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18 November 2016

Dear David,

Energy Market Investigation (Gas Settlement) Order 2016

Thank you for the opportunity to respond to your consultation in relation to the above proposed Order.

Our response comprises several observations, as below.

SGN Response

1. Consequences of Late-Stage Changes to Project Nexus Requirements Definitions

During the development of the requirements phase of Project Nexus, four different meter classes were developed, as articulated in the Baselined Business Requirements Definition document¹. We consider that the obligations as proposed in the draft Order² may have the consequence of causing the adoption of Class 3, which is currently on a voluntary basis, to become Mandatory.

We are supportive of the principle of access to, and provision of, more granular consumption data, and consider that this will be beneficial to the industry as a whole. However, given the imminent implementation of Project Nexus, we would welcome further discussion with the CMA and industry regarding the driver for, and impact of, a change to an identified requirement during the delivery phase.

2. System Capabilities

The replacement central systems, delivered via Project Nexus, have been scoped based on the best available estimates of likely file traffic, including meter read submission.

The draft Order, when combined with the intended roll-out of Smart metering, is likely to have a significant increase on the projected volumes of meter reading submission, which may, at a future date,

¹ P13, <http://www.gasgovernance.co.uk/sites/default/files/Settlement%20BRD%20v4.6.pdf>

² <https://assets.publishing.service.gov.uk/media/5805e087e5274a67e8000008/energy-market-gas-settlement-order-for-consultation.pdf>

begin to challenge the processing capabilities of the systems as currently designed. This may require review of, and amendment to, the enduring system build. At this point, we would welcome an open discussion with the industry regarding the benefits observed as a result of the proposed Order, to enable thorough consideration of the cost benefits case associated with any system amendments.

3. Existing Industry Consideration of Meter Reading Submission

At present, the industry is considering UNC Review 594 – *Meter Reading Submission for Advanced and Smart Metering*³, which seeks to review the arrangements and obligations associated with meter reading submission in relation to sites at which Smart or AMR meters are installed.

We consider that there would be merit in enabling this review to reach its conclusions, currently anticipated to be in January 2017, in advance of imposing any similar arrangements. This would enable the industry to organically consider the practical, regulatory and technical requirements and consequences of enhanced meter reading submission, whilst preserving the overall intention, shared by the Order, of facilitating the availability and use of more granular consumption data.

4. Industry Change Congestion

We note that the proposed Order is to become effective six months following the Project Nexus Implementation Date, or at a later date as notified.

The industry is currently engaged in developing and delivering a significant number of change programmes, such as the Xoserve Funding Governance and Ownership Review (FGO), Project Nexus, the Priority Services Register and Faster Switching / Central Registration.

Each of these programmes involves a significant amount of dedicated resource as well as development, delivery and funding of the required technical arrangements. Furthermore, the programmes are running concurrently with delivery within the next 3-4 years, which creates the cumulative effect of multiple changes often targeting the same system, process and governance areas.

Whilst FGO and Project Nexus are anticipated to be delivered within the next 9 months, it is highly likely that both will require a significant bedding-in period while parties familiarise themselves with the new arrangements. Consideration should be given to the post-Nexus technical environment, which will likely require a significant amount of post-implementation support and defect resolution. Once this environment is stabilised, there is a substantial amount of planned change within the near-future pipeline, the delivery of which has been placed on hold in order to prioritise Nexus. This is likely to be the case in terms of cross-industry change, but also scheduled change within industry organisations.

Upon determining the effective date of the proposed Order, we would welcome due consideration of these factors, and would suggest that the developmental and operational impacts of the relevant obligations are further consulted upon at this point, to ensure that the industry is well-placed to deliver the requirements.

5. Monitoring Compliance

During the Uniform Network Code (UNC) Distribution Workgroup in September⁴, Ofgem welcomed a view on the most appropriate governance approach to monitor compliance with the proposed Order.

We consider that any compliance monitoring would sit within the remit of the Performance Assurance Committee, which would realise the dual benefits of utilising an existing industry regime whilst also increasing the Committee's overarching, holistic view of the industry.

³ http://www.gasgovernance.co.uk/sites/default/files/Request%200594R%20v1.0_0.pdf

⁴ Minutes, <http://www.gasgovernance.co.uk/sites/default/files/Minutes%20DWG%2022Sep16%20v2.0.pdf>

We trust that the above observations are helpful.

Yours sincerely,

Paul Mitchell
Regulation Manager