**UNC 594 Review: Meter Reading Submission for Advanced and Smart Metering (UNC594R)**

**Please send responses to: Jon Dixon** [**jonathan.dixon@ofgem.gov.uk**](mailto:jonathan.dixon@ofgem.gov.uk)

**Response deadline: 21 July 2017**

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| **Name:** | Click or tap here to enter text. |
| **Organisation:** | Click or tap here to enter text. |
| **Role/job title:** | Click or tap here to enter text. |
| **Email address:** | Click or tap here to enter text. |
| **Telephone number:** | Click or tap here to enter text. |

**Background**

The rollout of Advanced and Smart Metering delivers the opportunity to utilise more frequent consumption data throughout industry processes at marginal cost. The UNC594R was raised in order to review the arrangements and requirements for Shippers to provide reads for Class 3 Supply Points and above where such equipment is utilised. This Request for Information (RFI) has been produced in order to inform the review group.

In addition to the ongoing roll-out of smart metering, UNC594R was raised against a backdrop of the energy market investigation carried out by the Competition and Markets Authority (CMA). In its final report on this investigation, the CMA found, amongst other things, that the current system of gas settlement is a feature of the markets for domestic and SME retail gas supply in Great Britain that gives rise to an Adverse Effect on Competition (AEC) through the inefficient allocation of costs to parties and the scope it creates for gaming. The CMA considered that this reduces the efficiency and, therefore, the competitiveness of domestic and microbusiness retail gas supply. Together, these issues were referred to as the Gas Settlement AEC.

The CMA subsequently decided on a package of remedies to be implemented in order to remedy, mitigate or prevent the Gas Settlement AEC, set out in paragraph 20.27 of the final report. In addition to recommendations to Ofgem to ensure the timely implementation of Project Nexus and the establishment of a gas performance assurance regime, the CMA set out its intention to require that more frequent meter reads be obtained and submitted to Xoserve for gas settlement purposes. In the case of supply points with dumb meters, the meter reads should be submitted as soon as they become available, and at least once a year. For all supply points with a smart of advanced meter, the expectation was that meter reads would be submitted at least once per month.

These meter reading requirements were given effect through an Order[[1]](#footnote-1). The Order came into force on 15 December 2016, except Article 3.3 which shall come into force on 1 April 2018 (or any other later date pursuant to a direction issued by the CMA no later than 1 September 2017). Article 3.3 applies to supply meters that are able to remotely transmit Valid Meter Readings.

The CMA noted[[2]](#footnote-2) that it had adopted this approach in order that the stability of the post-Nexus systems and therefore parties’ ability to deliver the new meter reading requirements by the proposed date could be assesses. The CMA also noted an impact assessment of a daily read requirement would be carried out in the context of UNC594R and that subject to a positive case being produced both for the daily read requirement and an alternative implementation date, it would consider revising its requirements accordingly. However, the CMA was clear that in the event that an impact assessment was not completed, or it did not set out a positive case for proceeding with a daily read requirement, it did not propose to issue a direction that postponed the implementation of the monthly read requirement.

Please note that whilst this is believed to be an accurate summary of the background leading up to this RFI, respondents are encouraged to refer to original documents wherever appropriate.

**Relevant documents**

UNC documents:

* [UNC594 Request](•%09http:/www.gasgovernance.co.uk/sites/default/files/Request%200594R%20v1.0_0.pdf) (02.09.16);
* [UNC594 Terms of Reference](http://www.gasgovernance.co.uk/sites/default/files/Request%20Terms%20of%20Reference%200594%20v1.0.pdf) (14.09.16);
* [Draft RFI questions](http://www.gasgovernance.co.uk/sites/default/files/Draft%20RFI%20Questions%20v0.1%200594R.pdf) (19.04.17).

CMA documents:

* [Energy Market Investigation Final Report](https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf) (24.6.16);
* [Notice of making an order](https://assets.publishing.service.gov.uk/media/58513e3440f0b60e4c0000b5/energy-market-notice-gas-settlement-order.pdf) (14.12.16);
* [The Energy Market Investigation (Gas Settlement) Order 2016](https://assets.publishing.service.gov.uk/media/58513e4d40f0b60e4c0000b7/energy-market-gas-settlement-order-2016.pdf) (14.12.16);
* [Explanatory note](https://assets.publishing.service.gov.uk/media/58513e6b40f0b60e4a00009e/energy-market-gas-settlement-order-explanatory-note.pdf) (14.12.16);
* [Summary of parties’ responses to formal consultation](https://assets.publishing.service.gov.uk/media/58513e9340f0b60e4a0000a0/summary-of-responses-to-gas-settlement-order-consultation.pdf) (14.12.16).

**Reform options**

Given the stated intention of the CMA, that in the absence of an impact assessment setting out a positive case for an alternative meter read frequency and/or implementation date, it will issue a direction no later than 1 September 2017 giving effect to Article 3.3 of the Order, the review group considers that the options for assessment are as follows:

**Base Case**: Mandatory Monthly Read requirement for all Advanced & Smart installations form 1st April 2018

**Reform Option 1**: Mandatory Monthly read requirement for all Advanced &

Smart Metering installations, but from a later date [*to be informed by RFI responses]*

Note: Whilst this is analogous with the Base Case we are seeking views on the relative impacts of an alternative implementation date, to inform future discussions with the CMA.

**Reform Option 2**: Phased implementation from Mandatory Monthly (Phase 1) to Daily Read requirement (Phase 2) for all Advanced and Smart Installations

* Phase 1 would be Mandatory Monthly read requirement for all Advanced & Smart Metering installations from [as above, *date to be informed by RFI responses*];
* Phase 2 would be Mandatory Daily read requirement for all Advanced & Smart

Metering installations from [as above, *date to be informed by RFI responses*].

**Reform Option 3**: Mandating Daily Read requirement for all Advanced & Smart

Metering installations from [*Date to be confirmed*]. Straight to Daily with no interim Monthly step.

Note: This approach would need CMA approval to address the Base Case. It is understood the Product Class 3 would satisfy the Daily Read requirement.

**Next steps:**

Subject to the timeliness of responses initial findings and, to the extent possible, anonymised and aggregated cost and benefit data will be shared with the UNC594 review group meeting on 27 July 2017. Once the review group report is complete, it will be shared with the CMA.

**Requested information**

**Costs:**

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| 1. **Has your organisation already budgeted to deliver the Base Case for 1 April 2018?** | |
| **Yes** | **No** |

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| 1. **In terms of IT system development only, approximately how much will it cost your organisation to meet the Base Case requirements by 1 April 2018?** |
| **£**Click or tap here to enter text. |

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| 1. **Is your company planning to migrate any of your existing SSP or LSP NDM portfolio from Product Class 4 to:** | | |
| **Product Class 2** | **Yes** | **No** |
| **Product Class 3** | **Yes** | **No** |

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| 1. **Has your organisation already built and tested systems to utilise Product Classes 2 or 3?** | | |
| **Product Class 2 only** | **Yes** | **No** |
| **Product Class 3 only** | **Yes** | **No** |

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| 1. **Assuming the availability of daily reads from all relevant supply points, what advantages does Product Class 3 offer over Product Class 2** |
| Click or tap here to enter text. |

For UNC and transportation charges purposes, Product Class 3 Supply Meter Points will be treated as ‘Monthly Meter Read Frequency’[[3]](#footnote-3). However, reads for each Gas Day may be collected and submitted periodically in batches, to a pre-notified frequency. These frequencies are weekly, fortnightly or monthly.

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| 1. **If your organisation planning to use Product Class 3, how frequently do you intent to submit batches of reads?** | |
| **Weekly** |  |
| **Fortnightly** |  |
| **Monthly** |  |
| **To be determined** |  |

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| 1. **What are the costs and benefits to your organisation of holding onto daily reads until they could be submitted in a periodic batch?** |
| Click or tap here to enter text. |

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| 1. **If you organisation had not been planning to utilise Product Class 3, approximately how much would it cost to develop your systems to deliver Reform Option 2 or 3** | |
| **Reform Option 2 (phased Monthly, then Daily)** | **£**Click or tap here to enter text. |
| **Reform Option 3 (straight to Daily)** | **£**Click or tap here to enter text. |

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| 1. **Approximately how much per supply point/per year would it cost you to obtain meter reads on the following basis (please confirm if these are based on actual contracted charges or estimates:** | |
| **AMR monthly read** | **£**Click or tap here to enter text. |
| **AMR daily read** | **£**Click or tap here to enter text. |
| **SMETS1/2 monthly read** | **£**Click or tap here to enter text. |
| **SMETS1/2 daily read** | **£**Click or tap here to enter text. |

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| 1. **Aside from the cost of procuring the reads themselves, what other ongoing operational cost would a daily read requirement impose over and above a monthly read requirement (please give explanation and approximate annual cost wherever possible)** | |
| **£**Click or tap here to enter text. | **Reason:**  Click or tap here to enter text. |

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| 1. **To what extent would a change to a later implementation date (i.e. Reform Package 1) influence the system development costs (if possible, +/- £/month)?** | |
| **£**Click or tap here to enter text. | **Reason:**  Click or tap here to enter text. |

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| 1. **For the purposes of this RFI cost/benefit, over how many years should the expected system development costs be amortised?** |
| Click or tap here to enter text. |

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| 1. **Setting aside the practicability of when the reform packages *could* be delivered, do you consider that there is different optimum date for them to be delivered, and why?** |
| Click or tap here to enter text. |

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| 1. **Do you consider that having more frequent meter readings than other shippers confers any competitive advantage, and in what way?** |
| Click or tap here to enter text. |

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| 1. **Subject to your answer to Q14, do you consider that mandating daily readings be obtained from relevant supply points would diminish competition, and to what extent?** |
| Click or tap here to enter text. |

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| 1. **With particular reference to the** [**Information Commissioner’s response**](https://assets.publishing.service.gov.uk/media/584e7593e5274a1303000085/gas_settlement_draft_order_response_ICO.pdf) **to the draft gas settlement order, do you consider that your terms and conditions already enable you to collect monthly and/or daily meter readings for gas settlement purposes?** | | |
| **Monthly** | **Yes** | **No** |
| **Daily** | **Yes** | **No** |

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| 1. **Subject to above, do you consider that there would be any substantive cost and/or issues obtaining customers consent for collecting additional meter readings (if so, please explain)?** | |
| **£**Click or tap here to enter text. | **Reason:**  Click or tap here to enter text. |

**Benefits:**

Hypothesis

The Code Cut-Off date[[4]](#footnote-4), otherwise known as the ‘line in the sand’, currently allows for energy costs to be reconciled and subsequently settled up to four years after the Gas Day on which it was consumed. Any gas consumption that is not reconciled against a specific supply point by this date will be crystallised as permanent Unidentified Gas.

The length of the settlement window means that shippers cannot, at any given time, be certain of their exposure to costs. Some, if not all, are likely to hedge against this uncertainty, for instance by factoring a *risk premium* into their energy charges. This premium will in turn increase the tariff paid by the end consumer. Whilst the settlement window provided by the Code Cut-Off date has narrowed in recent years, the potential benefits of a further reduction have been offset by concerns about the availability and quality of meter readings[[5]](#footnote-5). It is expected that either a Monthly or a Daily Read requirement would facilitate the settlement window being further narrowed. This should reduce uncertainty and associated costs.

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| 1. **Do you agree with the above hypothesis?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Do you agree that reducing the length of the gas settlement window would increase certainty of costs, particularly for gas shippers?** | |
| **Yes** | **No** |

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| 1. **Do you agree that the increased frequency of meter readings envisaged by any of the Reform Packages would facilitate the settlement window (Code Cut-Off date) being reduced?** | |
| **Yes** | **No** |

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| 1. **Does your organisation currently factor in a risk premium to hedge against the uncertainty of future reconciliations, in a manner similar to that described above?** | |
| **Yes** | **No** |

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| 1. **If you answer to Q21 is yes, approximately what % does this add to your energy charges** |
| Click or tap here to enter text. |

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| 1. **If your organisation does apply a risk premium (and assuming the Code Cut-Off date could be reduced without adversely impacting permanent Unidentified Gas) to approximately what extent could that premium be reduced if the Code Cut-Off date could be reduced to:** | |
| **2 – 3 Years** | Click or tap here to enter text.**%** |
| **1 – 2 Years** | Click or tap here to enter text.**%** |
| **< 1 Year** | Click or tap here to enter text.**%** |

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| 1. **Would a reduced settlement window reduce the amount of security you are currently required to place with the Gas Transporters (or other credit costs)** | | |
| **Yes** | **No** | **Impact in £** Click or tap here to enter text.**or** Click or tap here to enter text.**%** |

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| 1. **Would there be any other cash flow implications arising from a move to a Daily rather than Monthly Read requirement (please explain)?** | |
| **Yes** | **No** |
| **Reason:**  Click or tap here to enter text. | |

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| 1. **Do you consider that an increased level of Daily Metering will reduce the levels and/or volatility of daily UIG allocation?** | | |
| **Level of UIG** | **Yes** | **No** |
| **Volatility of UIG** | **Yes** | **No** |

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| 1. **Do you consider that an increased level of Daily Metering may increase the accuracy of the UIG scaling factors determined by the Allocation of Unidentified Gas Expert (AUGE)?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Do you consider that any of the proposed Reform Packages would make the gas market more attractive to new entrants?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Do you consider that a Daily rather than Monthly Read requirement would have any benefit for LDZ shrinkage calculation?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Do you consider that more frequent meter readings would be beneficial for any other UNC or wider industry processes, in addition to those mentioned above?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Subject to appropriate anonymization and other data protection measures, do you consider that the increased availability of aggregated consumption data from a Monthly and/or Daily Read requirement would increase understanding of market operation and better inform potential initiatives such as Demand Side Response, gas and power integration, etc?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

**General:**

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| 1. **If the CMA direction is issued as drafted on 1 September 2017 consistent with the base case, do you expect your organisation to be ready to implement it by 1 April 2018?** | |
| **Yes** | **No** |

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| 1. **If you have answered no to Question 32, approximately what notice period/lead time would you expect between a direction being issued and being able to implement a monthly read requirement?** |
| Click or tap here to enter text. |

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| 1. **Would your organisation require a different notice period/lead time in order to deliver a daily read requirement, and if so what would that be?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Which option (between the base case and reform options 1, 2 or 3) do you prefer and why?** | | | |
| **Base Case** | **Option 1** | **Option 2** | **Option 3** |
| **Reason:**Click or tap here to enter text. | | | |

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| 1. **Do you consider that the proposed reform packages should distinguish between different customer types and/or consumption bands (please explain)?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Would a reduced settlement window reduce the amount of security you are currently required to place with the Gas Transporters (or other credit costs)?** | |
| **Yes** | **No** |
| **Impact in £** Click or tap here to enter text.**or** Click or tap here to enter text.**%** | |

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| 1. **Would a Daily rather than Monthly Read requirement lead to any technical issues than should be considered: for instance, would there be an impact on expected battery life and maintenance schedules?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Would any of the Reform Packages better support faster and more reliable switching?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Does the eventual choice of Reform Package have an implications for the expected role of the Performance Assurance Committee?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

UNC573 allowed for certain elements of the previously directed UNC434 modification to be deferred. It was determined that those elements, relating to the retrospective adjustment of assets and supply point data (RAASP) should be implemented 12 months after the Project Nexus Implementation Date (PNID), which at that time was scheduled to be 1 October 2016. The implementation of RAASP remains a live topic of discussion at the Uniform Network Code Committee and there is not as yet a firm implementation date (noting that the 1 October 2017 date currently contained in the UNC is no longer achievable).

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| 1. **Do you consider that the implementation of RAASP has any bearing on the chosen Reform Package and/or implementation date (please explain your answer)?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Aside from RAASP, are there any other industry initiatives that the review group and/or CMA should have regard to when determining an implementation date for the chosen reform package (please explain their relevance and timing implications)?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Do you agree that wherever practicable and cost efficient to do so, gas should be allocated on the basis of actual meter reads rather than based on a profiles?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Do you agree that wherever practicable and cost efficient to do so, gas should be settled at the prevailing price on the day of consumption rather than based on a rolling average?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Do you consider that in the longer term (>5 years) wholesale gas prices will be more or less volatile?** | |
| **More** | **Less** |

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| 1. **Do you agree that the costs of installing Smart meters/AMR and the capacity of central IT systems have traditionally been two of the biggest impediments to the take up of more frequent meter reading and submission?** | |
| **Yes** | **No** |
| **Reason:** Click or tap here to enter text. | |

For Xoserve specifically:

The Xoserve response[[6]](#footnote-6) to the draft Gas Settlement Order noted that on the basis of market intelligence from some shippers and its own judgement on the likely take up on the various settlement products, the UK Link replacement (Project Nexus) system has been sized to receive an exceptional peak 49 million meter reads on any one day. In this context:

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| 1. **Would any change to the functional or non-functional requirements of the central systems be required in order to facilitate the Base Case?** | |
| **Yes** | **No** |
| **Reason:** Click or tap here to enter text. | |

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| 1. **Is there any technical reason why the systems could not be scaled up in line with or ahead of the roll out of smart meters, potentially allowing all supply points utilising Product Class 3 with a monthly batch submission?** | |
| **Yes** | **No** |
| **Reason:** Click or tap here to enter text. | |

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| 1. **Approximately how much would it cost to scale the systems in the manner envisaged in Q48?** |
| **£**Click or tap here to enter text. |

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| 1. **Is there any technical reason why Product Class 3 reads could not be submitted more frequently than weekly?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

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| 1. **Is there a limitation on the number of supply points that could be registered against Product Class 2?** | |
| **Yes** | **No** |
| **Reason:**Click or tap here to enter text. | |

**Other comments:**

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| **Please use this section to record any further comments and/or provide any supporting evidence that is not captured by the questions above. If preferable, additional comments may be submitted as a separate document.** |
| Click or tap here to enter text. |

1. The Energy Market Investigation (Gas Settlement) Order 2016 [↑](#footnote-ref-1)
2. Summary of parties’ responses to formal consultation [↑](#footnote-ref-2)
3. Nexus BRD for Settlement Arrangements for All Gas Meter Points [↑](#footnote-ref-3)
4. See UNC General Terms C1 [↑](#footnote-ref-4)
5. For instance, see UNC395/398: ‘[Limitation on Retrospective Invoicing and Invoice Correction’ and 398: ’Limitation on Retrospective Invoicing and Invoice Correction (3 to 4 year solution)](http://www.gasgovernance.co.uk/sites/default/files/395-398D_1.pdf)’ [↑](#footnote-ref-5)
6. See: <https://assets.publishing.service.gov.uk/media/584540a7e5274a1307000063/gas_settlement_draft_order_response_Xoserve.pdf> [↑](#footnote-ref-6)