UIG Task Force Recommendations

Investigation Item 1

Use of Estimates for DM Sites

Background

What is the finding?

- Where actual reads are not received or are rejected, for Class 1 and 2 sites a D-7 estimate is used (i.e. the same consumption as 7 days ago is used if available otherwise other AQ/365)

- This may not be a good representation of the actual consumption and any difference would contribute to UIG

- As at 01/01/2019, c. 5bn kWh of Class 1 and 2 (i.e. DM) AQ has not had an actual meter reading accepted for over 3 months

- Read submission rate is 86% for Class 1 and 45% for Class 2 against a UNC target of 97.5%

How does it contribute to UIG?

- This AQ without an actual meter read equates to c 0.9% of total LDZ AQ and creates a risk of both base UIG and volatility, if the actual usage is not well represented by the D-7 estimation processes

- DM sites' consumption can sometimes vary by -50% and +100% from the average on any given day, so this may contribute spikes of around 0.9% on a day

- Assuming 10% change in usage since last reading, this could be contributing around 0.09% to base usage (i.e. 10% x 0.9% AQ at risk)

Options to Address the finding (1 of 2)

No.	Option	Likelihood of success	Implementation lead times
1.	No action ("Do Nothing" option) or Park	Very low	N/A
2. ⭐	Engagement with DMSPs – monitor read rejections for Class 1. Resurrect previous initiatives to monitor and help resolution Engagement with Shippers – monitor read rejections for Class 2. Provide encouragement for action to be taken. CDSP to monitor monthly and notify relevant Shippers/DMSPs	Low to medium – requires Shipper/DMSP co-operation *If UNC Mod 0647 goes ahead (Opening Class 1 Reads to Competition) could Class 1 read performance drop further?*	Short to medium
3. ⭐	Notify Ofgem of individual sites and associated Shippers	Low to medium – requires Shipper co-operation unless Ofgem can apply any financial leverage	Short to medium
4.	PAC reporting and monitoring – PAC to engage with shippers on basis of existing and/or new reports in Performance Assurance Report Register. Consideration of any additional reporting to PAC	Low to medium – requires Shipper co-operation unless financial incentives are also introduced	Medium

⭐ Xoserve recommended options

Options to address (2 of 2) : Possible UNC Modifications

No.	Option	Likelihood of success	Implementation lead times
5.	Review DMSP read incentive framework (Class 1)	Low to medium, depending on structure of incentives	Long
6. ⭐	Reduce the duration for the Class 2 Must Read trigger & extend to include Class 1	Medium to high, depending on access rates for must reads	Long
7. ⭐	Introduce incentives or liabilities for low submission rates for Class 2, and/or extend Class 1 liabilities to apply to shippers	Medium to high, depending on structure of regime	Long – UNC Mod timescales plus system changes
8.	CDSP obtains reads by installing AMR	Medium to high, depending on accuracy of asset details	Long
9.	Amend the industry processes to allow CDSP to obtain the reads directly from the read provider (DMSP/DCC etc.)	High	Very long

⭐ Xoserve recommended options