



Decision Paper

Options for Handling Long-Term Consumption Adjustments in the Wholesale SEM

26th July 2007

AIP/SEM/428/07

1 Introduction

1.1 Background

On 16 May 2007, the Regulatory Authorities published a consultation on the options for handling long-term consumption adjustments in the wholesale SEM (AIP/SEM07/186). Comments were received from three parties. This paper sets out the Regulatory Authorities' decision on this aspect of the design of the SEM Trading and Settlement Code (the Code).

1.2 Executive Summary

The Regulatory Authorities have determined to proceed with the design proposed in the consultation, with the following changes in response to the comments received:

- The materiality of any adjustment shall be determined against the half-hourly SMP, and not the monthly average of the SMP. This will require the consumption adjustment to be described on a half-hourly basis by the relevant Meter Data Provider;
- All triggering thresholds now define the magnitude of the impact of the consumption adjustment. Each Participant may set an individual Cash Flow Impact (CFI) threshold. If no CFI threshold is set by a Participant, the default CFI will be applied. Apart from the setting of CFI, Participants have no discretion as to whether the consumption adjustment is processed if the appropriate triggering thresholds are exceeded;
- Within 13-months advance, or non-interval metering adjustments will be progressed through standard settlement processes or through outside settlement determinations at the discretion of the jurisdictional retail markets, noting that this may lead to certain subtleties where change-of-supply occurs across the consumption adjustment period;
- Outside Settlement Determinations will only be progressed if the Meter Data Providers guarantee that the meter data will not be corrected in subsequent Standard Settlement Processes; and

- This decision will be progressed as a non-Urgent Modification Proposal, primarily affecting Agreed Procedure 13, to bring it under the control of the market documentation. The long-term nature of Consumption Adjustments mean that this process should not be required immediately. Nonetheless, if such an error is discovered the standard Settlement Query and potentially Settlement Dispute processes will apply in the interim.

1.3 Format of this Paper

Section 2 details the determination of the final process and the next steps. Section 3 responds to all the participant comments received during the course of this consultation, providing rationale for any changes made (or not made) in the decision with respect to the initial consultation (AIP/SEM07/186).

2 Decision on Consumption Adjustment Process Design

2.1 Terminology

2.1.1 Consumption Adjustments

Consumption Adjustments refer to the energy adjustments in meter data necessary because of errors in consumption data that would not (ordinarily) be rectified through MDP aggregation and subsequent SEM settlement under Standard Settlement Processes. Such errors can arise through:

- illegal abstraction; both pre- and post-13 months;
- meter faults; both pre- and post-13 months; and
- actual readings replacing estimates; post-13 months only.

The Consumption Adjustment process refers to the process of examining the level of required energy adjustment, the method of settlement of these errors, which may include Standard Settlement Processes, Outside Settlement Determinations, or potentially, both.

2.1.2 Standard Settlement Processes

Standard Settlement Processes refer to the Initial Settlement, and the M+4 and M+13 Resettlements, and ad hoc Settlements defined in Section 6 of the Code. Any energy adjustments run through Standard Settlement Processes must be reflected in the Meter Data values provided to the MO by the MDP under Agreed Procedure 16 of the Code.

2.1.3 Outside Settlement Determination

An Outside Settlement Determination is a calculation performed outside of the central settlement systems and processes (usually using simple office tools such as spreadsheets) that is designed to achieve approximately the same cash flows as a settlement run based on correct data. The adjusted energy requiring an Outside

Settlement Determination would not be included in the Meter Data values provided to the MO by the MDP under Agreed Procedure 16 of the Code.

2.1.4 Process Trigger Thresholds

The following thresholds will be used to trigger the processing of a consumption adjustment. This decision sets out the default values. Note that participants may individually adjust the CFI threshold to a value in tune with their business requirements.

- Materiality Threshold (MT) of €50,000;
- Cash Flow Impact (CFI) of 10,000,000 € days;
- Percentage Impact (PI) of 5%.

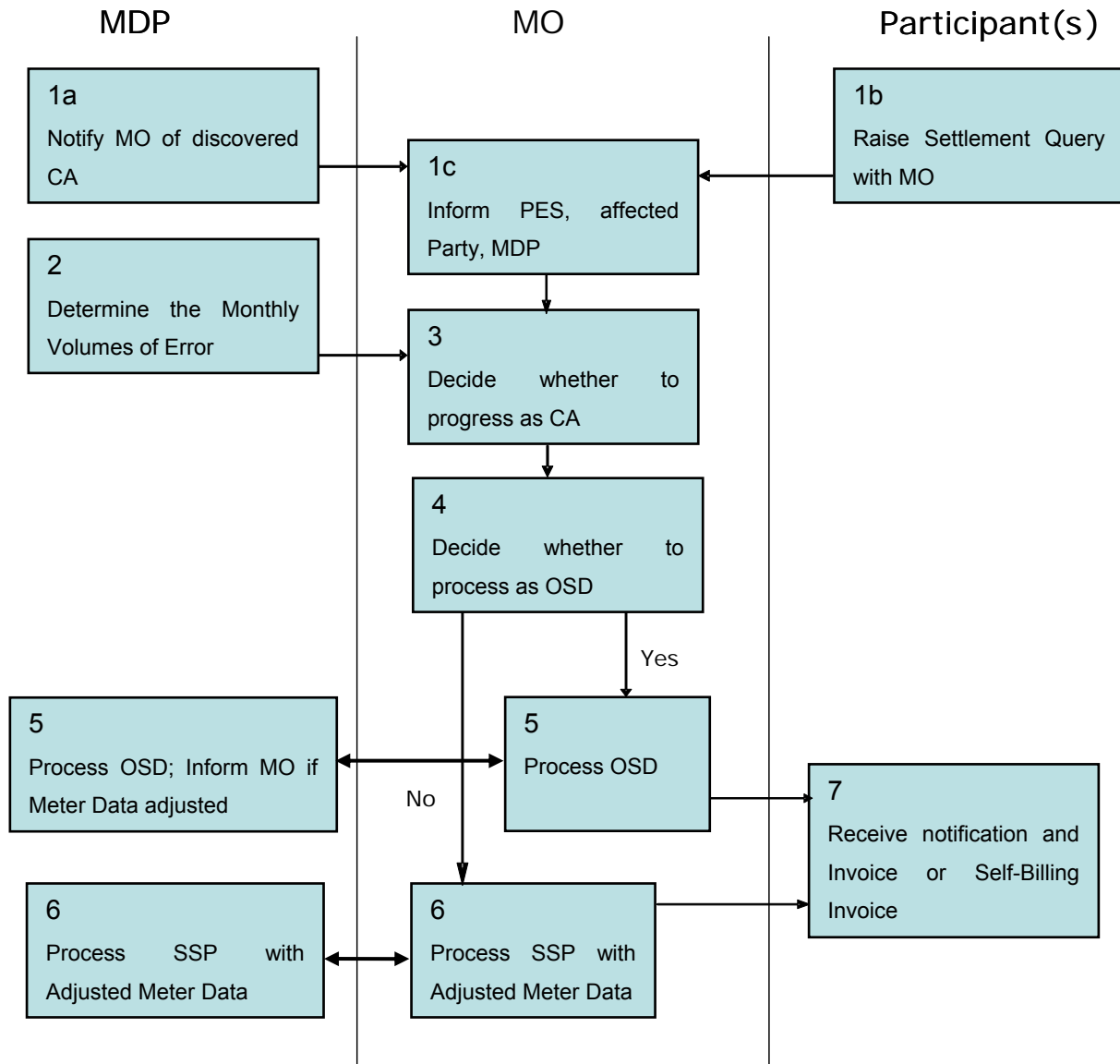
The calculation of variables which are compared to these thresholds is set out at the end of this section.

2.1.5 Acronyms

The following acronyms apply in this decision paper

Acronym	Definition
CA	Consumption Adjustment
MDP	Meter Data Provider (EirGrid, MRSO, NIE T&D, SONI)
MO	Market Operator
OSD	Outside Settlement Determination
PES	Public Electricity Supplier, settled by differencing in both Ireland (ESB Customer Supply) and Northern Ireland (NIE Supply)
SSP	Standard Settlement Process

2.2 Diagrammatic Process Overview



2.3 Process Description

Note that each Participant may provide to the MO a CFI threshold unique to them via the help-desk to be applied during the decision of whether to progress a consumption adjustment.

Participants may dispute the determinations of the MDPs or the MO through the Disputes process described in Agreed Procedure 14.

2.3.1 1a – MDP Discovers Error and Notifies MO of CA

The MDP discovers or becomes aware of a CA in Meter Data exists and informs the MO through a manual communication to the Help Desk. Only post SEM Settlement Days should be subject to Consumption Adjustment rectification (under the SEM arrangements).

2.3.2 1b – Participant Raises Settlement Query with MO

The Participant(s) raises a Settlement Query against multiple Settlement Statements covering the period over which the CA relates. This Settlement Query will be raised manually with the Help Desk. The Participant advises the MO that the Settlement Query against all the Settlement Statements should be progressed as a CA, and not as multiple different Settlement Queries.

2.3.3 1c – MO Informs PES, Affected Party, MDP

If the MO is informed of the existence of the CA from the MDP (1a), the MO informs the affected Participant and the PES in that Jurisdiction and assigns a tracking number to the CA. If the MO is informed of the CA from the Participant (1b), the MO informs the appropriate MDP and PES in that Jurisdiction, and utilises the standard Help Desk query tracking processes.

2.3.4 2 – MDP Determines Total Error, and Half-Hourly Volumes of Error

The MDP deems the volume and duration of the error based upon information from the Participant(s), their own Revenue Protection Unit (or equivalent) if applicable, the outcome of any legal proceedings, and time-of-day distribution losses (as appropriate).

The MDP manually notifies the MO and relevant Participants of the potential Consumption Adjustment. The Consumption Adjustment takes the form of a series of half-hourly errors in MWh assigned to identified Trading Periods, along with a the total error. The MDP will provide this information in the form of a spreadsheet, and the MDP will maintain a log of all such spreadsheets for audit purposes.

2.3.5 3 – MO Decides Whether to Progress the Consumption Adjustment

The MO first scales the error volumes by any appropriate Transmission Loss Adjustment Factor, and then determines whether the value of the potential Consumption Adjustment exceeds the Materiality Threshold (see Section 2.4). If it does, the MO proceeds to the next step. If it does not, the MO records the value of the potential Consumption Adjustment to a historical register of all other Consumption Adjustments that have not yet been processed. If the total cash value of this historical register exceeds the Materiality Threshold, the MO proceeds to the next step. If it does not, the MO stops the process, informs the MDP, the PES, and the affected Parties. The MDPs must notify the MO if for any reason the potential CA is corrected within the meter data used for SSP. If so, the MO must remove that CA from the register.

2.3.6 4 – Decide Whether to Progress CA as a OSD or SSP

If the Materiality Threshold is breached, the MO reconfirms with the relevant MDP the validity of all outstanding CAs in the log. The MO determines whether the CA (or the summation of the validated logged CAs) meets the following criteria for processing the CA as an OSD:

- the Cash Flow Impact threshold (see section 2.5) for either the affected Participant or the PES has been exceeded in magnitude arising from the CA;
- the Percentage Impact threshold (see section 2.5) for either the affected Participant or the PES has been exceed in magnitude arising from the CA; and
- the MDP guarantees that the CA will not (or cannot, e.g. post 13 months adjustment) be incorporated into any future reaggregations of data sent to the MO for later resettlement.

This combination of requirements should make the processing of OSDs a rare event. Participants who wish to process an OSD in extreme events may set a very high CFI threshold. The MO notifies the MDP and Participants of the rectification means (Standard Settlement Processes or Outside Settlement Determination) by a manual communication.

2.3.7 5 – Process Outside Settlement Determination

In the event that the Consumption Adjustment is being effected by an Outside Settlement Determination, this will be processed by the addition of the relevant payment adjustments to the invoices or self-billing invoices of Participant(s). The Outside Settlement Determination will take into account all errors in the event it is being carried out due to the summation of the historical errors crossing the relevant materiality thresholds.

The Outside Settlement Determination adjustment value is the multiple of each half-hourly loss-adjusted error volume multiplied by the half-hourly SMP in each Trading Period. The Outside Settlement Determination will only be made once every quarter on a scheduled timetable published as part of the Settlement Calendar by the Market Operator. If no Outside Settlement Determination is being performed, the Market Operator does nothing.

In the event of an Outside Consumption Adjustment, the MDP has guaranteed never to adjust the metered data in line with the CA in advance of the last settlement re-run for Settlement Days. Otherwise, the MO would be required to negate the effect of the Outside Settlement Determination by making the necessary adjustments to the invoices for resettlements that naturally rectify the Consumption Adjustment for these Settlement Days. The use of half-hourly SMP would complicate such adjustments.

2.3.8 6 – Process Standard Settlement Process with Adjusted Metered Data

If the decision was to effect the Consumption Adjustment using the Standard Settlement Processes and timetable, the MDP estimates the correct consumption. This is done by adjusting all interval data over the error duration by the half-hourly volumes calculated in step 2.

The MDP provides the Meter Data for the appropriate Settlement Days under the timelines indicated in Agreed Procedure 16.

The MO will settle the Participant's updated data under the standard Settlement Timetable.

2.3.9 7 – Receive Notification and Invoice / Self-Billing Invoice

The Participants receive their adjustment invoices along with the supporting information.

In the event that the Consumption Adjustment is being effected using the Standard Settlement Processes and timetable, this will be a normal settlement invoice.

In the event that the Consumption Adjustment is being effected by an Outside Settlement Determination, this may be an additional line item on a settlement invoice or a separate invoice or self-billing invoice raised by the Market Operator.

The Participants make / receive the payments in relation to their invoice.

2.4 Calculation of Materiality

The objective of the materiality calculation is to approximate the materiality associated with the error. It is determined as the sum over months containing the error of: the error volume in the month * demand weighted average System Marginal Price in the month.

The algorithm is:

$$M = \sum_h (\text{EVL}F_h \times (\text{SMP}_h + \text{MOCh} + \text{CCh})) \quad \text{for all Trading Periods } h \text{ during the error period}$$

Where:

- M is the materiality associated with the error;
- EVLF_h is the loss adjusted error volume in Trading Period h provided by the Meter Data Provider, adjusted by the appropriate TLAF by the Market Operator;
- SMP_h is the half-hourly SMP in Trading Period h
- MOCh is the appropriate Market Operator Charge in Trading Period h

- CCh is the Capacity Charge for Supplier Units, or the Capacity Payment for Autonomous Generator Units converted to a MWh figure, as appropriate.

2.5 Calculation of Cash Flow Impact and Percentage Impact

2.5.1 Cash Flow Impact

The objective of the cash flow calculation is to quantify, in relative terms, the cash flow impact on a Participant of waiting until: the next settlement re-run of each Settlement Day in the error duration to correct the error; or the next scheduled Outside Settlement Determination to correct the error (as appropriate).

The algorithm is:

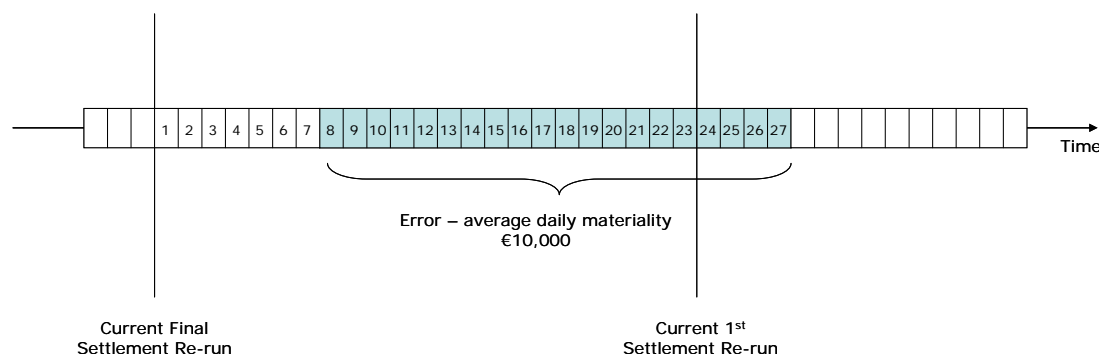
$$FI = \sum_d (ADM \times WDd) \text{ for all Settlement Days } d \text{ during the error period}$$

Where:

- CFI is the relative quantification of the cash flow impact;
- ADM is the average daily materiality in the error duration (taking into account SMP, Market Operator Charges, and Capacity);
- WDd (“wait days”) is:
 - the number of days before Settlement Day d is subject to its next settlement re-run (in the case of Consumption Adjustment errors associated with interval metering inside the 13 month settlement window);
 - the number of days before the next scheduled Outside Settlement Determination dues to take place (in the case of Consumption Adjustment errors associated with interval metering outside the 13 month settlement window and all errors associated with advance metering);

The diagram below shows a compressed settlement timetable by way of an example. Blue cells show where the error exists and the average daily materiality is €10,000.

Settlement Day 8 has to wait 8 days for its next settlement re-run, which happens to be the final settlement re-run; Settlement Day 9 has to wait 9 days and so on up to Settlement Day 23 that has to wait 23 days. Settlement Day 24 however has to wait 1 day for its next settlement re-run, which happens to be the 1st settlement re-run; Settlement Day 25 has to wait 2 days and so on up to Settlement Day 27 that has to wait 4 days.



Consequently the cash flow impact would be quantified as:

$$10,000 * [(8 + 9 + 10 + 11 + \dots + 23) + (1 + 2 + 3 + 4)] = 2,580,000 \text{ € days.}$$

2.5.2 Percentage Impact

The percentage impact is calculated as the total error volume divided by the Participant's correct total volume expressed as a percentage. This value is compared to the Percentage Impact (PI) figure.

2.6 Next Steps

A Modification Proposal will be drafted to bring this process under the control of the Code. During the impact assessment of the Modification Proposal, as with any Modification Proposal, the detail of the process described in the preceding sections may be improved or altered. This will be a non-Urgent Modification Proposal.

In the event of a material long-term error being discovered before the completion of the Modification Proposal process, the standard method of processing such errors (i.e. the Settlement Query followed potentially by Settlement Dispute) must be followed as under the rules of the Code.

3 Response to Comments

Comments were received from four respondents. The table below notes the comments, the response, and any change to the consulted process that resulted.

#	Comment	Response	Action
1	This paper outlines the options presented by the joint Regulatory Authorities (RAs) regarding the handling of long-term consumption adjustments in the wholesale SEM. ESB Customer Supply (ESBCS) welcomes the opportunity to comment on the RAs proposed options available and broadly support the proposals set out in the paper with respect to the treatment of individual errors that exceed the minimal threshold inside and outside the 13 month settlement window. ESBCS have some further detailed comments as outlined below.	N/A	N/A
2	In section 4.7 paragraph 3 ESBCS considers that the calculation of Materiality Threshold (MT) be based against the error volume demand-weighted half-hourly SMP as opposed to the simple monthly average SMP. ESBCS believes that this would more accurately reflect the cost of the energy being adjusted. In the absence of the actual error volume demand being available to run the calculation a profiled estimate of the error volume demand would be more accurate than the current proposal.	The Regulatory Authorities agree that the half-hourly volumes, while adding extra complexity to the manual solution, do not represent an unmanageable level of extra processing for the extra accuracy entailed.	The CA error volumes are provided to the MO on a Trading Period resolution. Calculation of Materiality is performed against half-hourly SMP and the Trading Period error volumes.
3	Section 5.1.2.7 has the same comment as section 4.7 where error volume demand-weighted half-hourly SMP should be used instead simple monthly average SMP.	As above	As above
4	In section 5.1.3.1 it outlines a proposal where the independent suppliers have the discretion to determine whether they want a consumption to be progressed based on the cash flow implication to the participant. However, in the absence of Global Aggregation (GA), there are two suppliers involved in each consumption adjustment i.e. the independent supplier and the PES business in	The Regulatory Authorities agree that as suppliers should not have cash-flow problems following the discovery of a consumption	The discretion of a Participant to progress a CA through an Outside Settlement Determination has been removed. It is all

	<p>each jurisdiction (the error account holder). ESBCS considers that discretion on such an issue should not rest with one party alone as an independent supplier who determines that an adjustment is in favour of the PES business may choose not to pursue the adjustment at that stage. ESBCS believes that the decision to pursue a consumption adjustment should occur automatically once the Cash Flow Implications (CFI) breach the MT. As such ESBCS suggest the removal of the second exemption (second bullet point) that states:</p> <p><i>“the cash flow implications are unacceptable to the participant”</i></p>	<p>adjustment, equally they should not received a cash-flow benefit from a non-processed consumption adjustment to the disadvantage of other suppliers.</p>	<p>based on the utilisation of pre-set thresholds and requirements.</p> <p>Thresholds that trigger the processing of a consumption adjustment are now explicitly stated to be “magnitude” figures.</p> <p>Finally, each Participant may choose an alternative Cash Flow Impact trigger more in tune with their own business requirements.</p>
5	<p>In section 5.2.2 ESBCS fully support the concept of using demand weighted half hourly SMP price instead of the monthly price.</p>		
6	<p>In section 5.2.4 ESBCS agrees with the proposal to consider quarterly settlement to reduce the administrative burden to of conduction the process as every adjustment will impact upon the relevant PES business.</p>	No comment	No change made
7	<p>In summary while ESBCS supports the proposed methodology for consumption adjustment to be treated in the SEM, specifically the proposal for quarterly adjustments with a demand-weighted half-hourly price there are still a number of outstanding issues that need to be addressed. ESBCS considers that it is appropriate and fair to both suppliers that adjustments must be triggered automatically once the materiality thresholds are breached and is not solely at the discretion of one individual supplier. ESBCS also, suggest that the use of error volume demand-weighted half-hourly SMP would provide a more accurate calculation of the costs of the energy adjustment.</p>	No further comment	No further changes made
8	<p>In general it is NIE’s preference that all agreed consumption adjustments should be processed through the normal settlements process. However, if this approach is not possible then it is imperative to ensure that a process is implemented so that consumption adjustments do not get processed twice i.e.</p>	Agreed	<p>The new process has more stringent requirements for the processing of an OSD, namely that the retail MDP</p>

	<p>firstly through an Outside Settlement Determination (OSD) and secondly by also incorrectly putting the adjustment through settlement via the DA systems. The DA systems would need to be tested in this regard as NIE Supply would find it impossible to identify such incorrect actions due to the balancing nature of their position in the market.</p>		<p>guarantees that the data does not find its way back into the standard settlement processes.</p>
<p>9</p>	<p>It is also important that existing invoices do not get contaminated by additional lines for OSD's. It would be much better to have separate invoices for these items which, by their nature, will be adhoc / non timetabled and will cover multiple billing periods.</p>	<p>The central market systems can handle the inclusion of line items on standard invoices. The ability to produce stand-alone invoices is not known at this time, and would need to be considered within the context of the timetable for the generation of settlement statements. This requires a degree of impact assessment to central market systems which is not possible at this time, and therefore is not included in this decision which as a principle was a process that could be implemented prior to November 1st.</p> <p>This could be considered as part of the Modification Committee's deliberations on the Modification Proposal.</p>	<p>No change made</p>
<p>10</p>	<p>We believe that any recalculations should be performed against the half hourly SMP, not the monthly average suggested in the paper as this may lead to</p>	<p>See response to comment</p>	<p>See response to comment 2.</p>

inconsistencies in the market. Also, the paper only mentions SMP. However, capacity and MO charges would also be impacted in any consumption adjustment.	2. Capacity and Market Operator charge are considered in the process now as well.	The definition of Materiality and the Average Daily Materiality now includes Capacity and Market Operator Charges.
11 Page 3 – 1.3 Scope	Agreed	No change
The adjustments to DUOS etc may be out of scope but the effect of the consumption adjustments should be appropriately and effectively communicated to the necessary parties such that these changes may be made.		
12 Page 4 – 2.2 Assumptions		
First bullet – such Settlement Statements may not indicate the errors in the case of NIE Supply due to the differencing approach that has been adopted.	NIE Supply may query individual elements of their Settlement Statements irrespective of the continued utilisation of the differencing approach	No change
Second bullet – if the consumptions adjustment is sufficiently large why would it not require a price re-calc?	Price recalculations are only allowed under Data Queries and (potentially) Disputes under the Code	No change
Third bullet – the Error Supply unit may be increased or decreased following a change	Consumption adjustments for MPRNs registered to the Error Supplier Unit will never increase or decrease the Error Supplier Unit as it is not explicitly aggregated by the MDP	No change

Robust means that such billing can handle OSD adjustments to the billing if appropriate.

Last bullet – what is meant by “robust”

The process now allows flexibility in the processing of OSD for advance metering to strengthen this assumption

13	Page 5 – 2.3.1 Consumption Adjustments Add a fourth bullet – “an error in aggregation rules especially for newly commissioned sites”.	Agreed	This was added to the decision.
14	Page 6 – 2.3.3 Outside Settlement Determination Add “central” before settlement systems on line 2.	Agreed	Added to Section 2.1.3
15	Page 8 – 3.1.2 NIE T&D Last sentence – if the adjustment is made outside the 13 month timeframe how is this reflected in the SEM Settlement timetable? Last paragraph – We do not believe that PPB should complete the volume adjustments – is this a NIE T&D responsibility now?	This is related to the existing process, and will not be commented on further.	No change

16 Page 10 4.1 Process Responsibilities	First bullet – the CAP is a method to correct wholesale volumes only if it is correctly communicated back to SEM.	Agreed.	No change
	Final Bullet – how does the MO determine if a re-run is required?	As described in steps 4 and 5 of the process in this paper	
17 Page 11	First paragraph - How are aggregated errors to be treated?	Each individual error is considered on its own merits for consumption adjustment. If it does not warrant consumption adjustment on its own merits, it is considered with a log of similar errors held by the Market Operator. This is described in steps 2 and 3 of the process.	
18 4.5 Decision Making and Appeals Process	First paragraph – Such rules do not currently exist in AP 13 – should be developed as soon as practicable so as to minimise disruption to the AP review process.	Agreed.	Please see section 2.6
19 Page 12	AP14 only addresses SEM issues – this is not a direct SEM issue. How is it to be enforced?	The Disputes process does deal with Settlement Disputes, which may arise for the same reasons as the consumption adjustments. It is therefore not an extension of the scope of the Dispute process in the Code.	

		Without pre-empting the decision of the Dispute Resolution Board, it is highly likely that the board would consider/defer to the findings of the appropriate Revenue Protection Unit when making a decision.	
20	4.6.1 Error within 13 m Settlement Window First paragraph – we agree with this approach.	No comment	No change
21	Page 13 Second bullet – how is the “unacceptable” cash flow defined and then determined? “it is also suggested...” – how is “unacceptable” to be defined and where? Last paragraph – we agree with this approach.	See Section 2.5 of this decision.	No change
22	Page 14 – 4.6.2 Why is an “Outside Settlement Determination” likely to cause less operational overhead?	An outside Settlement Determination which must be processed requires alteration to only a single invoice. Rerunning a consumption adjustment that lasts several months on an urgent basis through Standard Settlement Processes would lead to a high operational overhead.	This text was removed from the decision.

		It is agreed, however, that the OSD would have a higher operational overhead than SSP on the Settlement Calendar.	
23	Page 14 - 4.7 – Payment and Payment Redistribution Calculations		
	Third paragraph – MT should use actual half hour SMP NOT monthly averages to be consistent with all other T&SC calculations and to ensure that the Pool remains “in balance”.	Agreed. See response to comment 2.	See response to comment 2.
	Last paragraph – using manual facility is acceptable but we need to understand the different identifiers that may be used.	Agreed – the final version of the procedure in the Modification Proposal would provide appropriate identifiers on invoices.	No change
24	Page 16 – 4.9 Audit and Control		
	How is this important governance documentation to be developed and by whom will it be owned – T&SC links?	This will be developed as part of the overall Modification Proposal for AP13	No change
25	4.10 – Communication		
	“the standard communication method” – need to clearly define what type is to be used eg type 1, 2 or 3.	This detail is covered in Agreed Procedure 15, Agreed Procedure 17, and accompanying technical documentation	No change
26	4.11 – Governance		

	It is unacceptable to go-live without testing during market trials.	As these processes are manual and bespoke in nature, and as yet are not part of the designated Code and Agreed Procedures, they do not form part of the scope of market trials	No change
27	Page 19 5.1.2.6 Need to clearly define CFI and PI.	See Section 2.5	No change
28	5.1.2.7 Again, this approach is not acceptable – use of half hourly values is required.	See response to comment 2	See response to comment 2
29	Page 22 – 5.1.3.2 We fully support this statement.	No response	No action
30	5.1.4 Governance First paragraph – we fully support this statement. Third paragraph – yes, we agree but a further update to the AP13 will cause delay and extra review cycles.	No response See Section 2.6 of this decision	No action No action
31	Page 24 – 5.2.5 Determination and Governance There may be some cases where it is quicker and easier to save potentially costly legal action and prolonged disputes by using the Disputes Committee.	The Disputes Process does have a step in place where disputing parties meet prior to referral to the	No action

32 Page 26 – A.1 Materiality

Formula calculates the Monthly Demand weighted price.
Please clarify how losses are included in the calculation.

All metered values in the calculation are brought to the Trading Point

The process now has the Meter Data Provider providing loss-adjusted metered values to the MO, and the MO then applying transmission loss adjustment factors

33 Within 13 Months Window

Half Hour Data - We agree with the details in the proposal put forward by the paper. NIE T&D will correct half hourly data using current methods of estimation and substitution. This will filter through to the DA system to be reconciled within the normal 13 month settlement window.

No comment

No change

Non Half Hourly Data - We do not agree with the proposal put forward by the paper. We would propose to continue with current methods of amending data within the Transmission and Distribution Use of System billing systems which in turn will filter through to the DA system to be reconciled within the normal 13 month settlement window.

We now allow the Meter Data Provider to manage interval metering as best as they see fit, noting, for example, that a change to a meter reading when there is a CoS and metering work may invoke incorrect billing to the old supplier if handle through the SPP

The process allows the MDP to choose SSP or OSD to handle outside consumption adjustments; the only rule remaining is that if it is handled by OSD, this data must never be reflected in subsequent SSP. It is up to the retail MDPs to determine which is more appropriate for their systems, noting the other thresholds required in Section 5.4

34	Outside 13 Months Window		
	Half Hourly Data - We agree with the description of the proposed Outside Settlement Determination process to be used.	No comment	No change
	Non Half Hourly Data - We agree with the description of the proposed Outside Settlement Determination process to be used.	No comment	No change
	Please note that NIE T&D will treat any consumption adjustment that spans the 13 month window as two adjustments. Adjustments within the 13 month window will be treated as stated for this period. Necessary adjustments post the 13 month period will be treated as stated for the prescribed period.	No comment	No change
35	Management of consumption adjustments in SEM is an extremely important issue, but must take full account of processes already defined by the retail market operator processes; not only calculation of value but estimation procedures and timescales. There should also be incentives on the meter data providers to deliver on data collection and processing SLAs, to avoid situations where consumption adjustments are applied to meter points where there has been a change of tenancy or a change of supplier. Airtricity is strongly of the opinion that M+13 settlement should be the cut-off point for consumption adjustments, except in the case of gross errors which should in all cases require approval of the Modification Committee prior to reopening settlement.	Each Participant now can set its own CFI threshold, meaning that if a Participant so wished, they could set a very high CFI and would not be affected by M+13 resettlement (assuming that Participant is not the PES). The Regulatory Authorities consider that the Modifications Committee is an inappropriate forum for the consideration of extra settlements.	No change
36	Sloppy procedures that result in meter exchanges being processed, or change of supplier reads withdrawn and replaced, more than a year after they occur should not be allowed to flow through to settlement. Consumption adjustment should be an unusual occurrence, rather than a routine means of dealing with	The Regulators agree that the types of event should be a rare occurrence, but it is not correct to say that if	No change.

poor MDP processes or failure to read meters and identify faults in a timely manner.	mistakes do occur, that they should not be corrected because they shouldn't have happened in the first place. Furthermore, processes should be in place to correct for the impacts on end-consumers when errors do arise.	
37 In defining consumption adjustments for the purposes of SEM, there needs to be a clear understanding of the impact of the process on Suppliers as well as on the MO overhead. If meters are read regularly, then faults will be identified sooner and corrections applied as part of normal aggregation processes. It should be appreciated that adjustments for illegal abstraction can take a very long time to resolve and court action to recover the debt. Suppliers have to accept the adjustment and may wait a considerable time before they can recover money from the customer; the situation being further complicated where a change of supplier has taken place during the adjustment period.	No comment	No change
38 We do not believe it is possible to confirm an "actual" meter reading 13 months after the event and see no reason why any such "actual" reading should be accepted, when time limits are imposed on suppliers' submission of actual reads for the change of supplier process. Indeed MDPs often reject valid actual reads because they have failed to read meters in the past and the actual meter read value is out of line with their baseless estimates.	See response to comment 36	No change
39 Overall, we strongly believe that consumption adjustment is such an administrative overhead that illegal abstraction should be almost the sole reason for seeing consumption adjustments in SEM, with meter faults being, perhaps, the only other reason for invoking the process. Where an MDP has failed to collect or process data, this should not be brought into the wholesale settlement arena and additional burden placed on suppliers. Failure by MDPs to adhere to data collection and processing service level agreements should remain within the retail-level domain for solution (the MDP should bear the	Incentivisation of licence holders to meet SLA targets, or creation of new retail-only settlement processes is outside the scope of this consultation on how commercially capture of metering errors.	No change

cost).

¹ eg ESNB performance report for 2005: for meter problems and damage, 58% within SLA, 16% within SLA*2 (no mention of the other 26%). For processing meter data within 10 days, 46% within SLA and 26% within SLA*2 (no mention of the other 28%).

40 We fully support the proposal that, where possible, standard settlement processes should be used to apply consumption adjustments. We are therefore opposed to the use of outside settlement determination, as it is expensive, acknowledged to deliver only approximately the same cashflows and will add an MO charge onto the existing retail market costs that, in the end, must be borne by final customers. Except for the material illegal abstraction and exceptional undetected meter failures, all other adjustments should use existing retail market processes.	The threshold for an OSD to take place should be high, and the market (on average) can have an input into the setting of that threshold	The process now has set a higher threshold, partially participant configurable, for OSDs to take place.
The description of existing processes does not accurately reflect the fact that suppliers are involved in a consultation process prior to arriving at the agreed consumption adjustment.	The error is noted. This is in relation to the existing process, and will not be commented on further.	No change
41 We do not agree that the impact of an error in Supplier volume is independent of measurement equipment. Interval metering data is sent daily to suppliers, whereas errors with advance metering may not be detected for a considerable period of time.	Agreed with the clarification, but this is not known to impact the CA process as described in this decision	No change
42 On the basis that all but exceptional cases of consumption adjustment should be made within the m+13 settlement period and therefore handled by retail market processes operated by the MDP, we believe it is appropriate for all cases of proposed consumption adjustment in SEM are approved by the Modifications Committee before being actioned.	The Regulatory Authority do not believe that the processing of CA should be left to majority vote of the Modification Committee.	No change

errors within the M+13 window

We agree that adjusting meter register values to take account of unrecorded consumption may have unpredictable effects on aggregation processes. However if existing processes were used to perform a "meter exchange" to include an additional, virtual, register(s) then exact consumption values could be passed through the aggregation and settlement processes without impacting subsequent aggregation runs. Suppliers could also use this register for billing the consumption adjustment.

As it is in the interests of the market for wholesale settlement to be impacted as little as possible by retail market issues, we believe that this virtual meter approach should be fully impact assessed to determine whether consumption adjustments can be managed without need for further systems investment and additional overhead associated with development of an SEM solution.

In the assessment of correction options, the Consultation commendably raises the issue of cashflow implications for smaller suppliers. However, no matter which approach is adopted for settlement of consumption adjustments, it will almost always result in settlement correction (and payment by the supplier) some considerable time before the supplier receives payment from the customer. This is the key area for suppliers' concern and we believe it would be more beneficial for the consumption adjustment process to focus on how better to align calculation of supplier settlement liability with a realistic timescale for revenue collection.

For QH/HH metering, there should be no reason why estimated data should not be collected or estimated within the M+13 period, if the metering code requirements for meter advance reconciliation are adhered to.

One of the principles of this consultation was that the process would be manual in nature, allowing facilitation by November the 1st if required.

Consequently, while there may be merits in this approach, it will not be taken forward at this time. This could be considered as part of the Modification Committee's deliberations on the Modification Proposal.

Examining the retail/wholesale cashflow implications solely within the context of consumption adjustments without broaching wider working-capital issues for Suppliers set out in the Code would involve a piece of work that would deliver only a negligible change to the existing situation

See response to comment 36..

No change

44	<p>errors outside M+13</p> <p>As stated previously, we do not see any purpose in having a 13 month resettlement window if the outcome is to be subject to regular revision thereafter. Although public sector organisations may not have an imperative to finalise their accounts, it is important for private sector enterprises to do this as soon as possible after the end of their financial year. We therefore reiterate our view that there is no reason why current, unacceptable data collection and processing performance should be allowed to impact the wholesale market, except in highly exceptional circumstances.</p>	See response to comment 40.	The Participants can make the likelihood of a post 13 month resettlement very small by setting a very high CFI.
45	<p>errors spanning the M+13 window</p> <p>We believe that part of the error outside of the M+13 window should be ignored, with the remainder treated as an error within the M+13 window.</p>	See response to comment 36	No change
46	<p>We absolutely support the proposal that the process of consumption adjustment is controlled and auditable. We agree that a tracking system should be established and further propose that the CA investigation report includes the reason for data collection, or processing, failure, why a meter fault was not identified and what process adjustments are required to address the failure.</p>	No comment	No change
	<p>We also support the proposal that rules for consumption adjustment are properly documented and included as part of the SEM market set of controlled documentation. When the process is formulated, it is essential for the wholesale process fully to recognise procedures and rules already established for the wholesale market.</p>	No comment	No change

47 In summary;

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| <ul style="list-style-type: none">• We do not believe that the SEM should be impacted by routine SLA failures of the MDPs to collect or process data; any consumption adjustments should be the result of exceptional circumstances.• Any proposal to carry out a consumption adjustment in SEM should be approved by the Modifications Committee and subject to full analysis and report as to the circumstances and causes giving rise to the adjustment.• Any SEM adjustment process must fully recognise retail market processes and be documented in detail, within the controlled set of SEM market documentation.• No retail consumption adjustment should be allowed after M+13, unless it is of an exceptional and material nature• Means should be found to utilise existing retail market data and aggregation processes, to pass consumption adjustments through to the wholesale settlement process, to avoid impacting wholesale settlement | No further comment | No further comment |
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