Issue Form - BSCP40/04	Issue Number 78 *(mandatory by BSCCo)*

Issue Title *(Mandatory by originator)* Measurement and monitoring of Settlement performance

Issue Description

Impending industry-wide challenges around Settlement Performance will stem from Suppliers' two-tiered customer portfolios; those with smart Meters (and thus, in due course, Half-Hourly (HH) settled), and those without (who will forever remain non-HH (NHH)).

There is a mismatch between the *conditional* Supply Licence Condition (SLC 21B.4) to take 'all reasonable steps' to obtain a meter read at least once per year, and the *absolute* BSC obligation (Section S-1, paragraphs 2.1.1 and 2.1.2) to meet the minimum level of Settlement performance (97%). The SLC recognises that it is not possible in all instances to acquire a meter read (e.g. due to customer refusal or obstructiveness), whereas the BSC only allows a narrow and arbitrary 3% leeway.

Ofgem also applies 'all reasonable steps' to the smart Meter roll-out, recognising that there will be cases where smart Meters can't be installed. Following the smart Meter rollout, it is likely that a significant number (potentially 20% plus on an enduring basis) of Sites won't have a smart Meter.

The key issue is that for Meters unable to be read remotely, it can be difficult to gain timely access to Meter reads, presenting a challenge to achieve Settlement performance standards. These Meters will include:

- Customers who are less willing to allow access to read Meters[1]; and
- Hard-to-read (HTR) sites, such as unmanned sites.

Once mandatory HH Settlement is implemented, this situation will be exacerbated as there will remain a residual set of customers without smart Meters who will remain NHH, making achieving a minimum 97% Settlement performance largely unachievable across the industry.

There are also challenges for Suppliers who, traditionally, use third party Meter Agents to manually retrieve Meter reads. A significant number of these are now focussing on smart Meters rather than manually collecting reads. This reduces resource availability and impacts cost efficiency.

Obtaining Meter reads for non-Domestic NHH sites can be more challenging than for Domestic NHH sites:

- Domestic customer contract periods are typically shorter than for non-domestic NHH sites. For example, if a Domestic customer switches Supplier after 12 months, an actual closing/opening read or deemed read will be generated within the 14 month Settlement window and so will count towards the 97%. Non-domestic NHH sites however, typically have longer contract durations (e.g. up to 60 months) and so do not get the same benefit within the 14 month window;
- Non-domestic NHH sites typically have internally-located meters whereas newer

[1] It is assumed there is a correlation between those customers who've refused a smart Meter and those more reluctant to allow access or provide meter reads

build domestic premises have externally-located meters; and

- There are far fewer unmanned domestic sites than non-domestic sites.

It is also unlikely that the number of sites considered as HTR will materially decrease in future years as the same contributory factors will exist. Contributory factors include:

- Locked meter boxes;
- Unoccupied and/or remote sites;
- Customers' willingness to engage; and
- Sites to which access can only be gained with great difficulty e.g. via a single person managing a sparsely populated portfolio of sites spread over a large geographic area.

Justification for Examining Issue *(Mandatory by originator*)

This Issue is already impacting a large number of Suppliers and that will increase with the smart Meter rollout and move to mandatory HH Settlement, as the remaining pot of non-smart and NHH customers will have a greater proportion of HTR sites.

We are broadly supportive of P366 'Change to Supplier Charge SP08a calculations to account for small scale non-domestic Non Half Hourly hard-to-read Meters', which recognises the industry-wide issue of HTR sites. However, we believe that amending Supplier Charge SP08a performance calculations to exclude HTR sites does not address underlying Settlement performance targets and potential repercussions such as EFR and Code default.

Our recommendation is that both the calculation methodology and the 97% minimum performance threshold should be reviewed.

Potential Solution(s) *(Optional by originator)*

The Issue Group should look at the scenarios above to assess if the 97% Settlement performance requirement will be fit for purpose in the future. Potential solutions include:

- Exclude HTR sites from the performance calculation of 97% (as per P366);
- Exclude sites from the performance calculation of 97% where 'all reasonable steps' have been taken to acquire an actual read and submit it into Settlement
- Reduce the threshold below 97% to reflect the diminishing number of NHH customers less willing to allow meter reads
- Introduction of obligations through the BSC, SLCs or otherwise that incentivise the customer to facilitate a meter read

The Issue Group should explore the appropriateness and practicalities of excluding Meters from the Settlement performance calculation, where 'all reasonable steps' can be evidenced and consider if 97% is the appropriate minimum level of performance in light of P272 and the move to mandatory HH Settlement.

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