













| UNC Draft Modification Report | At what stage is this document in the process? |
|---|--|
| <h1>UNC 0570:</h1> <h2>Obligation on Shippers to provide at least one valid meter reading per meter point into settlement once per annum</h2> | <div style="display: flex; flex-direction: column; gap: 10px;"> <div style="border: 1px solid #00a651; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;">01 Modification</div> <div style="border: 1px solid #0070c0; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;">02 Workgroup Report</div> <div style="border: 1px solid #800080; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid #e69d00; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;">04 Final Modification Report</div> </div> |
| <p>Purpose of Modification:</p> <p>This modification proposes to create a condition in the UNC to correspond with the requirement on Suppliers under the Supply Licence (SLC 21B.4) to take a meter reading at least once every year for billing purposes. In the case of the UNC this would be for use within gas industry settlement and relate to non-daily metered sites</p> | |
|  | <p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this modification.</p> <p>The close-out date for responses is 10 August 2017, which should be sent to enquiries@gasgovernance.co.uk. A response template, which you may wish to use, is at https://www.gasgovernance.co.uk/0570</p> <p>The Panel will consider the responses and agree whether or not this modification should be made.</p> |
|  | <p>High Impact: None</p> |
|  | <p>Medium Impact: Shippers and Transporters</p> |
|  | <p>Low Impact:</p> |

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| Timetable | | |
| Modification timetable: | | |
| Initial consideration by Workgroup | 22 December 2015 | |
| Amended Modification considered by Workgroup | 22 June 2017 | |
| Workgroup Report presented to Panel | 20 July 2017 | |
| Draft Modification Report issued for consultation | 20 July 2017 | |
| Consultation Close-out for representations | 10 August 2017 | |
| Final Modification Report available for Panel | 14 August 2017 | |
| Modification Panel decision | 17 August 2017 | |
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1 Summary

What

Since December 2014, under the Gas Supplier Licence (SLC 21B.4) there has been a requirement on the licensee to take all reasonable steps to obtain a meter reading (including any meter reading transmitted electronically from a meter to the licensee or provided by the Customer and accepted by the licensee) for each of its Customers at least once every year. This Condition does not apply to customers with pre-payment meters.

Whilst this requirement is in place to try and ensure that customers get at least one accurate bill each year, there is nothing that requires that meter readings are provided into settlement every year to improve settlement accuracy. It has become apparent through recent and previous AQ Review processes that Shippers have readings that are used in the amendment phase of the Review, but that these are either not being provided through business as usual processes to the Transporters or not passing system validation. There therefore appears to be a reduced number of readings being provided/accepted into settlement to determine settlement volumes when compared to the number of readings used by Shippers to manually determine new AQs through the amendment phase.

Why

By increasing the number of meter readings accepted into the settlement system, there should be an increase in the accuracy of settlement and the bills to Shippers and it will ensure that meter readings are submitted ahead of line in the sand.

How

This modification seeks to place a requirement on Shippers to submit at least one reading into settlement per year, in respect of any non-daily Supply Meter and for this to be used in the settlement. It also proposes that reporting is produced by Transporters and provided to the Performance Assurance Committee to monitor Shipper performance.

The solution envisages that Shippers (and their associated Suppliers) should “take all *reasonable* steps to obtain a meter reading” to correspond with the existing Supply Licence requirement and submit it into settlement.

It is also proposing that the existing meter reading requirements set out in the UNC Section M are removed.

2 Governance

Justification for Urgency, Authority Direction or Self-Governance

The Modification Panel determined that this modification was not suitable for Self Governance, as it is likely to have a material impact on commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes and for Shippers, where they rely on Suppliers for the provision of meter readings into the settlement process.

Requested Next Steps

This modification should:

- be issued to consultation.

The Workgroup agrees with the Modification Panels view that this modification should not be Self-Governance as it could have a material impact on competition, or commercial activities related to, the shipping, transportation or supply of gas because it would impact the settlement regime by increasing the number of valid reads used for settlement purposes.

3 Why Change?

Since December 2014, under the Gas Supplier Licence (SLC 21B.4) there has been a requirement on the licensee to take all reasonable steps to obtain a meter reading (including any meter reading transmitted electronically from a meter to the licensee or provided by the Customer and accepted by the licensee) for each of its Customers at least once every year. This Condition does not apply to customers with pre-payment meters.

Whilst this requirement is in place to try and ensure that customers get at least one accurate bill each year, there is nothing that requires that meter readings are provided into settlement every year to improve settlement accuracy. It has become apparent through recent and previous AQ Review processes that Shippers have readings that are used in the amendment phase of the Review, but that these are either not being provided through business as usual processes to the Transporters or not passing system validation. In the 2015 Review, whilst there were 83% of AQs revised by the Transporters at the T04 stage, ultimately there were 91% of sites where the AQ was updated by the time the values went live on 1st October 2015. It is recognised that a proportion of this could be due to more meter readings being received between May and August, however Xoserve has advised in the past that they do have amendments using meter readings from before the Amendment window.

Xoserve presented on some elements that could be contributing to settlement risk during the early stages of discussion on the introduction of the Performance Assurance Workgroup. Within this presentation and as captured in the minutes¹, it was noted that there were 70k sites where no readings had been received by the Transporters in 4 years, but that for roughly 80% of the sites a reading (not lodged with Transporters) was used to speculatively calculate the AQ.²

There therefore appears to be a reduced number of readings being provided or accepted into settlement to determine settlement volumes, when compared to the number of readings successfully used by Shippers to manually determine new AQs through the amendment phase. This may be due to the validation rules applied in UKLINK, but it is unclear if this is the case.

By increasing the number of supply points where the latest read is less than 12 months old, there should be an increase in the accuracy of settlement and the bills to Shippers. The Workgroup therefore believes that, as the Supply Licence requirement SLC 21B.4 has been in place for over 12 months that it is prudent to ensure that there is a similar requirement on Shippers for settlement.

For the first time the reporting requirement under Modification 0520A - Performance Assurance Reporting (as approved by Ofgem)³ will give visibility of overall Shipper read performance, but also allow for discussion of any perceived issues with UKLINK accepting readings.

¹ <http://www.gasgovernance.co.uk/sites/default/files/Minutes%20PA%20120613%20v1.0.pdf> (page 2 second last para)

² <http://www.gasgovernance.co.uk/sites/default/files/PAF%20June%2013.pdf> (slide 6 bullet point 3)

³ <http://www.gasgovernance.co.uk/0520>

There is an opportunity to dovetail this arrangement with the Performance Assurance Arrangements, given that Ofgem has approved Modification 0506V - Gas Performance Assurance Framework and Governance Arrangements and that the reporting proposed under Modification 0520A could be incremented to achieve this objective.

The Workgroup considers it is for the Performance Assurance Committee to determine what reporting, if any, is needed to monitor the requirements proposed under Modification 0570.

It should be noted that the CMA order detailing the requirements to amend Shipper and Transporter licences can be found by using the following link:

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

4 Code Specific Matters

Reference Documents

UNC TPD

Knowledge/Skills

None required

5 Solution

This modification seeks to place a requirement on Shippers to

- submit at least one Valid Meter Reading per year in respect of any non-daily Supply Meter, where the Supply Point has been in the Registered Users ownership for more than 12 months or:
- take reasonable endeavours to submit at least one Valid Meter Reading per year in respect of any non-daily Supply Meter, where the Supply Point has been in the Registered Users ownership for less the 12 months.

For the avoidance of doubt this requirement also covers pre-payment meters.

The solution also proposes that the existing meter reading requirements set out in the UNC Section M are removed.

6 Impacts & Other Considerations

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

This modification has no impact on any current Switching SCR or other industry change.

| 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 (NDM) |
| What costs or benefits will pass through to them? | There are no direct benefits or costs to pass through to consumers as the reads submitted through this process are likely to be less frequent than those used in consumer billing. However, indirectly the Modification is likely to ensure AQs are updated more frequently and that this information would be available should for competing Shippers/Suppliers should a consumer wish to switch Supplier. |
| When will these costs/benefits impact upon consumers? | Approximately between 1 and 12 months following implementation depending where the obligation falls for a supply point during a Shippers ownership. |
| Are there any other Consumer Impacts? | None identified. |

Cross Code Impacts

It should be noted that there will be a consequential impact on the iGTUNC, as following the implementation of Modification 0440 - Project Nexus – iGT Single Service Provision, the iGTUNC directly references relevant sections of UNC.

The Legal Text for Modification 0570 will impact a number of the sections of UNC referenced by the iGTUNC and this is likely to require an iGTUNC Fast-Track Modification to correct the referencing errors.

EU Code Impacts

No EU Code impacts have been identified.

Central Systems Impacts

No Central System impacts have been identified

Workgroup Impact Assessment

The Workgroup notes that the proposals in this modification would not place an onerous burden on Shippers and Suppliers to provide a meter reading for settlement purposes, particularly as a Supply Point needs to be in the Shippers ownership for at least 12 months prior to the requirements being effective.

It is noted that as Project Nexus was implemented on 01 June 2017, the benefits highlighted for the 2017 AQ review would not be fully achievable as the requirements for an AQ review would be removed.

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

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 proposal has a positive impact on Relevant Objective (d), in that it will have a positive effect on competition between relevant Shippers and Suppliers. By requiring that readings are provided into settlement, accuracy of transportation and energy billing will be improved through more reconciliation and more generally by having more readings available. This proposal will address the issue identified above where readings are not being provided into settlement and sites not being reconciled before the line in the sand date (currently three to four years).

This modification will also have the effect of ensuring AQs are updated more frequently throughout the year and that reconciliation is taking place at least annually across all supply points in the SSP and LSP markets.

Currently for all sites, it could also have an effect of ensuring that Shippers/Suppliers settlement and billed volumes are aligned, if the same readings used for billing are used to derive settlement reconciliation volumes.

8 Implementation

No implementation timescales are proposed. However, it would be desirable if Transporters implement this modification as soon after an Ofgem decision as possible.

9 Legal Text

Legal Text has been provided by Cadent and is included below. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

Text Commentary

Notes

1. This table is based on the legal text for Modification 0570 published on the Joint Office website on 24 May 2017.
2. Modification 0570 relates to the obligation on Shippers to provide at least one Valid Meter Reading per Meter Point per year.

| TPD Section M (Supply Point Metering) (As amended by Modification 0604) | Topic | Explanation |
|---|---|---|
| New paragraph 5.9.9 | Frequency of Meter Readings when the Supply Point has been in the ownership of the Registered Owner for at least 12 months | States that, in relation to Annual Read Meters, Users must secure at least one Valid Meter Reading in every 12 month period for each Annual Read Meter where the Supply Point has been in the ownership of the Registered Owner for at least 12 months. |
| New paragraph 5.9.10 | Frequency of Meter Readings when the Supply Point has been in the ownership of the Registered Owner for less than 12 months – reasonable endeavours | States that, in relation to Annual Read Meters, Users must use their reasonable endeavours to secure at least one Valid Meter Reading in every 12 month period for each Annual Meter where the Supply Point has been in the ownership of the Registered Owner for less than 12 months. |
| New paragraph 5.9.11 | Frequency of Meter Readings when the Supply Point has been in the ownership of the Registered Owner for | States that, where, despite reasonable endeavours, the User has not been able to secure at least one Valid Meter Reading in 12 months for Annual Read Meters that have been in the ownership of the Registered User for less than 12 months, the User must secure a Valid Meter Reading within a 24 month |

| | | |
|----------------------------------|------------------------------------|---|
| | less than 12 months – long stop | period. This 24 month period acts as a long stop date. |
| New paragraph 5.9.12 | Timing of first Meter Read | Retains but moves the requirement for the first meter read to take place between 1 and 12 months from the First Supply Point Registration Date (and corrects the cross reference taking into account the new preceding paragraphs). |
| New paragraph 5.9.13 | Performance reporting | Retains but moves the obligation on the CDSP to provide feedback to Users on their performance in respect of obtaining a Valid Meter Read for Annual Read Meters in accordance with the obligations set out in the preceding paragraphs. |
| New paragraph 5.9.14 | Pre-payment Meters | Clarifies, for the avoidance of doubt, that the obligations in respect of obtaining Valid Meter Reads for Annual Read Meters also apply to Pre-payment meters. |
| New paragraph 5.9.15 | Off-take reconciliation | Retains but moves the statement that each Valid Meter Read in respect of a Class 4 Supply Meter shall give rise to an Offtake Reconciliation. |
| Amendment to paragraph 5.10.8 | Failure to obtain readings | Corrects the cross reference to paragraph 5.9.9(b) in light of the above changes. Allows the Transporter to request a proposal for compliance with the obligations in respect of obtaining Valid Meter Readings for Annual Read Meters where the User has persistently failed to meet them. |

Text

TRANSPORTATION PRINCIPAL DOCUMENT

SECTION M – SUPPLY POINT METERING (AS AMENDED BY MODIFICATION 0604)

Delete paragraphs 5.9.9 – 5.9.10 and replace with the following:

- 5.9.9 Each User shall secure, in relation to Annual Read Meters, that a Valid Meter Reading is obtained and provided to the CDSP at least once in every 12 month period for each Annual Read Meter where the Supply Point has been in the Registered User's ownership for more than 12 months.
- 5.9.10 Where the Supply Point for the Annual Read Meter has been in the Registered User's ownership for less than 12 months, the User shall use its reasonable endeavours to secure that a Valid Meter Reading is obtained and provided to the CDSP at least once in the first 12 month period of ownership.
- 5.9.11 Where the Supply Point for the Annual Read Meter has been in the Registered User's ownership for less than 12 months and, despite reasonable endeavours, it has not been possible to provide

a Valid Meter Reading within the first 12 months of ownership in accordance with paragraph 5.9.10, the User shall secure that a Valid Meter Reading is obtained and provided to the CDSP at least once in the first 24 months of ownership.

5.9.13 The CDSP shall notify each User of its performance under 5.9.9 – 5.9.12.

5.9.14 For the avoidance of doubt, the provisions set out in paragraphs 5.9.9 – 5.9.12 also apply to Pre-payment Meters.

Re-number existing paragraph 5.9.11 as paragraph 5.9.12 and replace the cross reference to paragraph 5.9.9 (a) with a cross reference to paragraphs 5.9.9 – 5.9.11.

Re-number existing paragraph 5.9.12 as 5.9.15.

In paragraph 5.10.8, replace the two existing cross references to paragraph 5.9.9(b) with cross references to paragraphs 5.9.9-5.9.12.

10 Recommendations

Panel's Recommendation to Interested Parties

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this modification.