

## Representation – Modification UNC 0700 (Urgent)

### Enabling large scale utilisation of Class 3

Responses invited by: **5pm on 07 August 2019**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Phil Lucas
<b>Organisation:</b>	National Grid
<b>Date of Representation:</b>	7 <sup>th</sup> August 2019
<b>Support or oppose implementation?</b>	Qualified Support
<b>Relevant Objective:</b>	f) Positive

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

National Grid recognises and supports the intent of the Proposal to introduce rules to manage the expected large-scale migration of Supply points into 'Class 3' with the aim of protecting the ongoing and effective operation of the central systems. However, this support is qualified given that we consider that there are a number of areas of uncertainty in the solution proposed. Our support is therefore qualified on the basis of the resolution of these questions, however it is unclear how these will be addressed given the governance process that has been applied to this modification.

We agree that implementation of an effective solution would better facilitate Relevant Objective (f) as it would enable the UK Link system to be operated in the most efficient manner to manage re-classification of Supply Points and Class 3 Meter Readings processing aspects of this issue.

#### Implementation:

As no changes are required to National Grid systems we have no specific requirements for a lead time prior to implementation.

#### Impacts and Costs:

None

#### Legal Text:

Our comments on the proposed Legal Text published on 5<sup>th</sup> August 2019 are as follows:

## Annex G-1: Para 11

The solution within the Proposal is explicit that a Supply Point Confirmation which effects a Class Change to Class 3 will be considered as a utilisation of a Supply Point Amendment capacity however this is not reflected in the legal text.

### Section M5.8.1(a)

We understand that the inclusion of wording “...*provided a Batch Period may have a shorter duration...*” which permits a duration of 2, 3, 4, 5 or 6 days is intended to cover all scenarios where shorter durations would be required (for example where the duration starts or ends with a Supply Point Registration Date). Consistent with this, it is unclear why the existing provisions in 5.8.2(c), which clarify that the omission of a Daily Meter Reading for any Day in the Batch Period shall not invalidate the Batch Submission, has been removed.

### Section M5.8.2(b)

Following a request for clarification, the CDSP has confirmed that in the case of a Weekly Batch (typically containing seven Meter Readings from consecutive days) it is the earliest of these Meter Reading Dates which drives the deadline (D+10). It would be useful for the legal text to reflect this clarification.

This would appear to negate the need for the second half of the provision which deems a Meter Reading to be valid where it is submitted by the 10<sup>th</sup> calendar day of the following month as all Meter Readings submitted in accordance with the earlier criteria would meet this latter requirement.

### Section M5.8.2(c)

This requirement is not a feature of the Proposal and is arguably inconsistent with the performance standard specified in M5.8.5. Further, a “*best endeavours*” obligation is the most onerous of the three levels of “endeavours” obligation requiring the User to take “*all those steps in their power which are capable of producing the desired results*”. As this Proposal does not include this, it is not clear that the Proposer wishes to establish this requirement, and further, in respect of *all* Class 3 Supply Meters that are registered to a User.

Following a request for clarification, the CDSP has confirmed that this intention was to create an obligation for the User to submit 100% of Class 3 Meter Readings *which it has obtained* as opposed to 100% of Class 3 Supply Meters *for which it is the Registered User*. We agree that this is a logical requirement and understand this will be reflected in revised Legal Text.

### Section M5.8.4

This provision enables the User to specify a date within a calendar month on which the CDSP will be required to perform a ‘check on validation’ for Meter Readings dated for that specific date on each month. It is not clear what the precise meaning of ‘check on validation’ is, however, the requirement in Business Rule 4 is that this reading is used for settlement (i.e. create a reconciliation).

Following a request for clarification, the CDSP has confirmed that the legal text will be revised to clarify what settlement process will be triggered by the relevant Meter Reading.

Further, whilst providing for User specification of the relevant date within a calendar month, there is no provision covering how, when and the minimum notice requirements for Users communication of this requirement to the CDSP, and any subsequent change to this instruction.

Following a request for clarification, the CDSP has confirmed that it will consider revisions to the UK Link Manual to address these points.

### **Section M5.16.2(a)**

Whilst this appears an entirely logical 'validation' for an Updated Meter Reading (replacement reading), this is not specified in the Proposal.

### **Other Areas**

The following aspects of the Proposal have not been covered within the Legal Text:

- The 'interim staging area'. As noted in our comments on Business Rule 2 this is arguably a legitimate omission given that it is an internal CDSP process
- The 'fail to load' process as covered in Business Rule 4 i.e. detailing which Meter Readings in the batch the CDSP attempts to load.

Following a request for clarification, the CDSP has confirmed that it will consider revisions to the UNC Validation Rules to address this point.

- The process for User provision of forecast volumes of Class Changes to Class 3. We recognise the intention may be for this to be specified in the UK Link Manual however this additional text has not been provided.

Following a request for clarification, the CDSP has confirmed that it will consider revisions to the UK Link Manual to address this point.

- The process for CDSP allocation of capacity for Class Changes to Class 3 (including a route of appeal to the DSC Contract Management Committee). We recognise the intention may be for this to be specified in the UK Link Manual however this additional text has not been provided.

### **Are there any errors or omissions in this Modification that you think should be taken into account?**

Our comments on the Business Rules detailed within the Solution are as follows:

#### **Rule 1**

The rule is not clear regarding the submission deadline for Meter Readings submitted in a Weekly Batch. The rule states "*the 10<sup>th</sup> calendar day after the Meter Read Date*" but given that a Weekly Batch will contain seven Meter Readings from different days it is

unclear which of these Meter Reading Dates drives the deadline. We understand that the intended deadline is driven by the Meter Reading Date of the *earliest* Meter Reading within the Weekly Batch, however this is not stated.

## **Rule 2**

It is implicit that the current right to submit Class 3 Meter Readings in Monthly/Fortnightly Batches is removed (as submissions are limited to 'daily submission' or 'Weekly Batch') however this is not explicitly stated.

In terms of the CDSP's use of an 'interim staging area', it is not clear to what extent it is necessary (or how) this is translated into a UNC provision and what the purpose of doing so would be. This appears to simply be a statement regarding the method by which the CDSP processes the Class 3 Meter Readings.

## **Rule 4**

Enabling Users to specify a particular Meter Reading Date for the CDSP to load to UK Link systems within each month appears unnecessarily complex for the CDSP to operate and administer i.e. each User may have different requirements which may subsequently change.

The Business Rules do not include terms which set out how, when and the minimum notice requirements for Users communication of this requirement, and any subsequent change to this instruction. Further, the consequences of the CDSP not processing Meter Readings in line with this instruction are not specified. For example, is the CDSP expected to apply reasonable / best endeavours to meet the User's requirements?

## **Rule 5**

In terms of a User notifying the CDSP of indicative volumes that it intends to transfer to Class 3, the rules do not state what period the User is forecasting transfer volumes for. It appears a daily volume is needed but requiring the CDSP to redetermine a transaction limit (per User) per day would be complex. One alternative is to require User's to provide a monthly volume which is then apportioned on flat profile over the month i.e. the daily limit remains fixed for the month.

Further, the rules do not set out how and when Users communicate these forecast volumes (for example, by the fifth day prior to the start of the month) and how and when the CDSP confirms to User it's allocation of the daily capacity (for example, by the first day prior to the start of the month). Whilst the consequence of a User not providing a forecast volume is stated elsewhere in the Solution, this does not appear in the Business Rules.

This rule does not include a specific methodology of how a User's daily transfer capacity is determined. It is arguable that being explicit in this regard is preferable from a transparency perspective and will limit the justification for challenging the CDSP's determination of a User's daily transfer capacity.

For example, an individual Users limit (C3C<sub>d</sub>) could be derived from the following:

$$C3C_d = C3CC_d \times \frac{NC3C_d}{\sum NC3C_d}$$

where:

$C3CC_d$  means the overall capacity for changes to Class 3 by all Users (determined by the CDSP);

$NC3C_d$  means the forecast volume of changes to Class 3 by the relevant User (as notified to the CDSP by the relevant User); and

$\sum$  means the sum across all Users notifying the CDSP of forecast volume of changes to Class 3.

## Rule 6

This rule does not clarify the position for Class 3 Meter Readings in the 'interim staging area' in the context of TPD M5.8.5.

Earlier in the Solution, Meter Readings loaded to the interim staging area are termed 'assured' which appears to mean 'valid' for the purposes of the User Class 3 Meter Reading submission performance targets detailed in the aforementioned section of the UNC. However, this is not explicit in the Business Rules.

### Please provide below any additional analysis or information to support your representation

Allocation of a Supply Meter to one of four classes was developed as part of Project Nexus with the core aim of 'Class 3' being to provide Users with access to daily reconciliation in order to enhance the accuracy of settlement. This was subsequently introduced via the implementation of UNC Modification 0432.

Notwithstanding the rationale stated in this Proposal for the expected migration of a significant number of Supply Meters to 'Class 3' (i.e. for commercial reasons to avoid increased UIG liability) National Grid notes that the Meter Reading performance standard associated with Class 3 is for Users to provide daily Meter Readings for at least 90% of the Class 3 Supply Meters for which it is the Registered User.

Current Class 3 Meter Reading submission performance (as reported by the UIG task force on 12<sup>th</sup> July 2019) is currently 63%. Should the anticipated migration occur and result in a step change *reduction* in Class Meter Reading submission performance, the industry may need to consider the adequacy of incentives to meet the prevailing performance standard and any associated assurance regime. We recognise that UNC Modification Proposal 0664 '*Transfer of Sites with Low Read Submission Performance from Class 2 and 3 into Class 4*' is one means of addressing this issue.