



Project Manager
Energy market investigation
Competition and Markets Authority
Victoria House
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WC1B 4AD

By email to : david.fowlis@cma.gsi.gov.uk and energymarket@cma.gsi.gov.uk

18 November 2016

Dear Sir/Madam,

**Re: DRAFT ORDER – CONSULTATION Draft Energy Market Investigation
(Gas Settlement) Order 2016**

Thank you for the opportunity to comment on the above, we set out our confidential response below by phase.

We agree with the principles of the draft order relating to the submission of valid meter readings into settlement. This is reflected in our previous responses in relation to Gas Settlement Reform during the Energy Market Investigation.

Phase A

We are supportive of requiring shippers to submit a valid meter reading for all non-daily read supply meters on an annual basis. We are also supportive regarding when this obligation will become effective.

Phase B

We support the principle of phase B to require the monthly submission of valid meter readings for all meters that are able to remotely transmit valid meter readings. We have some concern however regarding the implementation date being on Project Nexus implementation date. If this was to happen, then the implementation date would occur after a period of 7 non-effective days (perhaps longer if delays are experienced) and during this time shippers will build up a backlog of requests relating to change of supply and “normal” meter reads. We are concerned that the new system will already be under significant load and that



further material load as a result of this order could exacerbate the situation further still. Adding further complexity and load to the system immediately after go-live adds a level of risk that we believe is too high. We recommend this phase of the order is implemented 6 months after Project Nexus implementation date to ensure industry parties including Xoserve are confident that transitional and business as usual issues are fully identified and resolved in advance.

Phase C

This phase of the implementation which is due six months after the Project Nexus implementation date adds significant change risk to the industry with little if any benefit. The draft order effectively requires that shippers use product class 2 or 3 in UK Link for all meters that are able to remotely transmit valid meter readings. This phase of the remedy might require material change to shipper systems without having been signalled or consulted on previously. Our current priority is to ensure that we are prepared for Project Nexus implementation on 1 June 2017. We do not see any rationale for this requirement and in addition we believe that to implement 6 months after Project Nexus go-live would not give shippers enough time to test and implement any changes needed. To clarify, we do not see any benefits (material or otherwise) in settlement accuracy by obtaining daily reads under product class 3 compared to the mandated monthly read in product class 4.

The industry has been in continuous discussion throughout the development of the replacement UK Link system which included requirements on managing valid meter readings. We are concerned that the increased performance requirements of the order have not been considered adequately to cope with the additional valid meter readings submitted by gas shippers each month. Xoserve are currently conducting an impact assessment to outline any system constraints which we expect to include the read submission volume capability. This phase of the order could lead to shippers placing high stress on the central system. As a result Xoserve have mentioned that gas shippers should consider managing out any peaks in the submission of valid meter readings. Considering the issues around user readiness for utilising product class 2 or 3 along with the unknown constraints for go live, we would like to see this final phase of the order implemented no less than twelve months following Project Nexus implementation.

Finally, the publication of the final report in June 2016 identified a remedy recommending that Ofgem should ensure that a Performance Assurance



Framework is established within a year of the final report. The mechanism for delivering this remedy was not specified at the time. We had expected that Ofgem would utilise the newly formed Performance Assurance Committee to monitor shipper performance through the Performance Assurance Framework which includes valid meter reading performance defined in UNC 520A. This approach would be more suited to the Ofgem preference of Principle Based Regulation. We therefore don't support the proposed amendment to Condition 21B of the Gas Supply Licence for the above reason and because the drafting of the licence condition does not provide specific targets or provide assurance that other industry parties are compliant. We suggest that the Performance Assurance Committee could satisfy the requirements of the Order by monitoring industry performance while tackling other aspects of settlement risk.

Should you have any questions regarding this information please do not hesitate to contact me directly.

Yours sincerely,

[not signed]

Carl Whitehouse
Industry Codes Manager