

Topic Workgroup Report

AQ Principles

Version 1

1. Aims

Following agreement at the Project Nexus Uniform Network Code (PNUNC) Workstream, a number of Principle Topic Workgroups are to be established to review the high-level industry principles, considering the comments received as part of xoserve's Project Nexus Consultation. These discussions will focus around confirmation of the high-level business rules, only for those processes that are unlikely to be affected by the development of the anticipated Smart Metering Programme.

This report has been produced by the AQ Topic Workgroup. A copy of their Terms of Reference can be found at: www.gasgovernance.co.uk/nexus/tor.

2. Process

The AQ Topic Workgroup agreed their Terms of Reference, which were then subsequently approved by PNUNC Workstream. A workplan was developed and a number of meetings arranged to consider:

- i. the existing process;
- ii. comments provided during the xoserve consultation process on the Project Nexus Scope;
- iii. review of potential solutions;
- iv. provision of high level principles and recommendations;
- v. completion of a Topic Workgroup report.

3. Areas Reviewed

The AQ Topic Workgroup considered the following requirements identified during the xoserve consultation to ensure the relevant areas were reviewed and recommendations identified:

Initial Requirements Register Reference	Requirement
6.1	Existing annual AQ review process, consider more frequent reviews of the AQ & SOQ
	The introduction of a rolling AQ is a core service required to allow the industry to operate ensuring energy is more accurately allocated
	Increased energy consumption data should help to identify step changes in energy consumption. It would therefore appear beneficial for this information to feed directly into an updated AQ rather than waiting until the

	annual review in October
10.12	Existing annual AQ review process, consider more frequent reviews of the AQ & SOQ

4. Conclusions and Recommendations

The AQ Workgroup considered the respondents comments provided in section 3 above, to the extent that they have an impact on high-level business principles, as well as considering the existing arrangements and any alternatives proposed.

This Workgroup has dependencies on the outputs from both the Allocation and Reconciliation High Level Principle Workgroups. It is recognised that although a hierarchy of requirements has been identified, more in depth analysis in the detailed requirements gathering phase is required. This will not occur until more clarity is received from the SMIP.

Customers would need to be assured that all these process changes would provide an improved level of billing accuracy.

IGT processes would have to be considered in the light of these process changes. For this reason, this document contains Business Principles rather than Business Rules. The following high-level principles were agreed within the AQ Workgroup and are recommended to the PNUNC Workstream:

Principles	Comments
<p><i>AQ Principles using Daily Allocations</i></p> <p>1. Preference for 'No AQ'</p> <p>Where allocations are undertaken on a daily basis in a fully Smart Metered world based on actual meter readings and AQs are not part of any processes affecting shippers then there is an aspiration to move to a regime in which the Annual Quantity becomes redundant. This is known as the 'No AQ' option.</p> <p>Where reads are not received, for whatever reason on any given day, a methodology would need to be developed as an apportionment of AQ would not be possible in a 'No AQ' world. This will need to be addressed by PN UNC Workstream.</p> <p>Calculation of SOQ, especially for billing purposes, will need to change. Currently for NDM sites the SOQ is a mathematically calculated derivative of the AQ. In a 'No AQ' world an alternative calculation of SOQ would be required. This will need to be developed in the Detailed Requirements Gathering Phase.</p>	<p>GTs are concerned at the removal of that the AQ as it is used in a number of industry processes. However shippers felt that none of these processes concerned them. Under a 'No AQ' regime, where these processes no longer impacted shippers, any obligations would need to be removed from UNC and GT Licenses would need to be revised accordingly. Further analysis on this subject would be required within the detailed requirements gathering phase of Project Nexus.</p> <p>'No AQ' could only exist where allocations are carried out on a daily basis on a daily meter reads. If reads were submitted any less frequently then some form of AQ would be required</p> <p>It is still to be decided whether the removal of AQ as a process should be phased or introduced after the completion of Smart Metering rollout. National Grid NTS believes that the "No AQ" scenario is unlikely to exist before the Government's target date of 2020. Consequently it is National Grid NTS's view that the development of "No AQ" functionality is likely to be outside the scope of the current development Project Nexus, although some transitional processes/system changes may be required, as part of Project Nexus.</p>

Principles	Comments
<p>Transitional Arrangements</p> <p>2. Rolling AQ For Transition</p> <p>Transitional arrangements during Smart Metering rollout would be covered by a move from the current Annual AQ process to a Monthly Rolling AQ Review. This would be applied to all meter points both dumb and smart during transition.</p> <p>The definition of what is meant by 'Transition' will be discussed and agreed at PN UNC Workstream.</p>	<p>Not all group members supported the rolling AQ. Further cost benefit analysis may be required to determine whether rolling AQ is cost effective, as a transitional measure.</p> <p>Not all the detailed business rules/principles of Mod 0209 are appropriate, the workgroup supported principles of a Rolling AQ rather than the principles as defined in Mod 0209. The Mod was developed prior to the concept of a Smart Metering regime.</p>
<p><i>AQ Principles using Non-Daily Allocations</i></p> <p>3. Rolling AQ</p> <p>An option from the Allocation Principles Workgroup is that meter readings are submitted less frequently than daily.</p> <p>If this is the case an AQ or some form of apportioning mechanism would be required.</p> <p>The methodology for calculating the AQ would be a rolling monthly AQ. This could be applied to both Smart and Dumb meters and therefore would be appropriate as an enduring solution as well as for transition.</p>	<p>Support for rolling AQ is not universal. Further cost benefit analysis may be required to justify that this is the optimum solution.</p> <p>Mod 209 offered one view of a rolling AQ. However agreement on the principles of a Rolling AQ and not necessarily the rules defined in Mod 0209 would need to be developed. Mod 209 was developed without being cognisant of a regime containing Smart Metering</p> <p>Not all the detailed business rules of Mod 0209 are appropriate, the workgroup supported principles of a Rolling AQ rather than the principles as defined in Mod 0209. The Mod was developed prior to the concept of a Smart Metering regime.</p>

Principles	Comments
<p><i>Fallback Position</i></p> <p>4. Annual AQ Review</p> <p>Should there not be daily allocations based on meter readings and analysis proves that Rolling AQ is not an efficient solution then the fallback position would be an improved version of the current AQ process</p> <p>This would mean that a refurbished Annual AQ would also be the fallback transitional solution should Rolling AQ be deemed inappropriate.</p>	<p>There are several areas of concern with the current process and detailed requirements gathering would need to explore these areas.</p> <p>For this reason some Shippers believe that no support should be given to this fallback.</p>

5. High Level Benefits

The AQ Workgroup identified a number of potential benefits associated with adopting a "No AQ" approach:

- Resource benefits from not requiring an Annual AQ Review
- Removes issues associate with current AQ processes eg
 - Removes current lags between consumption and reflection in allocation processes
 - Removes reliance on standardised load factors for determination of SOQs

Rolling AQ

- Automation of certain manually intensive processes
- Faster movement of AQs to current consumption levels
- Potential for faster passing of benefits to consumer
- Smoothing of processing loads throughout the year
- Encouragement of Shippers to supply meter readings more frequently

Fallback Position

- Potential improvement to current AQ processes

There was consensus within the Shippers represented within the AQ Workgroup that adoption of all, or some of these items would enable identification and calculation of financial benefits, which could then be brought to the attention of the Authority.

6. Subjects for discussion in other Topic Workgroups/Industry Forums

<i>Subject</i>	<i>Where discussed (current view)</i>
Transitional plans. Move from Rolling AQ to No AQ. Big Bang approach or not?	SMIP and PN UNC Workstream detailed Workshops.
Defining 'Rolling AQ' as Mod 0209 developed in 2008 and business rules may no longer be appropriate in a Smart world	Detailed Requirements gathering groups (AMR) or SMIP
Missing Reads	AMR detailed requirements (for AMR) SMIP or CCP (for Smart)
Calculation of SOQ or equivalent under a 'No AQ' regime	Detailed Requirements gathering groups (AMR) or SMIP