











UNC Final Modification Report		At what stage is this document in the process?
<h1>UNC 0672S:</h1> <h2>Target, Measure & Report Product Class 4 Read Performance</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>Purpose of Modification:</p> <p>This Modification seeks to reduce Unidentified Gas (UIG) volume by providing a target for read submission performance for Product Class 4 sites against overall portfolio. This Modification proposes to target and measure performance against an agreed percentage for Energy reconciled after a defined period and provide PAC with an un-anonymised report which will enable them to target Shippers whose performance is below the target threshold.</p>		
	The Panel determined that this self-governance modification be implemented	
	High Impact: None	
	Medium Impact: CDSP and Shippers	
	Low Impact: Transporters	

Contents		 Any questions?
1	Summary	3
2	Governance	4
3	Why Change?	5
4	Code Specific Matters	7
5	Solution	7
6	Impacts & Other Considerations	9
7	Relevant Objectives	13
8	Implementation	14
9	Legal Text	14
10	Consultation	15
11	Panel Discussions	22
12	Recommendations	22
13	Appendix	23
Timetable		 Any questions?
Modification timetable:		 Any questions?
Initial consideration by Workgroup	31 October 2019	Contact: Joint Office of Gas Transporters
Workgroup Report presented to Panel	16 April 2020	 enquiries@gasgovernance.co.uk
Draft Modification Report issued for consultation	16 April 2020	 0121 288 2107
Consultation Close-out for representations	15 May 2020	Proposer: Steph Clements ScottishPower
Final Modification Report available for Panel	18 May 2020	 Stephanie.clements@scottishpower.com
Modification Panel decision	21 May 2020 (<i>at short notice</i>)	 0141 614 8775
		Transporter: Cadent
		 Gurvinder.Dosnjh@cadentgas.com
		 01926 653541
		Systems Provider: Xoserve
		 UKLink@xoserve.com

1 Summary

What

There has been excessive levels and volatility in Unidentified Gas (UIG) since the implementation of Project Nexus on 01 June 2017. To ensure the accuracy of energy calculations it is extremely important that regular meter reads are submitted for all Supply Points. Supply Points with no read accepted by Xoserve in 12+ months increase the risk of inaccurate deemed energy volumes, which drive volatility in UIG allocation and reconciliation.

UIG levels could be reduced by ensuring that Shippers are submitting as many regular and valid meter reads as possible for sites within Product Class 4. Providing Shippers with a read performance target against overall portfolio will result in more accurate deemed energy volumes and in turn will reduce the volatility in UIG allocation and reconciliation.

Why

Ofgem have highlighted in response to previous Modifications, (notably UNC 0619 & 0642/0643) that they consider meter read submission performance a significant influencing factor in UIG, which is further supported by Xoserve UIG Task Force (as established by UNC Mod 0658) who have identified that lack of meter reads is a major risk factor for UIG.

- For Class 1 and 2 sites, this means that an estimate is used in daily allocation. The difference between estimate and actual creates UIG. This is resolved once an actual reading is received.
- For Class 3 and 4 sites, this delays reconciliation and means that AQ could be out of date.

The proposer of this Modification agrees that more frequent meter read submission and a greater percentage of reads against the overall portfolio will reduce levels of UIG exposure, as a greater percentage of a shippers overall portfolio will be settling on more accurate deemed energy volumes.

At present there are read submission performance targets set out in the UNC TPD Section M but these target a percentage of sites that a read should be submitted for. The risk is that if there are larger sites where a read is not received that will be contributing more to UIG even though the Shipper may be achieving the read submission target. There is currently insufficient reporting detail to show performance against overall portfolio and no target within UNC TPD Section M that Shippers should achieve.

The benefit of introducing an additional read performance obligation on Shippers would be to increase the accuracy of the total kWh settled in Product Class 4 which would in turn increase confidence in the accuracy of nominations, allocations, reconciliations, energy charges and UIG arising from Product Class 4 sites, which should reduce volatility across the market.

How

The solution will be to introduce an obligation for Shippers to achieve set performance for readings against overall AQ portfolio for:

- Class 4 with an AQ >293,000kWh
- Class 4 with an AQ <293,000 with Smart/AMR equipment recorded on UKLink
- Class 4 with an AQ <293,000 without Smart/AMR equipment recorded on UKLink.

August AQ at Risk Statistics are available at: <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/2019-09/3.6%20AQ%20At%20Risk%20Statistics%20October%202019.pdf>

New reporting would be required to:

- ⇒ Calculate the Shipper performance vs target by product class
- ⇒ Calculate the Shipper performance by annually read sites
- ⇒ Calculate the Shipper performance by monthly read sites both SMART/AMR and AQ >293,000 kwh

The reporting would be produced monthly and Shippers will be measured against a target of percentage (%) of overall AQ portfolio reconciled to an actual read:

- a) Annual read sites – no reading for > 12months.
- b) Monthly read sites – no reading for > 1 month.

This target would mean that Shippers with monthly read sites would need to provide readings within one month and reporting would be to show AQ volume without a read >1 month. Shippers with annually read sites would need to provide readings within 12months and reporting would be to show AQ volume without a read >12months.

The % energy reconciled target will be set initially at the levels stated below, these will be detailed in the Performance Assurance Report Register. This can be amended by UNCC majority. Class 4 with an AQ >293,000kWh – Reads submitted for 90% of overall AQ portfolio for the previous month.

- Class 4 with an AQ <293,000 with Smart/AMR equipment recorded on UKLink - Reads submitted for 90% of overall AQ portfolio for the previous month.
- Class 4 with an AQ <293,000 without Smart/AMR equipment recorded on UKLink - Reads submitted for 90% of overall AQ portfolio for the previous 12 months.

2 Governance

Justification for Authority Direction

The Modification Panel determined that this Modification could have a material impact on Shippers and so should be sent to the authority for decision because it seeks to apply charges based on Shipper read performance at 12 months; this could result in additional costs and could therefore have a material impact on competition.

Requested Next Steps

This Modification should:

- be subject to self-governance
- be issued to Consultation

Workgroup participants considered as this Modification seeks to provide enhanced reporting and a target performance measure based on industry standard; it is therefore recommended that this Modifications should now be classified as self-governance as it will not result in additional costs for Shippers.

3 Why Change?

There has been excessive levels and volatility in nominations, reconciliations and UIG since implementation of Nexus. Supply Points with no read accepted by Xoserve in 12+ months are at high risk of having inaccurate deemed energy volumes and thereby creating UIG and uncertainty.

At present there are read submission performance targets set out in the UNC TPD Section M, but these target a percentage of sites that readings should be submitted for. The risk is that if there are larger sites where a reading is not received that will be contributing more to UIG even though the Shipper may be achieving the read submission target see worked example fig.1. There is currently insufficient reporting detail to show performance against overall portfolio and no target within UNC TPD Section M that Shippers should achieve. Total kWh settled and no accompanying target.

- Shipper A has 41 Class 4 monthly read MPRs with a total AQ of 500,000 kWh
 - 3 MPRs each have an AQ of 40,000 kWh
 - 38 MPRs each have an AQ of 10,000 kWh
- Current standard is to read 90% of MPRs each month
 - 90% of MPRs = 36.9 MPRs, effectively 37 MPRs out of 41
 - *might only read the smaller sites – as little as 370,000 kWh of AQ*
 - 90% of AQ = 450,000 kWh – *any combination of MPRs, as long as the AQ target is achieved*

Fig.1

Identifying and reporting read performance against the overall portfolio this will encourage Shippers to submit reads in a timely manner and target larger sites where a lack of reading has a greater impact on UIG, this will ensure accurate energy calculations take place. It will provide PAC with an additional measure which they can use to monitor Shipper performance and challenge where this does not meet the required standard. This will help reduce volatility of nominations, allocations, reconciliations and UIG. This change will also provide confidence in these measures for Product Class 4.

If this change is not implemented, then UIG volatility will remain and confidence in the volumes attributed to Product Class 4 sites will remain a concern.

Analysis

Scottish Power Analysis

Working from the following assumption:

- The more recent the read, the more recent the Annual Quantity (AQ) Calculation
- The more recent the AQ Calculation, the more accurate the AQ
- The more accurate the AQ, the more accurate the NDM allocation
- The more accurate the NDM allocation, the less volatile the UIG

Analysis was carried out by Scottish Power on AQ's which calculated on 1st July 2018 to confirm the volatility of AQ movement based on the last time the AQ calculated.

The data was all Product Class 4 Meter Point Reference Numbers (MPRN) taken from T04 records which met the following criteria:

- REVISED_SUPPLY_METER_POINT_AQ_EFFECTIVE_DATE = 01/07/2018

- CONFIRMATION_EFFECTIVE_DATE < 01/07/2017 - to ensure supply period > 1 year
- AQ_CORRECTION_REASON_CODE = null

The MPRN list was then compared against T04 records from July 17 – June 18 to confirm the previous calculation date.

NOTE: October / April list only included meter points where REVISED_SUPPLY_METER_POINT_AQ_EFFECTIVE_DATE was populated.

The data was then grouped into 3 categories based on PERCENTAGE_AQ_CHANGE on 01/07/2018:

- Where the AQ has moved under +/- 10% - low volatility to the AQ, pre-01/07/2018 AQ would still have been accurate
- Where the AQ has moved between +/- 10% to +/-50%
- Where the AQ has moved over +/- 50% - high volatility with AQ movement, pre-01/07/2018 AQ not have been accurate

The % of MPRNs calculating in each of the 3 categories based on the last calculation date:

The 01/06/2017 date is used as a default, as an AQ had not calculated since Project Nexus Go-Live but last calculation date could be any time pre-01/06/2017.

Fig.2 Graph below highlights the link between the AQ % movement and the time between read submissions.

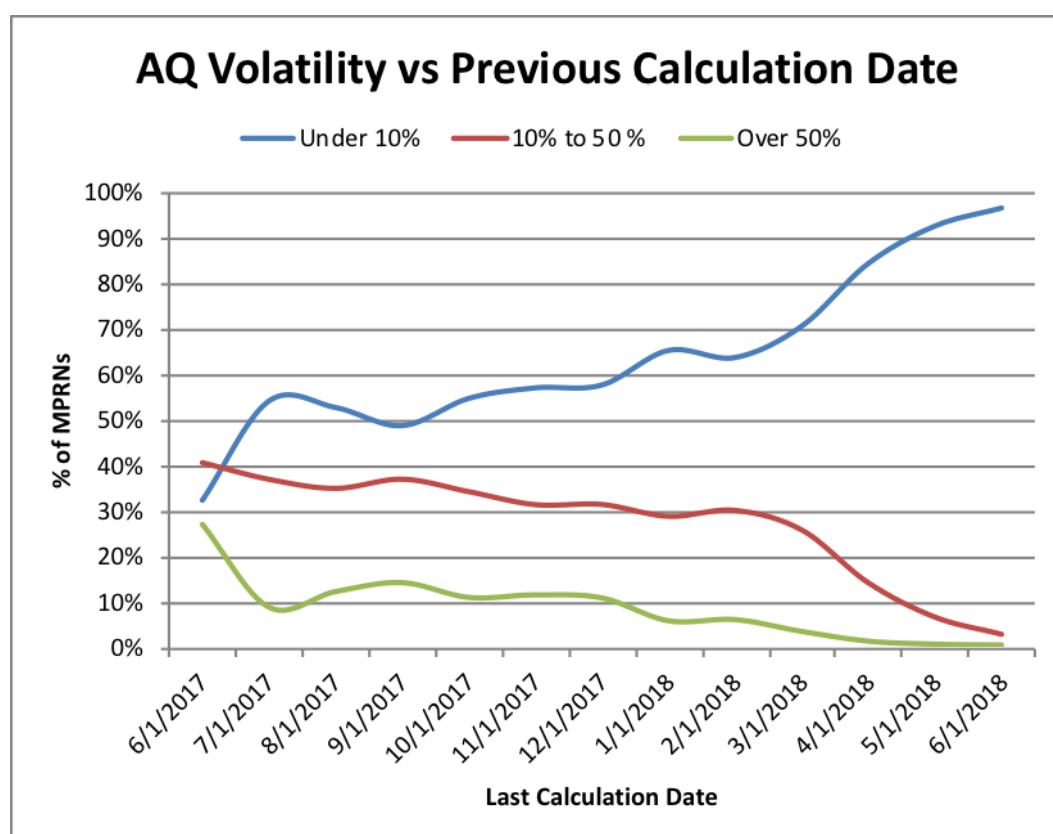


Fig.2

Key points are:

- Low volatility where the last AQ was calculated within the last 3 months as 84 – 96% of MPRNs moved by <10%

- There is some volatility where the last AQ calculated within the last 4 -12 months as 50 – 70% of MPRNs moved by <10%, though only C10% of MPRNs moved by >50%
- Much higher volatility where the last calculation date is > 12 months as 27% of MPRNs moved by >50%. Only 32% of AQ's moved by <10%.

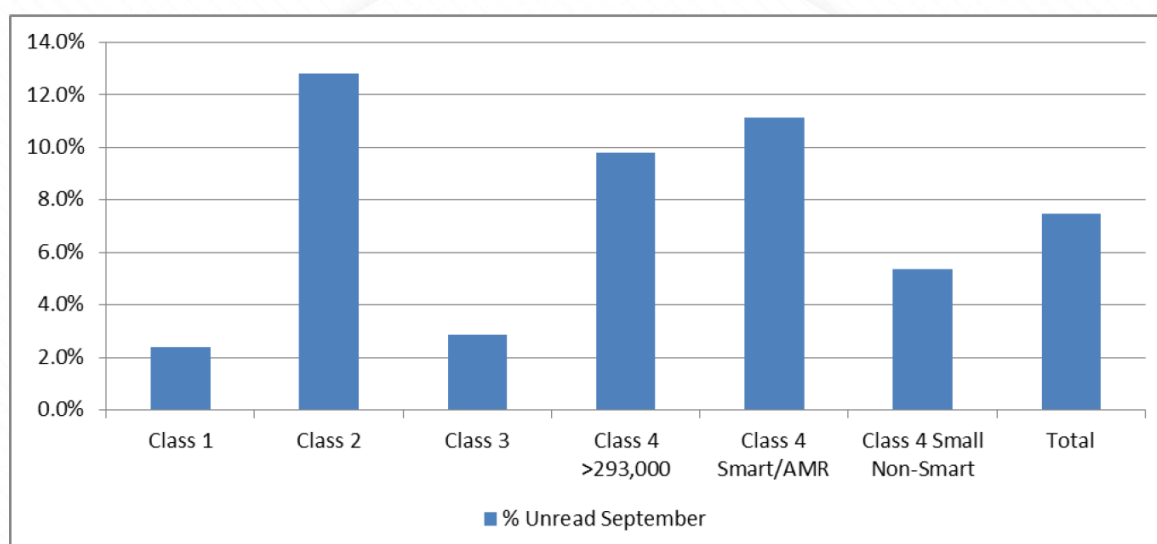
If the new AQ's on 1st July had not calculated, the meter points that had not calculated > 12 months ago would have caused higher UIG volatility than a site calculated more recently.

Xoserve Analysis

AQ at Risk Prototype Reporting

Xoserve have produced a prototype report which analyses UK wide performance for AQ at Risk. This shows that for the month of September 7.5% of the overall AQ has had no reading. It also provides evidence that Product Class 4 sites with an AQ >293,000 kWh have worse performance than those with an AQ <293,000 kWh and therefore are a greater risk to UIG.

AQ at Risk Breakdown as at 10 Sep 2019 – % of Total



4 Code Specific Matters

Reference Documents

UNC Transportation Principle Document (TPD) Sections M <https://www.gasgovernance.co.uk/TPD>

5 Solution

This proposal seeks to amend UNC TPD Sections M.

A new report will be included in the Performance Assurance Report Register (PARR) document. This reporting will be shared with PAC on a monthly basis at an un-anonymised level.

For the avoidance of doubt, a Change Proposal will be raised with the CDSP to ensure that MPRN level data would be made available to individual Shippers.

This target would provide Shippers with specific targets to submit Meter Readings based upon the AQ or the Supply Meter Point and the equipment present.

Business Rules

1. It is proposed that there is a new read performance obligation added to UNC TPD Section M to obligate Shippers to submit Meter Readings for Class 4 Supply Meters meeting the criteria of the following reports.
 - a) **Percentage monthly read AQ for sites >=293,000** - Class 4 sites with an AQ >293,000 kWh will need to submit a Meter Reading within a 1 month window for 90% of their Shipper **AQ Portfolio** meeting the criteria specified in this paragraph.
 - b) **Percentage monthly read AQ for sites <293,000 with SMART/AMR** - Class 4 sites with an AQ <293,000 kWh and where an Operational Smart Meter is fitted or an Advanced Meter is flagged as being present at the Supply Meter Point will need to submit a Meter Reading within a 1month window for 90% of their Shipper **AQ Portfolio** meeting the criteria specified in this paragraph.
 - c) **Percentage annually read AQ for sites <293,000 with no SMART/AMR** - Class 4 sites with an AQ <293,000kWh and where neither an Operational Smart Meter is fitted or an Advanced Meter is flagged as being present at the Supply Meter Point will need to submit a Meter Reading within a 12 month window for 90% of their Shipper **AQ Portfolio** meeting the criteria specified in this paragraph.

2. For the avoidance of doubt, for each Gas Year, the Performance Assurance Committee will maintain or revise the read performance obligation. The Performance Assurance Committee will consult with the Uniform Network Code Committee (UNCC) 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 1st 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. This can be amended by UNCC majority.

3. **Operational Smart Meter** means where a Meter Reading is capable of being able to be retrieved remotely from the asset and made available to the Registered Supplier. For the avoidance of doubt the CDSP shall determine the Smart Meter as being Operational where:
 - a) A Meter is installed with a NS or S1 Meter Mechanism where the Installing Supplier is the current Registered Supplier.
 - b) A Meter is installed with a Meter Mechanism of S2; or
 - c) The DCC Flag recorded

4. The formula to calculate performance for each report is:

Total AQ for eligible Supply Meter Points where a Meter Reading has been obtained that meets the report criteria * 100 = Performance %

Total AQ for eligible Supply Meter Points which meet the report criteria

5. The percentage target for each measure will be detailed in the Performance Assurance Report Register, Schedule 2A.

6. Read submission would be measured by the receipt of a valid read, accepted into CDSP systems. The relevant percentage would be calculated on a monthly basis for performance in the previous calendar month. The AQ's in the portfolio would be calculated as of the 1st day of the month.
7. Any Class 4 Supply Meter is subject to this regime except for:
 - a) Following a Change of Shipper event after the last day of the preceding month performance measurement would begin from the first day of the following month after the Supply Point was registered allowing complete months to be measured.
 - b) Where a Smart or Advanced Meter is installed which replaces an asset which is not an Operational Smart Meter or Advanced Meter after the last day of the preceding month performance regime would start from the first day of the following month after the asset was installed allowing complete months to be measured.

Where a Supply Meter Point no longer qualifies for monthly performance within a calendar month then it will not be subject to the Monthly performance measure for the performance period. It will be a candidate for the annual performance measure from the start of the subsequent performance period. For the avoidance of doubt, as the Annual process is a collation of 12 monthly performance periods; once the Shipper has 12 consecutive performance periods, they will be included in the Annual Performance Report.
8. For the avoidance of doubt, when a Supply Meter Point is reclassified to become a Class 4 Supply Meter, or a Meter is no longer an Operational Smart Meter or Advanced Meter – for example as a result of the Installing Supplier no longer being the Registered User – the revised applicable performance regime would start with immediate effect.
9. A Supply Meter Point AQ would remain in the AQ reporting pot for the month in which it was changed and would then be included in the Shipper's AQ Portfolio from the 1st day of the following month
10. For the avoidance of doubt, the report described in business rule 1 shall be produced upon implementation of this Modification and be added to the PARR in line with the specification, see Appendix 1. Reporting will be produced on the 10th day following month end and will be reported to PAC on the second Tuesday of the following month.

6 Impacts & Other Considerations

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

This Modification is unlikely to have an impact on an SCR or other significant industry change as it is proposing additional reporting and should not materially impact systems or processes.

Consumer Impacts

No direct consumer impacts identified. However, Workgroup Participants noted that by improving reporting that this Modification should improve levels of UIG, allocation and potentially volatility of UIG reconciliation, based on the premise that older AQs less accurately reflect consumption and therefore indirectly improve cost allocation for consumers.

Consumer Impact Assessment

Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none"> Domestic Consumers Small non-domestic Consumers Large non-domestic Consumers
What costs or benefits will pass through to them?	No direct costs saving identified, see note above this table.
When will these costs/benefits impact upon consumers?	Following implementation of the Modification and reporting processes.
Are there any other Consumer Impacts?	None identified.

Cross Code Impacts

The workgroup confirmed that IGT UNC would be impacted by this Modification and that the legal text would need to be compared against IGT UNC to see if a specific carve out would be required.

EU Code Impacts

None identified

Central Systems Impacts

There should be limited central systems impact other than the provision of the new reporting.

Workgroup Impact Assessment

This Modification has been amended significantly to the original version provided by the proposer following discussion and assessment at Workgroup. The scope and materiality impacts have been reduced as the scope of this Modification is about reporting rather than incentivising performance.

The original Modification was about reporting & measuring performance vs. defined targets and applying a read incentive charge. However, the incentive element had been removed and this report does not cover the assessment of these elements.

Workgroup highlighted the following concerns during Workgroup discussions:-

The potential of this Modification could cause significant difficulties on Shippers rather than Suppliers in terms of charging, causing a system design and the party shipping gas for a number of independent Suppliers.

A Workgroup participant suggested that a new Supplier provision should be introduced but it was noted that this could have a cross code impact. Another participant supported this report provision noting that the Rough Order of Magnitude (ROM) and Business Rules (BR) should be considered.

At the July 2019 UNC Modification Panel meeting, the Panel raised the following question for workgroup participants to consider

- Is this Modification required, or can the solution be facilitated by a PAC report request?

The Workgroup noted that this report would be available to both Industry and PAC and that there was not a PAC report that met this specification.

Workgroup participants also noted potential impacts with Modification 0700 – *Enabling Large Scale Utilisation of Class 3*. Workgroup noted that UIG would be a migration of Class 4 Sites into Class 3 and due to the different UIG factors being applied for this Gas Year this could be different again next year, and it would make sense to continue to Class 4 reporting.

The Workgroup also noted that this Modification was originally determined by Panel to have an Authority Direction status, however due to the reduction in the materiality the Workgroup recommends to Panel that Self-Governance procedures should apply. This is due mainly to the removal of incentives and therefore costs on Shippers.

The Workgroup considered the following PAC presentation from Xoserve to PAC - AQ at Risk Analysis see presentation.

<https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/2019-08/3.%20AQ%20At%20Risk%20Statistics%20August%20%2812%20August%202019%29.pdf>

The workgroup noted that the report would contain the following information.

- Performance vs Target by Product Class
- Performance by SSP / LSP (Small and Large Supply Points)
- Performance by LDZ
- Performance by Annually read sites
- Performance by Monthly read sites.

The final report is detailed in Appendix 11 of this Workgroup Report.

Workgroup considered the Business Rules (BR) if SMET 1 and SMET 2 Smart meters would remain in Scope where they operate in Dumb mode.

Workgroup participants queried read performance target and whether they should be 15 or 12 months and collectively agreed that this should be 12 months on the basis that AQ is determined annually.

Workgroup discussed how Shippers would be measured

- against a target percentage of their overall portfolio.
- Shippers with monthly read sites would need to provide meter readings within one month.
- Reports will show AQ volume without a read longer than one month.
- Sites read annually will show AQ volume for longer than 12 months.

It was noted that the report would be produced on the 10th day following month end (BR 10)

The Workgroup noted that PAC had been advised and would be considering measures to improve performance against obligations set out in the UNC.

The Workgroup discussed and considered possibility of Shippers not being able to achieve the read submissions for 90% of the overall portfolio and noted 10% of sites without reads could equate to a higher proportion of AQ and could have a significant impact on UIG depending on size. It was noted by the Workgroup that the intention of the proposer would be to have a UNC related document which targets 90% overall AQ portfolio will reside, and this would need to be included in the solution and Legal Text.

Discussions took place around the difference of Class 4 site meter readings and Smart/AMR readings within 1 month and it was understood that the separation between smart and non-smart would allow the targets to change for each category in the future.

Workgroup also considered the Data Discovery Platform (DDP) on volume restrictions and Central Data Service Provider (CDSP). The CDSP explained that this had been considered with Account Managers. A Workgroup participant explained that this restriction is not solely for this Modification and it was understood that there was a general 50,000 restriction per DDP enquiry, however with filters Shippers could interrogate the system in tranches. It was not clear if this restriction would impact this Modification. Workgroup confirmed that this would be dropped into DDP 2 and have also lifted the restrictions on the 50,000 data items.

During discussions between December 2019 and March 2020, Workgroup discussed whether Smart Meters were a defined term, CDSP sought clarity to BR 1.a,b and c regarding month reads for sites . >293,000 that do not have Smart Meters.

The key changes were:-

- remove working on Smart and AMR in BR to provide clarity.
- there should be a limit on Central Data Systems Impacts.
- A workgroup participant advised that the governance of targets should be UNCC or PAC and it was considered that this would be drawn out during the consultation.

Workgroup agreed that the Workgroup Report should be presented for consideration at the UNC Panel meeting in April 2020.

Rough Order of Magnitude (ROM) Assessment

ROM CRN 5043 V1 provides details of associated costs Time scales: 4 weeks to 8 weeks within an existing sprint.

£0 - £30,000 assuming that this is delivered by the DDP. If sprint schedule does not sit with this it could take longer or cost more money ROM provided November 2019, therefore any variations to the Modification should be considered.

7 Relevant Objectives

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

This Modification proposes to introduce a new report to highlight performance to industry participants that by targeting meter read performance across Shippers and customer types that might lead to changes in behaviour that should help to reduce the levels of volatility and unpredictability of UIG, reduce uncertainty in estimation and improve the accuracy of cost targeting and therefore further Relevant Objective d) Securing of effective competition between Shippers and Suppliers.

All Workgroup Participants agreed with the Proposer that this Modification furthers Relevant Objective d).

All Workgroup Participants agreed that the Modification should improve levels of UIG at allocation and potentially volatility of UIG at reconciliation, based on the premise that older AQs less accurately reflect consumption.

8 Implementation

No implementation timescales are proposed; however, implementation could be as soon after a decision to implement has been received.

Should the Modification Panel agree with the Workgroup recommendation that self-governance procedures are suitable for this Modification, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

9 Legal Text

Text

Legal Text has been provided by Cadent and is published alongside this Final Modification Report. Commentary is detailed below.

The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

Text Commentary

Dated 28th February 2020

EXPLANATORY TABLE

MODIFICATION 0672

TARGET, MEASURE & REPORT PRODUCT CLASS 4 READ PERFORMANCE

Reference	Explanation
Transportation Principal Document	
Section M – Supply Point Metering	
5.9.1(f)	Identifies three groups of Class 4 Supply Meters, by reference to Annual Quantity, Meter Read Frequency and the nature of the Supply Meter installed at the Supply Meter Point. Required on the basis read performance will be measured and reported on separately for each of the three groups, Groups 1, 2 and 3.
5.9.18	Identifies the target performance for each of Groups 1, 2 and 3; the Target Monthly AQ Read Percentage for Groups 1 and 2 and the Target Annual AQ Read Percentage for Group 3. The target percentages will be set out in the Performance Assurance Reports Register (see Section V16.5) and will be subject to governance of that document.

	The Actual Monthly AQ Read Performance and the Actual Annual AQ Read Performance is then calculated each calendar month by reference to the Annual Quantity percentage of the User's portfolio for each Group in relation which a Valid Meter Reading was submitted during the relevant window.
5.9.19	Contains the requirement a User ensure that its read performance for each of Groups 1, 2 and 3 each calendar month is not less than the target performance.
5.9.20	Makes clear which Annual Quantity is used in determining whether a Class 4 Supply Meter is in Group 1, 2 or 3 and that for the purposes of Group 2 a Smart Meter or Advanced Meter must have been installed for all days in the relevant calendar month.
5.9.21	Where the Meter Read Frequency changes mid-month the Supply Meter (and its Annual Quantity) will not be included when calculating the User's performance for the relevant calendar month.

10 Consultation

Panel invited representations from interested parties on 16 April 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 6 representations received 5 supported implementation and 1 was 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"> Supports the Modification as it believes that it will complement the existing Meter Reading arrangements within the UNC by ensuring that, as well as a minimum percentage of overall numbers of Supply Points have Meter Readings submitted, that the overall AQ within a Shippers Class 4 portfolio should be targeted in a similar manner which should help alleviate UIG. Notes that as part of the Modification, additional reporting will also be produced which will give PAC visibility of performance.

			<ul style="list-style-type: none"> • Believes the Modification meets the self-governance criteria on the grounds that it simply complements existing arrangements within the UNC, and therefore implementation could take place 16 days after Modification Panel decision subject to no appeal being raised. • Has not identified any significant costs associated with the implementation of the Modification. • Is satisfied that the legal text will deliver the intent of the solution for the Modification.
EDF Energy	Oppose	d) - none	<ul style="list-style-type: none"> • In opposing the Modification undertakes a detailed explanation, during which it agrees that meter reading submission performance is a significant influencing factor in Unidentified Gas (UIG) and that a lack of meter readings is a major risk factor for UIG, as highlighted by the Authority in response to previous Modifications and identified by the UIG Task Force (established by UNC Modification 0658) respectively. • Supports the proposal to introduce an obligation for Shippers to achieve a set performance target for readings against overall Annual Quantity (AQ) portfolio and recognises the positive impact this could have on UIG. • Points out that part of this proposal includes a percentage energy reconciled target for Class 4 with an AQ <293,000 with Smart / Automated Meter Reading (AMR) equipment recorded on UK Link - Reads submitted for 90% of overall AQ portfolio for the previous month. • Notes that the meter reading frequency of a proportion of the smart metered sites within Product Class 4 (PC4) will be set to annual rather than monthly if Suppliers/Shippers are unable to retrieve meter readings remotely due to issues establishing communication with these meters. • Observes that within the business rules proposed within the Draft Modification Report an operational smart meter is defined as being where: <ul style="list-style-type: none"> ○ A Meter is installed with a NS or S1 Meter Mechanism where the Installing Supplier is the current Registered Supplier; ○ A Meter is installed with a Meter Mechanism of S2; or ○ The Data Communications Company (DCC) Flag recorded.

			<ul style="list-style-type: none"> • Believes that this will fail to capture a multitude of common issues that cause smart meters to be noncommunicating and set to 'traditional mode' by Suppliers and will result in a large number of non-communicating smart meters being measured for monthly meter readings despite Suppliers and Shippers being unable to obtain meter readings remotely. • Provides a non-exhaustive list of scenarios where the proposed business rules would fail to identify a non-communicating smart meter, as follows: • The current Supplier is also the installing Supplier of a SMETS 1 smart meter however, this installation is accepted by the consumer on the basis smart communications are disabled. Installing smart meters on this basis enables Suppliers to meet the preferences of consumers without the need to replace the meter in the event of changes of occupancy or changes in consumer preference. • The current Supplier is also the installing Supplier of a SMETS 1 smart meter however, at the point of installation smart meter communications could not be established due signal strength issues. In some instances, SMETS 1 smart meters have been installed at sites where signal strength issues have prevented an active communications link from being established. Such installations have been carried out on the basis signal strength issues may be able to be overcome in future, this scenario is often referred to as 'install and leave'. • A SMETS 2 smart meter is installed and a Home-Area-Network (HAN) connection is established at the point of installation updating the DCC Service Flag to 'active' however, HAN connection later becomes intermittent and communication with the smart meter being unreliable or non-operational. Where this is the case the DCC Service Flag will remain 'active' however dual band communications hubs or alternative HAN solutions may be required for meter readings to be obtained remotely. • A SMETS 2 smart meter installation is accepted by a consumer on the basis smart communications are disabled. In this situation the DCC Service Flag would be set to 'active' despite the smart meter operating in traditional mode. Installing SMETS 2 smart meters on this basis enables Suppliers to meet the preferences of consumers without the need to replace the meter in the event of changes of occupancy or changes in consumer preference.
--	--	--	---

			<ul style="list-style-type: none"> • A SMETS 2 smart meter is installed with an active connection to a Wide-Area-Network (WAN) leading to the DCC Service Flag being set to 'active'. However, WAN connection later becomes intermittent and communication with the smart meter becoming unreliable or non-operational. Where this is the case the DCC Service Flag will remain 'active' despite the meter operating in traditional mode until the DCC are able to resolve the WAN issue that would be preventing remote meter readings being received from the smart meter. • A SMETS 2 smart meter was previously installed but has been removed and replaced with a legacy meter. In this situation the DCC Service Flag would still be set to 'active' even though there is no smart meter installed at the supply meter point. • Also believes that it is worth noting that the proposed business rules for identifying operational smart meters closely follow those proposed by Modification 0692 Automatic updates to Meter Read Frequency. This Modification is currently awaiting a decision from the Authority following our decision to appeal the implementation to Panel where we set out these concerns, before subsequently appealing the decision to implement to the Authority. • Points out that the flaws within these business rules and their (EDF Energy's) concerns have also been widely shared in industry discussions with Shippers, The Central Data Services Provider (CDSP) and the Authority. • Suggests that if a solution that accurately identifies non-communicating smart meters cannot be developed, implementation of this Modification should be delayed until the ongoing issues with the DCC Service Flag and related Smart Energy Code (SEC) Modification MP077 – DCC Service Flagging are resolved. • Goes on to suggest that if a solution can be developed that enables non-communicating smart meters to be accurately identified and excluded from the monthly percentage energy reconciled target, then they would fully support this Modification. If such a solution cannot be found the annual meter reading performance of these sites could instead be monitored within the proposed annual reading target for Class 4 with an AQ <293,000 without Smart/AMR equipment recorded on UK Link. • Notes that if this Modification is to be implemented without addressing the flaws in the identification of smart meters as proposed by this Modification, or another
--	--	--	---

			<p>solution cannot be designed to enable non-communicating smart meters to be identified and measured against an annual meter reading frequency, then implementation should be delayed until the ongoing issues with the DCC Service Flag and related SEC Modification MP077 – DCC Service Flagging are resolved.</p> <ul style="list-style-type: none"> • Does not provide any views on potential impacts and costs or whether the legal text would deliver the intent of the solution for the Modification. • Believes that as this Modification could have a material impact on Shippers it should be subject to Authority Direction as it seeks to apply charges based on Shipper read performance at 12 months which could result in additional costs and could therefore have a material impact on competition. • Points out that based on data published by the Department for Business, Energy and Industrial Strategy (BEIS) there are approximately 1.7 million gas smart meters installed by larger energy Suppliers that are operating in 'traditional mode' as of 31 December 2019. This represents around 21% of the total gas smart meters installed by larger energy Suppliers at that point in time. • Suggests that if this Modification is implemented as currently proposed without a solution that accurately identifies non-communicating smart meters, Shipper performance of percentage energy reconciled target for Class 4 with an AQ <293,000 with Smart / Automated Meter Reading (AMR) equipment recorded on UKLink could be significantly impacted and could unfairly prejudice Shipper users with non-communicating smart meters within their portfolio.
E.ON	Support	d) - positive	<ul style="list-style-type: none"> • Supports the Modification as they believe a volumetric based target rather than a site-based target is a much more valuable performance measurement, both in targeting Shippers fairly and contributing to a reduction in UIG. • Agrees that this will incentivise Shippers to prioritise their larger supply points ensuring they are submitting regular actual reads which in turn will reduce the risk of UIG. • Supports the reporting aspect of this Modification which will ensure the MPR level data is shared with Shippers, as this will be particularly useful because it will inform Shippers of underperforming sites which we can then be prioritised to rectify and improve overall performance.

			<ul style="list-style-type: none"> • Recognises that the UNC change also captures the IGT UNC supply points because the IGT UNC text points directly to the UNC clause, so would expect reporting to be all MPRs and not just UNC because of this. • Recommends aligning to or delivering no earlier than UNC 0692S (subject to Authority decision on the appeal), and should UNC 0962S not be implemented then they would still support a November 2020 implementation. • Has not identified any potential system impacts but does recognise that some internal reporting and process development requirements would need to be delivered, although this is not expected to be project sized costs. • Did not provide a comment on the legal text. • Believes that there is a possibility of commercial impacts because of the targets and due to this we believe this should be presented to the Authority for decision. • Additionally, believes that there is a link between this Modification and 0692S, and due to that Modification being with the Authority for the review of the appeal, believes this decision should go to the Authority too. • Recognises that there isn't the need for an IGT UNC Modification due to the IGT text already pointing to the relevant section, however should the Modification be approved they would support cross-code discussions between the UNC and IGT UNC to issue a note to IGT parties ensuring they are aware of the implementation also as there is not a Modification to prompt it.
Npower	Support	d) - positive	<ul style="list-style-type: none"> • Supports the Modification, which incentives improved meter read submission for larger sites in Product Class 4. • Agrees that this will be helpful in reducing UIG. • Believes that implementation immediately following a decision would be acceptable. • Has not identified any significant costs associated with the implementation of the Modification. • Is satisfied that the legal text will deliver the intent of the solution for the Modification. • Believes that the Modification should be subject to self-governance procedures.
ScottishPower	Support	d) - positive	<ul style="list-style-type: none"> • Supports this change as it seeks to reduce Unidentified Gas (UIG) volume by providing a target for read submission against a Shippers overall Product Class 4

			<p>portfolio, and believes that this will mitigate the risk of a Shipper meeting their current read obligation but not reading their larger sites which have the potential to contribute more to UIG.</p> <ul style="list-style-type: none"> • Suggests that providing PAC with an un-anonymised report will allow them to target Shippers who are potentially contributing more to UIG with higher consuming sites. • Is of the view that no implementation lead time is required, as this will be as directed by Panel approval. • Has not identified any impacts or costs associated with the implementation of the Modification at this time. • Is satisfied that the legal text will deliver the intent of the solution for the Modification. • Believes that the Modification should be subject to self-governance on the grounds that it should not result in financial impact for Shippers.
SGN	Support	d) - positive	<ul style="list-style-type: none"> • Supports the Modification as it encourages the provision and availability of meter readings, thereby furthering Relevant Objective d) <i>Securing of effective competition</i> which should increase the granularity of consumption data and therefore should help to reduce the levels, volatility and unpredictability of UIG. • Supports the implementation of the meter reading targets as soon as reasonably practical. • Notes that when assessing the performance reporting associated with this Modification, PAC should take into consideration the current COVID-19 lockdown and urgent implementation of Modification 0722. • Has not identified any impacts or costs associated with the implementation of the Modification at this time. • Is satisfied that the legal text will deliver the intent of the solution for the Modification. • Does not envisage any material impacts on customers and therefore believes as a consequence that the Modification fulfils the criteria for self-governance.

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

Discussion

The Panel Chair summarised that this Modification seeks to reduce Unidentified Gas (UIG) volume by providing a target for read submission performance for Product Class 4 sites against overall portfolio. This Modification proposes to target and measure performance against an agreed percentage for Energy reconciled after a defined period and provide PAC with an un-anonymised report which will enable them to target Shippers whose performance is below the target threshold.

Panel Members considered the six representations made, noting that 5 supported implementation and 1 opposed implementation.

Panel Members agreed that the issues identified by the one opposing respondent are valid but that they do not stop the validity of the Modification; other companies operating under similar conditions have not responded in a similar manner. Panel Members noted that these concerns are very similar to the concerns raised by a respondent when responding to 0692S.

Panel Members noted that the one opposing respondent referred to application of charges based on Shipper performance, but that the Modification 0672 does NOT now include these charges.

Panel Members discussed the effects of Modification 0722 implementation, noting that estimated reads can be submitted as actuals and that this will feed in to be measured as Shipper's performance. Panel Members agreed that PAC will take this into account.

Consideration of the Relevant Objectives

Panel Members agreed that this Modification should have a positive impact on Relevant Objective d) Securing of effective competition; because it should increase the granularity of consumption data and therefore help to reduce the levels, volatility and unpredictability of UIG. It is also believed that a volumetric based target, rather than a site-based target, is a much more valuable performance measurement, both in targeting Shippers fairly and contributing to a reduction in UIG. And it was agreed that this will incentivise Shippers to prioritise their larger supply points ensuring they are submitting regular actual reads which in turn will reduce the risk of UIG.

Determinations

Panel Members voted unanimously that Modification 0672 does not have an SCR impact.

Panel Members voted unanimously for Modification 0672S to now follow self-governance procedures.

Panel Members voted unanimously that no new issues were identified as part of consultation.

Panel Members voted unanimously to implement Modification 0672S.

12 Recommendations

Panel Recommendation

Panel Members recommended:

- that Modification 0672S should be implemented

13 Appendix

PARR Reporting Schedule

Schedule 2A.x – Class 4 Meter Read Performance as Percentage of AQ Read

Report Title	Class 4 read submission performance as a percentage of portfolio AQ
Report Reference	2A.x (reference to be determined following implementation of UNC Modification 0672)
Report Purpose	To compare Shipper performance in managing their valid meter reading submission for Class 4 supply points against targets set out in the UNC Related Document 'Percentage Overall AQ Portfolio Read in Product Class 4'.
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 Separated by AQ banding and by Meter Read Frequency/equipment type Percentage of portfolio AQ without a meter reading for the required duration (either one month or 12 months) Industry Average
Data inputs to the report	SSC Peer Comparison Identifier Annual Quantity Equipment type and status (whether a Smart/advanced meter is "operational" as defined in UNC) Meter reading history
Number rounding convention	Percentage 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 formula/specification to prepare the report)	Sites are excluded if there was a change of Shipper or where an "operational" Smart or Advanced meter was fitted for the first time in the calendar month. NTS sites are excluded. IGT sites are included. Performance targets are: a) Percentage monthly read AQ for sites $\geq 293,000$ - Class 4 sites with an AQ $> 293,000$ kWh will need to submit a Meter Reading within a 1 month window for 90% of their Shipper AQ Portfolio . b) Percentage monthly read AQ for sites $< 293,000$ with SMART/AMR - Class 4 sites with an AQ $< 293,000$ kWh

	<p>and where an Operational Smart Meter is fitted or an Advanced Meter is flagged as being present at the Supply Meter Point will need to submit a Meter Reading within a 1month window for 90% of their Shipper AQ Portfolio.</p> <p>c) Percentage annually read AQ for sites <293,000 with no SMART/AMR - Class 4 sites with an AQ <293,000kWh and where neither an Operational Smart Meter is fitted or an Advanced Meter is flagged as being present at the Supply Meter Point will need to submit a Meter Reading within a 12 month window for 90% of their Shipper AQ Portfolio.</p> <p>The report is prepared as soon as possible after the end of the calendar month</p>
Frequency of the report	Monthly
Sort criteria (alphabetical ascending etc.)	Peer Comparison Identifier alphabetically
History/background	Requirement introduced to support UNC Modification 0672 obligations
Additional comments	
Estimated development costs	
Estimated ongoing costs	

Percentage of Supply Point AQ without an accepted meter reading for the required duration							
Sub-category	Month	Month x+1	Month x+2	Month x+3	Month x+4	Month x+5	Etc.
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							
Industry Total	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Separate report pages for:

- Percentage of monthly read AQ for sites >293,000 kWh which were without a reading for more than a month
- Percentage AQ for sites <293,000 kWh with SMART/AMR (where an Operational Smart Meter is fitted or an Advanced Meter is flagged as being present at the Supply Meter Point) which were without a reading for more than a month
- Percentage annually read AQ for sites <293,000 where neither an Operational Smart Meter is fitted or an Advanced Meter is flagged as being present at the Supply Meter Point which were without a reading for more than 12 months.

