

0570:

Obligation on Shippers to provide at least one valid meter reading per meter point into settlement once per annum

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

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



The Proposer recommends that this modification should be assessed by a Workgroup










High Impact: None



Medium Impact: None



Low Impact: Shippers and Transporters

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About this document:			Transporter: Cadent
This modification was presented by the proposer to the panel on 17 th December 2015.			 chris.warner@cadentgas.com
The Modification Panel considered the proposer's recommendations and agreed this modification should be referred to a workgroup for assessment.			 01926 653541
The Proposer recommends the following timetable:			Systems Provider: Xoserve
Initial consideration by Workgroup	22 nd December 2015		 commercial.enquiries@xoserve.com
Amended Modification considered by Workgroup	22 th June 2017		
Workgroup Report presented to Panel	20 th July 2017		
Draft Modification Report issued for consultation	20 th July 2017		
Consultation Close-out for representations	11 th August 2017		
Final Modification Report presented to Panel	15 th August 2017		
UNC Modification Panel decision	20 th August 2017		

1 Summary

Is this a Self-Governance Modification?

Self Governance procedures are not requested for this modification, 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.

Is this a Fast Track Self-Governance Modification?

Fast Track does not apply to this modification as this is not a housekeeping modification.

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. 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.

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.

Solution

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. The solution envisages that Shippers (and their associated Suppliers) should "take *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.

Deleted: all

Relevant Objectives

The Proposer believes that 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, as by ensuring more readings are being provided into settlement it will improve the accuracy of transportation and energy billing through more LSP reconciliation and more generally by having more readings available for the AQ Review (prior to the Implementation of Project Nexus).

Implementation

No implementation timescales are proposed. However, this modification should to be implemented at the earliest opportunity following a decision by the Authority.

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

This change has no implication on any current Switching SCR.

2 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. The Proposer recognises 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 Proposer is concerned that whilst Project Nexus will change the risks faced by Shippers from Settlement inaccuracy going forward, it will be quite some time before Project Nexus is implemented to enact this change. The Proposer 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. Equally there should be a benefit following the deployment of Project Nexus, if Shippers submit more readings into the settlement process prior to Project Nexus, as this should improve post-Nexus AQ accuracy, thus resulting in more accurate allocation.

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)

The Proposer believes that there is the opportunity to dovetail this arrangement with the Performance Assurance Arrangements, given that Ofgem has approved Modification 0506V and that reporting proposed under Modification 0520A could be incremented to achieve this objective. However, the Proposer believes that it is for the Performance Assurance Committee to determine what reporting, if any, is needed to monitor the requirements proposed under Modification 0570.

3 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 months³.

Deleted: all

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.

4 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	Positive

³ This aligns with the CMA Gas Settlement Order for supply points, which are not capable of remotely transmitting readings. The CMA Order can be found in clause 4.1 of this link (Part 3 of the Order recognizes changes to the Gas Shipper Licence) - <https://assets.publishing.service.gov.uk/media/58513e4d40f0b60e4c0000b7/energy-market-gas-settlement-order-2016.pdf>

shippers.	
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 Proposer believes that 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 LSP reconciliation and more generally by having more readings available for the AQ Review, ahead of Project Nexus implementation. In particular 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).

Post Project Nexus it 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 LSP sites, and for all sites after Project Nexus implementation, 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.

5 Implementation

There is already a requirement for Suppliers to obtain a meter reading under the Supply Licence (SLC 21B.4) and therefore this does not place any additional requirement to obtain readings, however it is recognised that Supplier/Shipper processes may need to be changed to ensure that readings flow into the Transporters' systems.

The Proposer believes that this proposal could be implemented as soon as an Authority decision is given.

6 Impacts

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

The proposal has no impact on any current Switching SCR.

Pre Project Nexus Implementation

This modification proposal should be able to be implemented ahead of Project Nexus go-live, as it does not change any of the functionality of the current UKLINK solution. In addition there is already a Licence requirement on Suppliers to take all reasonable steps to obtain a meter reading (with the exception of pre-payment meters), therefore there should be no additional impacts to Suppliers. Shippers may however, need to put in place arrangements with their relevant Suppliers to ensure that the readings are provided to settlement and ensure that readings are provided for pre-payment meters.

Project Nexus Implementation

No impact to Project Nexus implementation is anticipated.

Post Project Nexus Implementation

No impact post Project Nexus is anticipated.

7 Legal Text

Transporters are to provide legal text to support the final solution.

8 Recommendation

The Proposer invites the Workgroup to:

- Assess the modification and agree it is sufficiently developed to be issued to consultation.

The Proposer believes that this proposal should be developed by the Distribution Workgroup.

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	The creation of additional reporting to increment those already outlined in MOD520A is needed and therefore this proposal does have a User Pays element to it.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A