

## Representation

### Draft Modification Report

#### 0451 0451A (Urgent): Individual Settlements For Pre-Payment & Smart Meters

**Consultation close out date:** 09 September 2013

**Respond to:** enquiries@gasgovernance.co.uk

**Organisation:** British Gas

**Representative:** Andrew Margan

**Date of Representation:** 09 September 2013

#### Do you support or oppose implementation?

**0451** - Not in Support

**0451A** - Not in Support

#### If either 0451 or 0451A were to be implemented, which would be your preference?

Prefer 0451A

#### Please summarise (in one paragraph) the key reason(s) for your support/opposition.

Within the Small Supply Point (SSP) market there are traditionally prepayment and credit meter customers. Smart meters are also being introduced. Modification 451 and 451A seek to correct an over-allocation of energy within the prepayment meter market. The proposal believes prepayment customers have a flatter consumption profile when compared to the EUC01B band, which is used to allocate cost to all SSPs. As a result it is believed that prepayment meters are being over-allocated in the winter and under-allocated in the summer.

Whilst British Gas supports the principle of accurate cost allocation and we have sympathy with the proposal, we do not believe it will improve cost allocation within the SSP market, and will in itself introduce further misallocation to groups of SSPs. Therefore we do not support either proposal.

Our major concern is that the proposed offline adjustment will negatively impact cost accuracy across the industry and thus impact competition. We have further concerns regarding the lack of control and validation of the prepayment flag and concerns regarding the limited evidence which underpins this change.

#### Allocation

The solution proposed is to correct an unquantified over allocation within the prepayment meter sector, by creating an approximation of a new End User Category (EUC) and Annual Load Profile (ALP) for prepayment customers. The profile is based on daily consumption data for a single year provided by one shipper for 70 prepayment customers in a single LDZ. This approach is unlikely to result in an accurate

consumption profile for prepayment customers in all LDZs, so any re-allocation of costs using this profile will be inaccurate.

The accepted practice for development of annual consumption profiles for domestic customers is to use 3 years' daily reading history on a sample of 3,000 customers spread across all LDZs

[[http://www.gasgovernance.co.uk/sites/default/files/TW001\\_240413.pdf](http://www.gasgovernance.co.uk/sites/default/files/TW001_240413.pdf)]. We would expect a similar approach to be used for development of a new profile.

British Gas does not believe the sample of 70 sites based on a single Shippers Southern LDZ portfolio is statically appropriate to deliver this change. This limited data is likely to skew any results. As a result we are unable to support this proposal.

### **Detailed Methodology and Evidence of Benefit**

No evidence has been provided to demonstrate the offline reconciliation will improve the energy/cost allocation, within the industry. The allocation of cost will not be based on a site's read history and the new Xoserve deeming allocation profile is not available for review.

The proposal acknowledges that an adjustment to the approximated prepayment ALP is required to reflect consumption on days when weather is not seasonally normal. The method of weather adjustment is not specified.

Without this information parties are unable to make an informed decision to the accuracy of the offline allocation.

A further concern is that the proposal will smear Unidentified Gas (UG), picked up by all SSP sites, from the prepayment market to credit meter market. It is not clear to us why the credit meter customers should be allocated UG for the whole of the SSP market. This would appear to deteriorate the allocation of energy within the credit meter market, to the detriment of competition.

Furthermore the evidence from the DESC Xoserve's Demand data, illustrates that different credit consumption bands within EUC 01B have different profiles [[http://www.gasgovernance.co.uk/sites/default/files/Band01B\\_Analysis\\_010212\\_0.pdf](http://www.gasgovernance.co.uk/sites/default/files/Band01B_Analysis_010212_0.pdf)].

With this information it is difficult to understand, why other groups of domestic customers will receive an increased energy allocation, when they are also being over-allocated in the winter and under-allocated in the summer.

### **Code Responsibilities under the UNC**

The Demand Estimation Sub-Committee (DESC) has responsibility under UNC to develop or revise EUCs and associated Demand Models (UNC TPD Section H, Paragraph 1.7). DESC has not been consulted in the development of Mod 451. We are concerned that the UNC-defined process to create a EUC is being ignored without justification.

Whilst any party should not be restricted in raising a modification proposal we would like to understand if by-passing the DESC role

of deriving a new EUC / Demand Model is a potential breach of UNC rules.

### Controls and Data Quality

British Gas is concerned that £millions will be re-allocated using the smart or prepayment indicator held on Xoserve's systems. No assessment of the accuracy of this data item has been carried out. For a process that enables such large re-allocations of costs, we believe adequate assurance of data quality and ongoing controls should be in place before a change is approved. Therefore we do not support this proposal.

### Retrospection – Modification 451 only

Modification 451 contains charging retrospection, back to October 2012, which presents a risk to Shippers by re-opening a closed settlement period. British Gas believes for a retrospective change to be approved a very high burden of proof must be achieved. As we have seen no proof that the proposed new profile will accurately reflect prepayment consumption and no evidence that allocation will be improved, we do not believe it is appropriate that this proposal is implemented and retrospection is applied.

### Are there any new or additional issues that you believe should be recorded in the Modification Report?

No

### Relevant Objectives:

*How would implementation of these modifications impact the relevant objectives?*

This proposal will benefit shippers with prepayment portfolios only.

### Impacts and Costs:

*What analysis, development and ongoing costs would you face if either of these modifications were implemented?*

Minimal system and process changes are expected.

### Implementation:

*What lead-time would you wish to see prior to either of these modifications being implemented, and why?*

Unknown

### Legal Text:

*Are you satisfied that the legal text and the proposed ACS (see [www.gasgovernance.co.uk/proposedACS](http://www.gasgovernance.co.uk/proposedACS)) will deliver the intent of the modifications?*

The Legal Text and detailed costs are not available for review.

### Is there anything further you wish to be taken into account?

*Please provide any additional comments, supporting analysis, or other information that that you believe should be taken into account or you wish to emphasise.*

None.