional approach is not agreed then the costs of double implementation (once pre CSS and once into CSS processes) will push the cost of this to the top end of the ROM – and possibly higher (say additional £30k).

A participant agreed that they appreciate it is a rough cost but concerns were raised if these costs could escalate above this amount.

**Operational Impacts**

**2. Issues were raised in representations about the potential impact on operation processes, is there evidence or information available to clarify this view.**

The following issues raised by representatives during consultation were discussed by Workgroup:

Representative	Issue	Conclusion/Evidence
ICoSS (Oppose)	<ul style="list-style-type: none"> <li>• Noted that a significant lead-in period would be required prior to implementation to allow the significant amount of work to change any arrangements with third party suppliers, in order to reverse existing operational processes to guarantee read submissions.</li> <li>• Believes that these proposals will require substantial changes to internal processes and higher costs in managing sites to address short term issues with intermittent meter reading provision.</li> </ul>	<b>A Variation Request 0664V has been raised to address the Lockout Period, addressing the change of supplier which has addressed these concerns?</b>
Total Gas & Power Ltd (Supports)	<ul style="list-style-type: none"> <li>• Appreciates operational issues on specific meters can take time to be resolved and in small portfolios this can significantly affect aggregate portfolio performance, which means this Modification could adversely</li> </ul>	<b>As above</b>

	<p>affect small, shippers more than larger shippers.</p> <ul style="list-style-type: none"> <li>• Believes they would face BAU operational costs of minor significance and potentially some customer contractual impacts.</li> </ul>	
Engie (oppose)	<ul style="list-style-type: none"> <li>• Does not believe the customer impact of this change has been considered. Understands many customers in Class 2 will be on contractual products that rely on their consumption being settled daily. Moving them into Class 4 would mean they couldn't access these products anymore and may result in contracts needing to be requoted. Customers will not understand the need for this action.</li> <li>• Proposes there would be a Customer Service impact in explaining Class changes and the contract amendments that come out of that.</li> </ul>	<b>As above</b>

**Governance**

Some workgroup participants felt that these concerns were captured in the justification of authority direction and the impact on competition and contractual obligations for Shippers and Suppliers. One Workgroup participant, felt that the contractual obligation is not a relevant Shipper driven activity, instead it is the relevant Supplier who is the key party who has direct contractual relationship with the consumer and accordingly undertakes meter reading activities primarily for billing purposes.

**Third Party Contracts and SMART Meters**

**3. Consider potential impacts on remote reading meters. Modification 0664 went out for consultation in March**

Workgroup discussed during May UIG Workgroup, the issues raised around Smart Meter communications around the intermittency issues, connectivity and reliability and the risk around DCC operational performance with SMART/AMR meters and where this is managed by third party suppliers.

Workgroup participants agreed to direct these concerns direct to the Proposer so further analysis could be put together for the June UIG meeting. No concerns or additional comments were raised outside of the workgroups, however during workgroup discussion the conclusion of this discussion is captured on page 12 and 13 of this report.

Representative	Issue	Conclusion/Evidence
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<p><b>ICoSS (Oppose)</b></p>	<ul style="list-style-type: none"> <li>• Does not support the proposal as feels it is inflexible creating fixed performance targets and does not take into account the many potential issues which a shipper may encounter in submitting meter reads, such as intermittency issues with Smart/AMR meters or problems with third party suppliers.</li> <li>• Believes the proposal is discriminatory between Shippers and will not achieve the resolution of the root causes of poor performance. Understands</li> </ul>	<p>The conclusion of concerns raised were discussed and captured in the paragraph below.</p>
<p><b>Total Gas &amp; Power Ltd (Comments)</b></p>	<ul style="list-style-type: none"> <li>• Understands that AMR and smart meters can have connectivity and reliability issues and there is also a risk around DCC operational performance.</li> <li>• Appreciates operational issues on specific meters can take time to be resolved and in small portfolios this can significantly affect aggregate portfolio performance, which means this Modification could adversely affect small shippers more than larger shippers.</li> </ul>	<p>The conclusion of concerns raised were discussed and captured in the paragraph below.</p>
<p><b>Utility Warehouse (Oppose)</b></p>	<ul style="list-style-type: none"> <li>• Believes one of the contributing factors to this is the inability to obtain meter reading due to Smart meter communication issues, which may be caused by technology and continued energy supply or infrastructure instability. The SMETS2 technology is still in its infancy with suppliers experiencing multiple issues.</li> </ul> <p>Believes one of the contributing factors to this is the inability to obtain meter reading due to Smart meter communication issues, which may be caused by technology and continued energy supply or infrastructure instability. The SMETS2 technology is still in its</p>	

	<p>infancy with suppliers experiencing multiple issues.</p> <ul style="list-style-type: none"> <li>• Suggest the performance levels of 25% and 90% should be reviewed to ensure they accurately reflect achievable levels of performance given the Smart Technology challenges.</li> <li>• Provided a comment on the impact on Shippers who whip for other parties Suggesting the change of profile class is often driven by supplier activity and interactions with the customer and not the shipper, such as following and installation of Smart meter. As such there may be instances in which a supply point is locked-out due to shipper, not supplier activity or there may be agreements whereby a shipper limits the ability of a supplier to amend the profile class. In these instances, whilst the supplier has made efforts to increase read performance and subsequently change the profile class, they are prevented from doing so by factors outside of their influence. As such, these factors should be considered as part of the proposal.</li> </ul>	
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The Proposer whilst understanding the arguments that have been put forward during workgroup discussions, still believes that the 90% portfolio target for achieving daily meter reading allows, that these sites should be moved by the Shipper concerned into product class 4 for better forecasting.

Some participants felt that if there were genuine issues that can be resolved, that SPC4 would not be allowed back into Class 2 or Class 3 which could reduce the number of reads into settlement. Some felt that the SMETS2 technology was still in its infancy with suppliers experiencing multiple issues and felt the performance levels should be reviewed to ensure they reflect achievable levels of performance.

Noting that the Obligations under the UNC in relation to shippers are the responsibility of the shipper, and so if a shipper effectively outsources any aspect of its obligations to a supplier, or to any other agent for that matter, then the shipper is still the party responsible for its own performance under the UNC.

In order to guard against performance being deficient in any way, shippers should put in place proper commercial contracts with those parties to incentivise them so that expected UNC performance standards are always met.

### Lock-out after Change of Supplier with Existing Shipper

Having considered this concern further, the Proposer will be raising a Variation request to Modification 0664 (published here: <https://www.gasgovernance.co.uk/0664>) to exclude shipper lock-out where a change of supplier has occurred, in order to avoid suppliers being potentially penalised due to the performance of previous suppliers. The Proposer also aims to prevent the Modification potentially being at odds with the Ofgem Switching Programme which puts the supplier rather than the shipper at the heart of the switching process.

### Revised Text

The Proposer submitted a revised Variation Request to Modification 0664, which Workgroup reviewed during the 2020 July and August UIG Workgroup meetings as a result, and is due to change the solution, business rules and Legal Text to address:

- The Costs and Benefits in providing analyse of benefits by moving to Class 4 to NDM Forecasting
- Lock out period where Shipper/Supplier changes

PAC has also discussed Performance relating to Smart Meter/AMR Meters.

### Summary of representations received

Refer to FMR for Modification 0664 at <https://www.gasgovernance.co.uk/0664>

### Workgroup recommendations

Workgroup assessed the three questions raised during the March 2020 UNC Modification Panel and recommends that Panel:-

- Review the Supplemental report findings.
- Consider the Variation Request which Workgroup considers is material
- Determine that the varied Modification should proceed to Consultation.

In summary, Workgroup's responses to the questions are as follows.

- 1. The costs and benefits have not been demonstrated, these should be reviewed and might have an associated impact on the Rough Order of Magnitude (ROM) or delivery of the change.**

The Proposer provided a cost breakdown to Workgroup on assumptions based on the volumes of sites demonstrating how the benefits could be realised, Workgroup concluded that they were satisfied that this did demonstrate the benefits.

CDSP also addressed the concerns raised during the consultation in relation to the ROM and provided additional information to support these costs and any potential further increase. A participant agreed that they appreciated the additional information, that it is a rough cost but concerns were raised if these costs could further escalate above this amount. Workgroup requested that the variation to the Costs be included in the Variation Request to Modification 0664.

**2. Issues were raised in representations about the potential impact on operation processes, is there evidence or information available to clarify this view.**

Some Workgroup Participants felt that these concerns were captured in the justification of Authority direction and the impact on competition and contractual obligations for Shippers and Suppliers.

**3. Consider potential impacts on remote reading meters.**

The Proposer addressed this concern by raising a Variation Request to exclude shipper lock-out where a change of supplier has occurred, in order to avoid suppliers being potentially penalised due to the performance of previous suppliers and recommends that Panel Consider this variation.

## 12 Consultation 0664V

Panel invited a second round of representations from interested parties on 17 September 2020. The summaries in the following table are provided for reference on a reasonable endeavours' basis only. It is recommended that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 3 representations received, 2 supported implementation, and 1 provided comments.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
E.ON	Support	d) - positive	<ul style="list-style-type: none"> <li>Supports this Modification as it clearly articulates the benefits it will deliver into the UIG allocations across industry as it stops the ability to incorrectly classify Supply Points for prolonged periods of time.</li> <li>Believes this will provide the necessary incentives that will ensure Shippers are compliant with read performance measures and prioritising under-performing Supply Points to ensure valid reads are successfully submitted in a timely manner.</li> <li>Believes the initial performance measurements of 25% of valid readings and 90% of portfolio are fair and achievable and they will ensure those Supply Points that are significantly failing consecutively do not receive the benefits of being class 2 and 3 should the Shipper not take the appropriate actions themselves.</li> <li>Supports Modifications 0664V and IGT145 being implemented together with the adequate time for the transitional text to be made available and work with XRN 4990, which is aiming for November 2021 implementation.</li> <li>Believes this should be subject to a major release (in November 2021) for the system changes to allow for</li> </ul>

			<p>sufficient time and delivery mechanism and for business readiness to implement the system changes and develop internal processes.</p> <ul style="list-style-type: none"> <li>• Recognises there are reporting elements which can be delivered as part of a minor release and but would be happy to have them delivered separately, although that decision should be made at the DSC Change Management Committee.</li> <li>• Anticipates some system enhancements to ensure forced class changes are reclassified as well as to develop internal processes to ensure compliance and managing exceptions as part of XRN 4990 implementation. To date Eon have not costed this in detail but believes it to be medium scale costs. Recognises also there are indirect impacts to sites that require reclassification incurring additional UIG and transportations costs.</li> <li>• No additional comments on Legal Text provided.</li> <li>• Notes, the IGT UNC have only recently developed IGT145 to deliver the changes required there and it followed the self-governance route as it is pointing to the UNC changes only. The changes are on separate governance tracks, E.ON wants to ensure that the Code Administrators work together for a combined delivery of this change.</li> </ul>
Gazprom	Comments	d) – no view	<ul style="list-style-type: none"> <li>• Supports the principle of the Modification and wants to provide support, subject to concerns being addressed. However, at present Gazprom is unable to support Modification 0664V due to it discriminating between a situation where there is a single Shipper &amp; Supplier relationship and a Shipper &amp; multiple Supplier(s) or multi party model.</li> <li>• Noted that the revised Modification now addresses a particular scenario in the Shipper &amp; Supplier multi party model i.e. where under a common Shipper a change of Supplier event occurs. In such circumstances the new Supplier is not subject to the lock out period applied to the incumbent Shipper.</li> <li>• Welcomes this amendment recognising that the new Supplier should not be exposed to the failure of the previous Supplier.</li> <li>• However Gazprom’s response to Modification 0664 highlighted a different scenario in the Shipper &amp; Suppliers multi party model i.e. where a Shipper provides services for multiple Suppliers the application of the Performance Measure at the Shipper level e.g. 90% of 25% may mean that a particular third party Supplier(s) performance may</li> </ul>

			<p>have an adverse impact on the other Supplier(s) using that Shipper i.e. other Supplier Supply Points may be subject to sanction were in a Single Shipper &amp; Supplier model they would not.</p> <ul style="list-style-type: none"> <li>• To mitigate this risk, Gazprom noted that the performance test should be applied in these circumstances at the relevant Supplier level where the Shipper and Supplier are separate entities. This would ensure that a Supplier's treatment would be consistent and non-discriminatory whether they are under a single Shipper/Supplier or where they fall under multi party arrangements. As currently drafted 0664V does not address this point that was raised in Gazprom's consultation response on 19th March 2020.</li> <li>• As it appears that the Modification, whilst recognising a particular scenario, does not address the scenario that we highlighted in Gazprom's response, and therefore does not provide assurances that their concerns have been addressed.</li> </ul>
Scottish Power	Support	d) - positive	<ul style="list-style-type: none"> <li>• Agrees with the principle of the Modification and what it seeks to achieve by increasing valid read submission into Class 2 &amp; 3 and striving to deliver benefits into Unidentified Gas allocations through a delivery mechanism which will stop the ability to incorrectly classify Supply Meter Points for a prolonged period.</li> <li>• Agrees Shippers should only benefit from having sites classified as Class 2 and Class 3 when the site is meeting read performance as per current UNC rules. However, notes the points below: <ul style="list-style-type: none"> <li>○ DCC Issues</li> <li>○ Communication Challenges</li> </ul> <p>If a Shipper fails to meet read performance for a period of three consecutive months, the site is to move out of its current Class into Class 4 within 20 business days. The time taken to resolve a communication issue needs to be analysed to understand whether three months is realistic to identify and resolve the fault given the current issues with the DCC and the consumer impact of COVID 19 (i.e. lack of entry to properties).</p> </li> <li>• Queries whether there is a window of opportunity for a Shipper to object to the Class Change within the 20 business day rule. There is a concern that some sites with genuine issues that could be resolved may result in being moved to Class 4 for a period of three months when this could be a timing issue, for example, for a site visit planned</li> </ul>

		<p>just outside of the 20 business days, would there be a grace period if the objection is justified.</p> <ul style="list-style-type: none"> <li>• Notes the Modification states, “The PAC has confirmed it agreed a 25% target for read performance for 90% of a Shippers Portfolio was suitable as an initial value, recognising this can be reviewed and amended on an annual basis by the PAC”. Asks if there are no Supply Points that meet the criteria of the 25% but read performance is less than 90% what is the criteria for selecting a Supply meter point – is it the highest AQ or low read.</li> <li>• Notes a minimum of 6 months lead time would be required to allow for any system change that are identified as part of Xoserve XRN4990. Implementation of UNC 0664V, IGT145 and XRN4990 should all be aligned for the implementation date.</li> <li>• Recognises that there will be a cost associated to this change. However, states development and ongoing costs are not quantifiable at present as XRN4990 is not fully developed and is at “initial review stage”.</li> </ul>
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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.

## 13 Panel Discussions

### Discussion

The Panel Chair summarised that Modification 0664V proposes to create an obligation for Shippers to move Supply Points with low Valid Meter Reading submission performance from Classes 2 and 3 into Class 4, following a consecutive period of poor performance. The CDSP will automatically move any Supply Points not moved by the Shipper in such a scenario (after an allowed period of time).

Panel Members considered the representations made noting that, of the 3 representations received, 2 supported implementation, and 1 provided comments.

The Panel Chair asked for clarification of the comments received.

A Panel Member clarified that their consultation response provided comments. These centred around one remaining scenario which had yet to be accommodated though he noted that he supported the principle of the Modification. He clarified that the situation where there is a single Shipper and multiple Supplier(s) or a multi-party model has not yet been addressed. Where a Shipper provides services for multiple Suppliers the application of the Performance Measure at the Shipper level e.g. 90% of 25% may mean that a particular third-party Supplier(s) performance may have an adverse impact on the other Supplier(s) using that Shipper i.e. other Suppliers may be subject to sanction where in a Single Shipper & Supplier model they would not. To mitigate this risk Gazprom noted that the performance test should be applied, in these circumstances, at the relevant Supplier level where the Shipper and Supplier are separate entities. This would ensure that a Supplier’s treatment would be consistent and non-discriminatory whether they are under a single Shipper/Supplier arrangement or

where they fall under multi-party arrangements. In summary, as currently drafted Modification 0664V does not address this point that was raised in Gazprom's consultation response dated 19th March 2020.

Panel Members discussed options to accommodate this. The CDSP representative summarised that the CDSP is ready to address this issue as part of the system changes and has plan to re-run the ROM.

Panel Members concluded that it was expected that a Variation Request would be forthcoming and the Proposer concurred.

## Determinations

Panel Members voted unanimously that new issues were identified as part of consultation.

Panel Members voted unanimously to return Modification 0664V to Workgroup 0664V for further assessment with a report back to Panel in December 2020.

## 14 Workgroup Supplemental Report for Modification 0664V

This Supplemental Report is made pursuant to Rule 9.5.4 of the Modification Rules.

At the Workgroup on 22 April 2021, draft Variation Request 664V was discussed.

There are three principal elements to the variation request:

1. As noted in the Panel Discussions, (Section 13), a view was expressed by a panel member that the proposal does not appropriately deal with the scenario where a shipper provides shipping services for a number of suppliers and the modification should be amended so that the poor performance of one supplier does not negatively impact other suppliers under that shipper,
2. Due to issues regarding the systematisation of the "lock-out" period for meter points reverting to Class 4, a decision was made to remove this specific provision, and,
3. Following comments provided by the Authority at the 0664V Workgroup on 12 November 2020<sup>1</sup>, where it was suggested that the proposal would satisfy the Self-governance criteria, the matter was discussed at the Workgroup and accordingly, a recommendation to this effect is now included in the Report.

Discussion at the April 2021 Workgroup:

- The Workgroup considered that the Variation Request, as presented, appropriately addressed the points listed above.
- The further point raised by a Workgroup participant in relation to Class 2 / NExA combinations would require a variation to the Variation Request.
- The draft legal text, as circulated to the Workgroup, was not reviewed as the amended Variation Request, to take account of the Class 2 / NExA point, is likely to give rise to a further amendment.
- On the issue of materiality, the view of the Workgroup was that the variation should be considered as material.

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<sup>1</sup> [12 November 2020 Workgroup 664V minutes](#)

At the Workgroup on 27 May 2021, the proposed variation was further discussed.

The principal purpose of the meeting was two-fold:

- To discuss the incorporation of an exclusion for NExA governed sites, and
- To review version 8.0, (dated 20 May 2021), of the legal text to ensure the intent of the varied modification, (which if all the recommendations of the Workgroup are accepted would be Modification 664VVS), is reflected in the text.

In summary, following the two extra meetings, the recommendations of the Workgroup are that:

- Variation Request 0664V, and the associated legal text, is sufficiently developed to be presented to Panel,
- Variation Request 0664V should be accepted but be classed as a material change,
- accordingly, a further period of consultation should be undertaken but that the period should be as short as practicable to enable to Modification to return to July Panel,
- given that the Modification has already been consulted on twice, it was suggested by the Workgroup that the further consultation period could be as short as 5 days,
- the Modification satisfies Self-governance criteria and should convert Self-governance.

## 15 Recommendations

### Panel Recommendation

Panel Members agreed:

- This proposal should proceed on the basis of the Workgroup recommendations above.
- This proposal should convert to Self-governance.