













UNC Modification		At what stage is this document in the process?
<h1>UNC 0638V:</h1> <h2>Mandate monthly read submission for Smart and AMR sites from 01 April 2018</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
Purpose of Modification: <p>This modification aligns shipper Code obligations with the CMA Gas Settlement Order and Workgroup 0594R RFI findings, for mandating Smart and AMR meters to submit reads on a monthly basis from 01 April 2018. This will enable utilisation of more consumption data throughout industry processes and will drive more accurate settlement and Unidentified Gas (UG) positions for Shippers.</p>		
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> considered <u>by Panel</u> a material change and not subject to self governance issued to consultation <p>This modification will be presented by the Proposer to the Panel on <u>21 December</u> 09 November 2017. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>	
	<p>High Impact:</p> <p>Shippers</p>	
	<p>Medium Impact:</p> <p>CDSP</p>	
	<p>Low Impact:</p>	

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Timetable		 enquiries@gasgovernance.co.uk
The Proposer recommends the following timetable:		 0121 288 2107
Initial consideration by Panel	21 December 2017	Proposer: Andrew Margan
Final Modification Report available for Panel	21 December 2017	 Andrew.margan@centrica.com
Modification Panel decision	21 December 2017	 telephone: 07789 577327
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		 jferguson@northern-gas.co.uk
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1 Summary

What

The CMA has directed the industry to submit reads for Smart and Automated Meter Reading (AMR) sites every month from 01 April 2018 to improve settlement accuracy. The Gas Settlement Order implementation date was specifically reviewed and the majority UNC parties who responded confirmed they are working towards the April 2018 date. Article 8.1 of the Order states the Licence obligations fall away if a UNC modification is raised to the same effect.

Why

It is noted that Modification 0633 was raised to introduce the monthly read obligation for the 01 December 2017. This would be a new obligation implementation date. Given the complexity of a new obligation date for system and process delivery, this proposal aligns the Code obligation to CMA Order implementation date. Corona believes "the benefits of moving this date forward 6 months to 01 December 2017 will be seen in both potentially reduced Unidentified Gas (UIG) and reduced scaling factor volatility".

Notwithstanding the proposal bringing the date forward by 4 rather than 6 months, the proposer believes this proposal causes other parties Code compliance issues should the Code obligation not align with the CMA Gas Settlement Order.

Given the compressed timescales for Modification 0633 and how close it is to the proposed 01 December 2017 implementation date, under the UNC Modification Rules it is not possible to raise this as an alternate proposal without delaying Modification 0633. The proposer believes this proposal can be closely linked to the Modification 0633 proposal as a standalone proposal with both modifications being consulted at the same time.

How

This modification is proposing to align the UNC Code obligations effective implementation date for all sites with Smart or AMR devices to submit 1 read per month from 01 April 2018.

2 Governance

Justification for Authority Direction

Currently we estimate that UIG costs are around £20-40m a month to the industry, which is driven in part by inaccurate AQs caused by a lack of meter reads. This modification will have a significant impact in improving the accuracy in AQs, hence UIG volatility. This modification will therefore have a material impact on shippers who will be required to submit reads every month to deliver post-Nexus benefits to consumers and help reduce UIG.

Through the CMA investigations¹ it was concluded that² -

With respect to any Supply Meter able to remotely transmit Valid Meter Readings referred to in Article 3.1, Retail Gas Suppliers must:

- (a) take all reasonable steps to obtain a Valid Meter Reading at least once per month;
- (b) submit at least once per month to the Relevant Gas Transporter all Valid Meter Readings obtained since the previous submission in accordance with the Transportation Principal Document Section M of the UNC.

This was to improve settlement accuracy. Within the order the CMA left the door open until the 01 September 2016 to make further directions. The Workgroup 0594R Gas Settlements RFI resulted in parties supporting the base case of monthly reads and 13 out of 15 responses confirmed they were working towards the 01 April 2018 delivery date.

Requested Next Steps

This modification should:

- be considered a material change and not subject to self-governance
- proceed to consultation

This modification is not formally requesting urgent status, however given that this proposal is closely linked to Modification 0633, the proposer believes both proposals should be consulted at the same time. Failure to issue this proposal and Modification 0633 for a November consultation will seriously risk the proposed Modification 0633 01 December 2017 implementation date. We believe Panel can take pragmatic steps to avoid a delay to this proposal and Modification 0633.

3 Why Change?

The CMA has directed the industry, as part of its investigation into the Energy Market, that for every site with a smart or AMR meter installed to submit one Valid Meter Read each month to the CDSP from 01 April 2018³.

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

² <https://assets.publishing.service.gov.uk/media/58513e4d40f0b60e4c0000b7/energy-market-gas-settlement-order-2016.pdf>

³ <https://assets.publishing.service.gov.uk/media/58513e4d40f0b60e4c0000b7/energy-market-gas-settlement-order-2016.pdf>

The CMA Gas Settlement Order, including the April implementation date, was reviewed through the UNC Workgroup 0594R and associated Request for Information (RFI⁴). The RFI findings were that the 01 April 2018 implementation date should remain unchanged - As a result, the April 2018 implementation date will remain and the PAC will be responsible for monthly monitoring and reporting⁵. Through the RFI most responses confirmed they were working towards the April 2018 implementation date.

The April 2018 implementation date was ratified by the CMA through their September communication⁶. In the communication the CMA confirmed it had received no evidence from suppliers or other stakeholders to amend the Order date. The CMA also references the UNC Workgroup 0594R review, where no evidence was provided to amend the date. Therefore the proposer believes it is appropriate that Code obligations align with the CMA remedy implementation date.

To comply with the CMA Order relevant industry parties have mobilised project teams to deliver internal system and contractual changes. These projects are complex and expensive to deliver. To request an earlier obligation date that involves large scale change, is unacceptable as all system changes require a minimum of six months implementation notice.

This information was provided at Workgroup 0633, however, the proposer decided to progress with their proposal unchanged. As a result, Centrica has raised this change to realign UNC Code obligations with the industry consulted and CMA instructed implementation date of 01 April 2018.

The proposer notes that Modification 0633 states greater read volumes "will reduce the current high levels of UIG and volatility being experienced in the market". There is no evidence to support this statement. Increased read volumes will enable the industry to know the true UIG levels at an earlier stage, but Modification 0633 can't be sure if it will result in an increased or decreased UIG values. This information was also communicated at the Workgroup 0633 meeting.

For the avoidance of doubt, supply meter points with AMR / SMART installed will not be classed as monthly read if their AQ suggests otherwise and hence the requirement for the change cannot be satisfied by simply amending UNC TPD M5.9, for the the following reasons:

- The CMA remedy has a reasonable endeavours threshold for compliance, the monthly read requirements as drafted in the UNC do not. To not reflect this in the drafting would result in a mismatch of obligation thresholds between the binding CMA remedy and the UNC.
- There is no mention in the drafting of the Monthly Read must reads regime applies for such sites and no inference should be taken that it does. SLC 21B.4B of the supply licence changes brought in by the CMA in fact requires that these sites to be subject to the Annual Must Read regime and even then it is not completely clear that this is a requirement as the drafting requires the supplier to obtain a read, not for the Transporters to do so in the failure they do. It is questionable as to the value of the must read process for such meters in light of the CMA obligations and the UNC Modification is justified in being silent on the matter.

⁴ <https://www.gasgovernance.co.uk/sites/default/files/ggf/UNC594R%20RFI.docx>

⁵ <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2017-10/Minutes%200594R%20280917%20v2.0.pdf>

⁶ <https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2017-09/CMA%20Gas%20Settlement%20Letter.pdf>

4 Code Specific Matters

Reference Documents

The Energy Market Investigation (Gas Settlement) Order 2016

Knowledge/Skills

None

5 Solution

~~Include a formal obligation in the UNC for every site that has either a Smart Meter or AMR device installed to submit one valid read a month from 01 April 2018.~~

Include a formal obligation in the UNC, with respect to any Supply Meter able to remotely transmit Valid Meter Readings for shippers to take all reasonable steps to obtain a Valid Meter Reading at least once per month for every Annual Read Frequency Supply Meter Point to enable submission of monthly reads, from 01 April 2018.

6 Impacts & Other Considerations

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

There is no impact on any other industry change or the SCR.

Consumer Impacts

No impact

Cross Code Impacts

There may be an impact on the iGT UNC in terms of referencing and similar obligations.

EU Code Impacts

There is no impact on any EU energy code

Central Systems Impacts

Changes to UK Link systems are not anticipated as the capacity currently exists for the additional reads to be implemented. It is expected that the Performance Assurance Committee (PAC) would monitor compliance.

This change does not amend the meter read flag obligations, so it does not amend the Transporter Monthly Read Must Read obligations.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

The modification will increase the number of meter reads that are used in settlement, which will improve settlement accuracy and hence cost apportionment. This will further competition and relevant objective (d).

8 Implementation

No formal implementation date is proposed, but the proposer is seeking implementation by 01 April 2018, which we have communicated to the regulator.

9 Legal Text

None provided.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Issue this modification directly to Consultation