Electricity Metering RIGs Commentary Template

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Contents

1. Introduction

1.1 Overview

1.1.1 A commentary template provides the opportunity for licensees to explain why costs (and incomes) have been incurred, any movements between different time periods, and the reasons for variations between forecast and outturn. As set out in the associated Guidance Notes, the commentary will be used in conjunction with the wider reporting framework (including the Reporting Workbook and Assurance Workbook), to understand the structures and operations of the licensee, to inform the next price control and to monitor performance against the Authority's current price control assumptions.

1.1.2 Other guidance on the completion and submission of commentary is included in the Electricity Distribution Cost & Volumes RIGS Guidance Notes.

1.1.3 A full commentary addressing all material issues will help reduce the number of follow up questions and time spent by both the Authority and licensee staff.

1.1.4 This document has been created such that the licensee shall insert their comments in the sections identified below in yellow. No additional or freeform document need be created but instead we request the licensee insert an appropriate chapter heading and commentary box in the body of this document where it is necessary to provide additional commentary.

1.1.5 Backup documents referenced in the commentary should be attached as Annexes to the submission of this commentary. An electronic copy of any Annex shall be provided. The file name used for the electronic copy of any Annex should include a reference to the relevant section of the commentary and be structured so that the order of the file name is the order they appear in the commentary.

1.1.6 The Assurance Commentary shall be titled "YYYY_MM_DD Electricity Metering RIGS Assurance Commentary" and the Assurance workbook shall be titled "YYYY_MM_DD Electricity Metering RIGS Assurance Workbook" where YYYY represents the year, MM represents the month and, DD represents the day relevant to the request from the Authority or the submission from the licensee.

2. General Commentary

2.1.1   The licensee should provide general commentary on the following issues

The licensee should provide general commentary on data assurance allowing specific comments on individual costs to be provided under Section 3.

General Comments

Northern Ireland Electricity Networks Limited (NIE Networks) has populated the Metering RIGs template for the relevant RP5 reporting periods with information sourced from various financial and volume systems. A significant mapping exercise has been undertaken to ensure that the data is presented in a manner consistent with the RIGs definitions. This has involved significant resources from across the business with the relevant knowledge.

NIE Networks recognises that both the UR and NIE Networks will continue to learn through the development of RIGs. NIE Networks welcomes any feedback for consideration in future submissions.

It is to be noted that from 1 January 2016 the employees, assets and liabilities of NIE Networks Services Limited (NIE Networks Services) transferred to NIE Networks.

It is important to note that all costs reported by NIE Networks in the Metering RIGs workbooks are solely **'Direct Costs'** as per UR instructions, with the exception of the procurement line Row 29 contained within M1b Meter purchase (memo) which is an in-direct cost. With that in mind we feel it is important to stress that the costs reported within the Metering RIGs workbooks are not fully reflective of the overall full cost of metering activities within NIE Networks and therefore must be treated accordingly.

Systems overview

NIE Networks has used a number of bespoke and proprietary systems to manage the information that has contributed to the collation of data for completion of the Metering RIGs worksheets.

In terms of volume data the majority of the relevant information collected for RIGs is extracted from our SAP System via Business Objects Crystal Reports. These reports have been designed specifically with RIGs reporting in mind and therefore reflect our best attempts to directly reconcile our business activities with the relevant RIGs reporting categories.

Other systems used to facilitate Metering RIGs volume reporting include the Meter Reading HHU Archive which contains information relating to meter reading activities such as scheduled meter reads and the volume of successful meter reads obtained.

Information relating to costs have been extracted from our SAP Finance system and allocated to the correct programme of work through application of relevant

apportionment and allocation rules. All apportionment and allocations have been applied in a manner largely consistent with previous RIGs submissions; however NIE Networks has attempted to improve reporting at a granular level and has thus adjusted apportionment and allocations. As NIE Networks do not report costs at this level the changes do not impact the integrity of the overall information provided.

Overview of Allocation Rules

In terms of Metering Services NIE Networks primarily collects volume information at a programme work level. There are 8 main work programmes reflecting those with a specific unit cost regulatory allowance for RP5. These are as follows:-

1. SOSA Credit
2. SOSA Keypad
3. Commercial
4. Credit Certification
5. Credit Re-Certification
6. Keypad Re-Certification
7. Commercial Re-Certification and,
8. Revenue Protection: meter replacement programme.

Volume information for Metering Services is collected at each of these programme levels based on unique job codes reported on within SAP. These jobs have then been mapped to the relevant RIGs categories for the purposes of RIGs reporting.

Meter Reading volumes are collected from information contained within our 'Meter Reading Hand-held Archive' system. This information has then been allocated to the relevant RIGs reporting category; Domestic, Keypad and Commercial based on the type of meter being read and the relevant customer type.

How Costs are Collected

The costs associated with metering are collected within the SAP finance system within the categories listed below;

From SAP	What is included	Type of Cost
Cost Centres	E.g. Finance, HR, IT, Control Centre, etc.	Predominately Indirect
Internal Order Numbers	Costs split out into Labour, Materials and BIS	Labour = Direct & Indirect Materials = Direct BIS = Direct

For the purposes of the Metering RIGs only the **Direct Costs** are being reported; as per UR instructions.

Direct costs in relation to metering are generally collected through internal order numbers; the costs within the IO's are split between main sub-categories; Labour, Materials and BIS.

Each metering work programme has specific internal order numbers associated with it allowing costs to be directly attributed. Any other relevant direct costs have then been manually allocated to the correct programme of work.

Cost allocations have been verified and reconciled in order to ensure accuracy.

Data Assurance Methodology

NIE Networks continues to use the 'Data Assurance Guidelines Methodology' for this Metering RIGs submission as outlined in previous RIGs submissions.

NIE Networks has attempted to continuously improve and refine our RIGs reporting processes since the initial 2015/16 RIGs submission and these improvements have been reflected primarily through the improved data assurance scoring in the 2016/17 RIGs submission.

There has been no change to the Data Assurance scores in the 2017/18 (6 month) submission. A number of areas for improvement have been identified and will be developed throughout future submissions.

Glossary

A description of terms used in this commentary is provided below:

• NIE Networks - Northern Ireland Electricity Networks Limited.
• RIGs – Regulatory Instructions Guidelines.
• SAP – (Systems, Applications, Products) NIE Networks corporate reporting system.
• UR – Utility Regulator.
• BIS – Bought in Services.
• DAG – Data Assurance Guidelines.
• HHU – Hand Held Unit.

3. Commentary tables for the Reporting Workbook

3.1 The Navigation ('Nav') worksheet

3.1.1 Key, version submission control and worksheet sections

Please detail any suggested edits and rationale for these
Type commentary here
Additional commentary/documentation
Type commentary here

3.2 The Change Log worksheet

Please detail any suggested edits and rationale for these
Additional commentary/documentation
1. NIE Networks has inserted 2 additional rows into the M1b Meter Purchases worksheet within the reporting workbook for this submission. These additional rows were required in order to facilitate the input of all the relevant information for the 2017/18 (6 Month) submission.

3.3   The M1a – Metering Services worksheet

Please detail any suggested edits, including any definitions or edits to the definitions provided as per the guidance notes and rationale for these edits or definitions.

Type commentary here

No comments required

Additional commentary/documentation

Approach taken in populating M1a – Metering Services

Volumes

M1a Metering Services has been populated using information from our SAP-ES system and represents actual volumes for the relevant RIGs reporting years.

Volumes data has been matched as closely as possible into RIGs format given there are significantly more field activity categories than there are RIGs line items. Volume information for metering is collected at each of these programme levels based on unique job codes within SAP. These jobs have then been mapped to the relevant Metering RIGs categories.

Costs

Costs are not collected at the level of disaggregation required by M1a but at a programme level e.g. SOSA Credit, Commercial metering etc. Therefore, in populating M1a, we have apportioned costs on the basis of volume which explains why, for example, all SOSA Credit work categories are reporting the same unit cost.

Excluded Volumes & Costs

Metering work volumes associated with transactional services or connections activities which are charged directly to suppliers or customers have been excluded from M1a as they do not feature as part of the regulatory entitlement which is being reported on within this area. Consequently, row 116 'Customer Contributions' & row 117 'Cost recoveries' have zero values.

Zero Entries

End of life - replacement meter: This item does not have any entries, as the activity is covered within the certification and recertification categories.

1Φ Ind/Com (SR) & 1Φ Ind/Com (MR): These items do not have any entries as there are no reported metering activities of this type. There is no present supplier requirement or valid supplier tariff for this configuration of connection and meter.

Other Comments

Change of usage - requested by supplier: With the exception of new connections and revenue

protection activity, this category includes a variety of field activities arising from supplier submitted market messages. Supplier requested activities may or may not require a meter change.

Repair / Inspection - meter not replaced: This item covers field activities where the meter is not replaced but may include the replacement of items such as tails, time switches, and other auxiliary metering equipment.

Revenue Protection – replacement meter: We have assumed this category specifically covers the agreed programme of work to replace those meters suspected of being subject to magnetic interference.

<u>Reconciliation between M1a and the Financial Data RIGs</u>

In line with the RIGs definitions the costs below are included in the Financial Data RIGs but excluded from M1a Metering Services RIGs. The following table gives a breakdown of the reconciling differences between the Financial Data RIGs and M1a with all figures included in a nominal price base:

Metering Services Nominal £'000	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
						(6 Month)
Metering RIGS	3,251	3,275	3,122	5,059	7,649	3,604
Add: Reconciling Differences	2,366	2,388	2,210	2,332	2,473	1,281
C&V RIGs (Direct)	5,616	5,663	5,332	7,391	10,122	4,885
C&V RIGs (Direct)	5,616	5,663	5,332	7,391	10,122	4,885
C&V Indirect Costs	2,284	2,261	1,780	1,560	1,504	947
C&V Total	7,900	7,924	7,112	8,951	11,626	5,832
Less: Pension Adjustment	127	-69	-58	-115	-51	3
Financial Data RIGs	7,773	7,992	7,170	9,066	11,677	5,829

Provide specific commentary on assurance including an explanation of any accuracy of 3 or 4 and any process categorisation of high

As described above, M1a has been completed using our best endeavours and whilst we are confident in the overall integrity of our data; we also recognise that NIE Networks needs to further develop its processes in order to improve the quality of our data and the robustness of our reporting mechanisms ensuring that the information is consistent and in the relevant format required.

Process Metric [Complexity] (Volumes) = H

NIE Networks acknowledges the significant complexity of its data particularly at a granular level due to the need to manually match field activities to the specified line items in M1a.

Process Metric [Manual Intervention] (Volumes) = H

NIE Networks accepts that there has been a sizable degree of manual intervention in terms of interpreting the information extracted from our systems and mapping the information into the relevant categories and we have reflected this in the scoring.

Process Metric [Control Framework] (Cost & Volumes) = H

NIE Networks recognises that improvements are required in terms of its overall control mechanisms in relation to the RIGs reporting process and will endeavour to further develop these.

Process Metric [Historical Errors and Audit] (Cost) = H

NIE Networks has scored the cost element of this as high due to the fact that no audit has been undertaken with regards to this area within the last five years.

3.4   The M1b – Meter Purchase (memo) worksheet

Please detail any suggested edits, including any definitions or edits to the definitions provided as per the guidance notes and rationale for these edits or definitions.

Type commentary here

No comments required

Additional commentary/documentation

Approach taken in populating M1b – Meter purchases (memo)

M1b has been completed using information extracted from our SAP information system, actual costs and volumes have been used in respect of the relevant RP5 reporting periods based on relevant purchase orders and invoices recorded within SAP. Costs and Volumes have been allocated to the relevant years based on the invoicing date. We have included all relevant delivery cost within the total cost figures.

The Procurement cost line is treated as an in-direct cost but has been included at the request of the UR. In order to attain this cost figure NIE Networks has taken the total cost of procurement allocated to Market Operations and excluded Stores and other Supply Chain costs. We have then estimated what portion of this cost is applicable to meter purchasing activities based on the advice of NIE Networks Head of Procurement.

██████████████ (row 9) is an important component of keypad meter costs. It should be noted that it is not a recording instrument and therefore does not have a certification period.

█████████████████████████ (rows 17 and 18) are not recording instruments and therefore do not have a certification; however they are important components in relation to our half hourly meters and therefore we believe these should be included within this information workbook.

Provide specific commentary on assurance including an explanation of any accuracy of 3 or 4 and any process categorisation of high

Process Metric [Control Framework] (Cost & Volumes) = H

NIE Networks recognises that improvements are required in terms of its overall control mechanisms in relation to the RIGs reporting process and will endeavour to further develop these.

Process Metric [Historical Errors and Audit] (Cost & Volumes) = H

NIE Networks has scored this as high due to the fact that no audit has been undertaken with regards to this area within the last five years.

3.5   The M2 – Meter Reading worksheet

Please detail any suggested edits, including any definitions or edits to the definitions provided as per the guidance notes and rationale for these edits or definitions.

Type commentary here

No comments required

Additional commentary/documentation

Approach taken in populating M2 – Meter Reading worksheet

Actual costs and volumes have been used in respect of the relevant RP5 reporting periods.

Volume information is based on the data extracted from our 'Meter Reading Handheld Unit Archive'. These figures represent the number of customers whose meters have been read, rather than the number of meter registers read or number of meters read.

As per the UR request the volumes reported within this workbook represent successful meter readings only.

Meter reading direct costs are captured at a programme level and not by meter reading category. The direct costs allocated to each category in M2 are based on the volume of successful meter reads as this is considered a reasonable cost driver. Consequently the annual unit costs are the same for each category of meter reads in any given year.

Other Comments

'Domestic'
This line has been populated using the number of domestic credit meter readings obtained as a result of meter reading visits. This includes readings provided by customers as a result of meter readers leaving a card. This line does not include scheduled domestic keypad meter readings which are reported separately ('Keypad').

'Commercial'
This line has been populated using the number of commercial quarterly meter readings obtained as a result of meter reading visits. This includes readings provided by customers as a result of meter readers leaving a card.

'Industrial'
Readings for industrial customers are obtained using data collection software from half hour on-line meters. The associated costs are mainly IT and telecommunication related and are reported within our Enduring Solution Opex and other IT cost lines. As these are not reflected in our meter reading cost line, the volumes of on-line meter readings obtained have been excluded from M2, and this is consistent with the approach adopted in previous submissions.

'Keypad'
This line has been populated using the number of keypad meter readings obtained as a result of meter reading visits. This includes readings provided by customers as a result of meter readers leaving a card.

'Special Reads'
Special reads are carried out by metering electricians as a transactional service at the request of suppliers. It is not classified as a meter reading costs and therefore the volumes and costs of these activities have not been included in M2. Consequently, row 24 'Customer Contributions' & row 25 'Cost recoveries' have zero values.

Reconciliation between M2 and the Financial Data RIGs

In line with the RIGs definitions the costs below are included in the Financial Data RIGs but excluded from M2 Meter Reading RIGs. The following table gives a breakdown of the reconciling differences between the Financial Data RIGs and M2 with all figures included in a nominal price base:

Meter Reading Nominal £'000	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18 (6 Month)
Metering RIGS	3,323	3,361	3,318	3,452	3,204	1,744
Add: Reconciling Differences	119	105	89	-30	-14	30
C&V RIGs (Direct)	3,443	3,466	3,407	3,422	3,190	1,774
C&V RIGs (Direct)	3,443	3,466	3,407	3,422	3,190	1,774
C&V Indirect Costs	879	920	718	620	708	650
C&V Total	4,322	4,386	4,125	4,043	3,897	2,424
Less: Pension Adjustment	22	35	-12	-53	-27	3
Financial Data RIGs	4,300	4,350	4,137	4,095	3,925	2,421

Provide specific commentary on assurance including an explanation of any accuracy of 3 or 4 and any process categorisation of high

In scoring the accuracy of the data provided, it should be noted that we do not collect costs at the level of disaggregation required by M2. Moreover, the potential for more accurate cost recording in future is made more difficult because these activities are not carried out by distinct meter reading teams; i.e. for efficiency of operations, any given meter reader will likely be scheduled to take readings from domestic, commercial and keypad meters in the course of their working day.

Therefore in populating M2, we have apportioned costs between domestic, commercial and

keypad meter reading on the basis of volume which explains why, for example, each of these categories are reporting the same unit cost for any given year.

M2

Current Accuracy Metric Score(Volumes) = **3** *(Previous Accuracy Metric Score = 3)*

NIE Networks has attempted to address a number of concerns which have impacted the accuracy of our meter reading volume data. NIE Networks has carried out a significant review of the relevant processes concerning the collection of our RIGs data. We have developed a secondary report using information extracted from our SAP system, this report has then been used to validate our original primary report.

Nevertheless, there remain inherent issues concerning the accuracy of meter reading volume information, such as overall large volume of data and the high degree of manual intervention required in order to provide the information in the format required for RIGs reporting. NIE Networks is committed to addressing these issues by further improving reporting mechanisms and developing methods for accurately capturing cost at the level required for RIGs. Therefore with respect to the above NIE Networks has decided to uphold the previous accuracy metric score in relation to this area.

Process Metric [Control Framework] (Cost & Volumes) = H

NIE Networks recognises that improvements are required in terms of its overall control mechanisms in relation to the RIGs reporting process and will endeavour to further develop these.

Process Metric [Historical Errors and Audit] (Cost & Volumes) = H

NIE Networks has scored this as high due to the fact that no audit has been undertaken with regards to this area within the last five years.

3.6 The M3 – Certification Profile worksheet

Please detail any suggested edits, including any definitions or edits to the definitions provided as per the guidance notes and rationale for these edits or definitions.

Type commentary here

No comments required

Additional commentary/documentation

Approach taken in populating M3 – Certification Profile

Certification Lives
It is our understanding that the Utility Regulator is working to update meter certification lives as specified in the Northern Ireland Meter Certification Regulations. Consequently, and consistent with previous submissions, we have populated the M3 workbook based on the definitions which are currently applied by Ofgem.

Data Matching
The NIE Networks meter population reported in the M3 template is based on a data extract from SAP at 30th September 2017. This data indicates the volumes of each meter type for which certification has expired with reference to Schedule 4 of the GB Certification Regulations applied by Ofgem.

All meters have the manufacturer's year of certification recorded in calendar years in NIE Networks' systems. This does not align with the current RIGs reporting period ending on the 30th of September.

Due to the design of the workbook, we have chosen 2016 as the 'Reporting Year' (cell B3) in order for the workbook to calculate the volume of uncertified meters at 30th September 2017.

The RIGs certification profile workbook requires categories to be completed by generic meter type e.g. "Domestic Single Rate" and "Domestic Multi Rate", as opposed to manufacturer type. We have used the Schedule 4 as a guide to map specific meter types into the relevant categories required.

Many generic meter types are multi-functional in that they can operate as a single rate meter or a multi rate meter depending on the tariff set by the supplier. As the costs and certification lives of each variant are identical, for the purposes of completing the workbook it has been assumed that all programmable meters are single rate. Disaggregation of the number of installed programmable meters would merely indicate supplier tariff activity which has no influence on certification activity.

Provide specific commentary on assurance including an explanation of any accuracy of 3 or 4 and any process categorisation of high

Process Metric (Control Framework) = H

NIE Networks recognises that improvements are required in terms of its overall control mechanisms in relation to the RIGs reporting process and will endeavour to further develop these.

Process Metric (Historical Errors and Audit) = H

NIE Networks has scored this as high due to the fact that no audit has been undertaken with regards to this area within the last five years.

4. Commentary tables for the Assurance Workbook

4.1 Introduction

4.1.1 For the Electricity Distribution Cost and Volumes RIGs Assurance Workbook we set out the categories of commentary as follows:

4.2 The Navigation ('Nav') worksheet

4.2.1 Key, version submission control and worksheet sections

Please detail any suggested edits and rationale for these
Type commentary here
Additional commentary/documentation
Type commentary here

4.3 The Change Log worksheet

4.3.1 All

Please detail any suggested edits and rationale for these
Type commentary here
Additional commentary/documentation
Type commentary here

4.4   Metrics worksheet

4.4.1   2013 Data Assurance

For each line item in the 2013 regulatory year, where 'Total Risk = Critical' or 'Total Risk = High' please describe the reasoning behind this judgement and the steps which are being undertaken to reduce the risk.
Type commentary here
Additional commentary/documentation
All data assurance scoring for the 2012/13 RIGs reporting year has been scored in a manner consistent with the 2017 (6 Month) RIGs Submission.

4.4.2   2014 Data Assurance

For each line item in the 2014 regulatory year, where 'Total Risk = Critical' or 'Total Risk = High', and where the reasons for the 2013 year no longer apply, please describe the reasoning behind this judgement and the steps which are being undertaken to reduce the risk.
Type commentary here
Additional commentary/documentation
All data assurance scoring for the 2013/14 RIGs reporting year has been scored in a manner consistent with the 2017 (6 Month) RIGs Submission.

4.4.3   2015 Data Assurance

For each line item in the 2015 regulatory year, where 'Total Risk = Critical' or 'Total Risk = High', and where the reasons for the 2014 year no longer apply, please describe the reasoning behind this judgement and the steps which are being undertaken to reduce the risk.

Type commentary here
Additional commentary/documentation
All data assurance scoring for the 2014/15 RIGs reporting year has been scored in a manner consistent with the 2017 (6 Month) RIGs Submission.

4.4.4   2016 Data Assurance

For each line item in the 2016 regulatory year, where 'Total Risk = Critical' or 'Total Risk = High', and where the reasons for the 2015 year no longer apply, please describe the reasoning behind this judgement and the steps which are being undertaken to reduce the risk.
Additional commentary/documentation
All data assurance scoring for the 2015/16 RIGs reporting year has been scored in a manner consistent with the 2017 (6 Month) RIGs Submission.

4.4.5   2017 Data Assurance

For each line item in the 2017 regulatory year, where 'Total Risk = Critical' or 'Total Risk = High', and where the reasons for the 2016 year no longer apply, please describe the reasoning behind this judgement and the steps which are being undertaken to reduce the risk.
Additional commentary/documentation
All data assurance scoring for the 2016/17 RIGs reporting year has been scored in a manner consistent with the 2017 (6 Month) RIGs Submission.

4.4.6   2018 Data Assurance

For each line item in the 2018 regulatory year, where 'Total Risk = Critical' or 'Total Risk = High', and where the reasons for the 2017 year no longer apply, please describe the reasoning behind this judgement and the steps which are being undertaken to reduce the risk.

The higher risk issues with regards to Data Assurance have been discussed in the relevant sections above. The area in which data assurance has scored 'High' is in relation to Meter Reading volumes.

NIE Networks is committed to reducing this risk by further developing our internal processes in order to better meet the Metering RIGS reporting requirements and improve the overall accuracy and integrity of our data.

In order to specifically address the issue above we intend to continue performing a thorough assessment of our processes and systems in order to better align them with our reporting requirements; and identify practical steps to achieve a more fully automated and standardised process for each of these areas during RP6.

Additional commentary/documentation

All data assurance scoring for the 2017/18 (6 Month) RIGs reporting year has been scored in a manner consistent with all previous RIGs submissions.

Version Control

Version	Date	Description
2.00	23/5/16	Formal Issue