

Modification proposal:	Uniform Network Code (UNC) 651: Changes to the retrospective update provisions (UNC 651)		
Decision:	The Authority ¹ directs this modification be made ²		
Target audience:	UNC Panel, Parties to the UNC and other interested parties		
Date of publication:	14 March 2019	Implementation date:	To be confirmed

Background

Part of the industry agreed business requirements for the UK Link replacement programme, better known as Project Nexus, was for the retrospective adjustment or replacement of certain data items. This included those data items relating to supply points; addresses; meter asset details; and, meter reads. We directed that these business rules be given effect through UNC modification 434 (UNC434)³, which we approved in February 2014.

All Project Nexus related modifications were originally expected to be implemented together, with the Project Nexus Implementation Date (PNID) originally scheduled to be 1 October 2015. The PNID was subsequently deferred⁴ to be 1 October 2016 or such other date as may be determined by the Authority.

The Project Nexus Steering Group (PNSG) was established as part of strengthened governance for Project Nexus. Part of the PNSG's remit was to identify programme risks and potential mitigating measures. The PNSG was informed by Xoserve that whilst the retrospective adjustment of meter read data was on track to be delivered, elements relating to meter assets and supply point data (RAASP) were falling behind. The complexity of this area and resource being expended upon it presented a risk to the timely delivery of the rest of the programme. The PNSG therefore determined to cease further work on RAASP, enabling Xoserve to concentrate additional resources on the delivery of the core products. Xoserve agreed to facilitate retrospective adjustments through an ad hoc work around, pending the full systems functionality becoming available at a later date.

The PNSG decision was given effect through the implementation of UNC573.⁵ UNC573 provided a backstop date of 1 October 2017 to implement the RAASP functionality, though this was further deferred to a date no earlier than 1 November 2018.⁶

UNC review group 624⁷

UNC review group 624 (UNC624R) was raised shortly after the implementation of Project Nexus. The aim of UNC624R was to review the relevance of those elements of UNC434 that had not been fully implemented as part of Project Nexus. It was anticipated that the review would be informed by undertaking a revised cost benefit assessment.

¹ References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

² This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

³ UNC434: www.gasgovernance.co.uk/0434

⁴ As part of UNC548: '[Project Nexus – deferral of Implementation Date](#)'

⁵ UNC573: '[Project Nexus – deferral of implementation of elements of Retrospective Adjustment arrangements](#)'

⁶ Deferred by CO57: '[Deferment of Retrospective Data Update earliest submission date](#)'.

⁷ UNC624R: '[Review of arrangements for Retrospective Adjustment of Meter Information, Meter Point/Supply Point and Address data](#)'

To support the development of Request 0624R, the Central Data Services Provider (CDSP) - Xoserve - carried out an impact assessment on the retrospective data update requirements and identified a series of alternative options. Each of these options involved varying degrees of systemisation and complexity, as follows.

- Option 1) Timestamp Asset Data;
- Option 2) Unravel Data to Agreed Date;
- Option 3) Original RAASP Design;
- Option 4) Data Cleansing Activity + Timestamp Asset Data;
- Option 5) Remain with (post-Project Nexus) 'Business As Usual' solution.

Further detail on these options is set out in the UNC624R report and so not repeated here.

The UNC624R report noted that there was uncertainty in the industry as to when RAASP is to be delivered and the level of priority to be given to it relative to other industry changes. Whilst shipper attendees on the UNC624R group favoured Option 3, the GTs favoured Option 4, noting that it could be implemented more quickly and cost-effectively.

The modification proposal

UNC651 seeks to give effect to Option 4 of those identified by the UNC624 review group, which combines a simplified version of the timestamp (Option 1) with an additional data cleansing exercise. This would also draw to a close the current transitional approach (Option 5), and effectively supersede the requirement for Xoserve to implement the residual RAASP element of UNC434 (Option 3).

UNC Panel⁸ recommendation

At its meeting of 16 August 2018, UNC651 did not secure a majority in support of implementation and was therefore recommended to be rejected.

Our decision

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 16 August 2018. We have considered and taken into account the responses to the industry consultation(s) on the modification proposal which are attached to the FMR⁹. We have concluded that:

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC;¹⁰ and
- directing that the modification be made is consistent with our principal objective and statutory duties.¹¹

Reasons for our decision

⁸ The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

⁹ UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.co.uk

¹⁰ As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: <https://epr.ofgem.gov.uk/Content/Documents/Standard%20Special%20Condition%20-%20PART%20A%20Consolidated%20-%20Current%20Version.pdf>

¹¹ The Authority's statutory duties are wider than matters which the Panel must take into consideration; they are detailed mainly in the Gas Act 1986 as amended.

We note that views on this proposal were mixed, with six of the fourteen responses received being in support, with seven opposed and the final response offering comments only.

We agree with the UNC panel who considered that this proposal should be considered against relevant objective d). However, we additionally consider that it should be considered against relevant objective f), while it would have a neutral impact upon the other relevant objectives.

(d) the securing of effective competition between relevant shippers

We accepted UNC434 in February 2014 as part of a suite of UNC modification proposals giving effect to the business requirements of Project Nexus. We noted at the time that implementing the Project Nexus modifications as a package would significantly reduce costs, with the aggregate costs at that time thought to be in the region of £20m. Xoserve estimated that the cost of implementing UNC434 on a standalone basis to be in the region of £3m-6m.

The UNC434 FMR suggested that there will be benefits of around £2m per year from its implementation. However, it was not clear how much of this should be attributed to the direct benefits arising from a more efficient process for correcting data, and how much to the indirect results of that data being corrected. Neither the Joint Office consultation nor the earlier Xoserve consultation on the benefits case were able to provide quantitative evidence for these estimates, though several respondents provided qualitative evidence of the resources currently employed in dealing with data errors.

Smart meter implementation

One of the main drivers for the original business requirement of allowing retrospective data adjustments was in order to address the level of errors that were expected to arise from the accelerated exchange of legacy to smart meters. That roll out process is now well underway, with 12.8m¹² meters now operating in smart mode. The government remains committed to all homes and small businesses being offered a smart meter by the end of 2020.

Whilst UNC651 does not propose any particular timelines for implementation, the FMR provides comparable glide paths between Options 3 and 4. These appear to be consistent with the UNC624R report, which suggested that the lead time for an Option 3 solution would be circa 12 months, excluding testing or any period of market trials. Given the reasons for RAASP functionality being de-scoped from Project Nexus in the first place, we consider it likely that extensive testing would be required, with commensurate timescales. It is therefore likely that the smart meter roll out would be nearing substantive completion before RAASP functionality would be available to shippers.

In contrast, the UNC651 FMR and UNC624R report suggest that the bulk data cleansing exercise could be completed over 3 months, and at a cost of only £60-65k. The time stamp functionality could be available after a further 3 months, at an addition cost of £400-450k.

In the absence of a prescribed timeline within the proposal, the relative priority placed on the systems change and the subsequent implementation timetable are appropriately a matter for the Data Service Contract (DSC) Change Management Committee to determine. However, we consider that Option 4 would be more likely to meet the original business requirements in respect of mitigating the risks to data integrity arising from the

¹² See: [Smart Metering Implementation Programme, progress report for 2018](#).

smart meter roll out than either the residual elements of UNC434 (i.e. Option 3) or maintain the status quo (allowing the interim solution to endure - Option 5).

We recognise that there is a trade-off between centralised cost of a fully systemised solution and those that may be borne directly by shippers in addressing data errors. However, in the absence of a more robust cost-benefit case (a point which was noted in the FMR) we consider that the combined cost of circa £500k for Option 4 compares favourably with the estimated implementation cost of circa £1.5m for Option 3. We consider that the benefits of this Option are further strengthened in context of wider industry benefits as set out below.

Switching programme

We note that one of the concerns which led Cadent to raise UNC651 was the expected development effort required to deliver the original RAASP solution, and the potential impact this may have on other delivery programmes. In particular, Cadent referenced the switching programme, and the extent of change required in order to integrate existing systems with those of the Central Switching Service (CSS). We share this concern, and note that this applies irrespective of which organisation is chosen to operate those CSS systems.

Whilst we do not consider that major change programmes should be considered to be mutually exclusive, we recognise the difficulties that can arise in pursuing two or more such programmes in parallel. The switching programme will shortly enter into the Design, Build and Test (DBT) phase, when the requirements placed upon the CDSP are likely to be particularly acute. We consider that the timetable associated with Option 4 is less likely to place conflicting priorities upon CDSP resources than Option 3.¹³

We further note that a major piece of preparatory work for the introduction of the new switching arrangements is the cleansing of existing industry data, including that relating to the meter asset and supply point address. We therefore consider that the data cleansing aspects of Option 4 will be complementary to this preparation, furthering the cost-effectiveness of this option.

UIG

The implementation of Project Nexus exposed the extent of error between the daily forecasts of gas use, which is used as the initial basis for allocating energy costs to shippers, and metered consumption. Further to the implementation of UNC658¹⁴, Xoserve as the Central Data Services Provider (CDSP) be given a mandate to assign resources to investigate the root causes and influencers of this unidentified gas, or 'UIG', with a target of reducing its volatility and scale.

The 'task force' established by Xoserve pursuant to UNC658 held an industry meeting on 28 January 2019 to discuss its findings and recommendations on next steps. Amongst its findings, Xoserve reported that a significant contributor to the volume and volatility of UIG was the disparity between the data held for its sample sites used for deriving forecasts, and that of the wider supply point population.

Several options were identified to address this issue, but the one which had both a high likelihood of success and straightforward means of delivery¹⁵ was an asset data cleanse. This would involve Xoserve reconciling asset data held on UK Link, investigating

¹³ See: [Switching programme 'plan on a page'](#)

¹⁴ UNC658: '[CDSP to identify and develop improvements to LDZ settlement processes](#)'

¹⁵ The option considered to have the greatest likelihood of success was for the CDSP to obtain smart meter readings and asset data directly from the DCC, though it was noted that this would be a much longer term option and may still require an initial data cleanse.

mismatches and updating records where appropriate. Xoserve noted that this solution was already part of UNC651 proposal

We therefore consider that the implementation of UNC651 would also have benefits to competition insofar as it would address some of the root causes of UIG and improve the accuracy of cost allocation amongst gas shippers.

(f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code

We acknowledge that some shippers will be disappointed that the RAASP functionality initially set out in the Project Nexus business requirements will now not be delivered in full. One respondent questioned whether implementing UNC651 should therefore warrant a rebate, given that RAASP was budgeted for as part of Project Nexus. As set out above, whilst we supported the introduction of this functionality as part of UNC434, the cost-benefits case for the remaining elements being delivered as a stand-alone system change is substantively different. In particular, the cost of implementation would now be in addition to that already incurred as part of Project Nexus, rather than utilise any residual budget allocated to the de-scoped functionality.

We agree with the concerns that the ready availability of a systemised solution to retrospectively correct errors may undermine the incentive to get data correct first time. As noted in our decision on UNC434, this is an area that should appropriately form part of the performance assurance framework. However, we also recognise that historically there was not the same focus on data quality as there is now. We also consider it expedient and in the interests of the programmes mentioned above to give the CDSP a mandate to cleanse data through a targeted exercise, rather rely on shippers to do so incrementally as and when opportunity arises through business as usual transactions.

We therefore consider that the implementation of UNC651 will better facilitate the efficient implementation and administration of the UNC

Decision notice

In accordance with Standard Special Condition A11 of the Gas Transporters licence, the Authority hereby directs that modification proposal UNC651: *Changes to the retrospective update provisions* be made.

Rachel Clark
Programme Director, Consumers and Markets

Signed on behalf of the Authority and authorised for that purpose