UNC Modification 0635:

Mod Title: Reforms to incentivise accurate and timely DM reads to improve the accuracy of Unidentified Gas allocation

Joint Office
of Gas Transporters

Proposer: First Utility(Carl Whitehouse)
Panel Date: 19 October 2017

Why change?

It is important that shippers seek to ensure that their daily metered sites are consistently settled on actual reads as failure to do so means that the rest of the industry is subject to volatile and unpredictable swings in Unidentified Gas (UIG) as estimates are used and then corrected.

Substantial balancing costs (around £20-40m a month across the industry) are being incurred via UIG as well as the associated credit cover costs. There is, however, no mechanism to pass these costs onto those who cause them, resulting in little, if any incentive at present to address these problems.

UIG levels
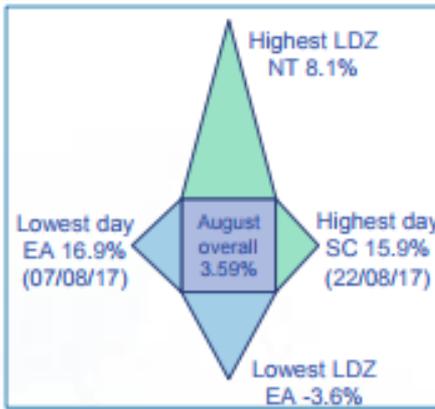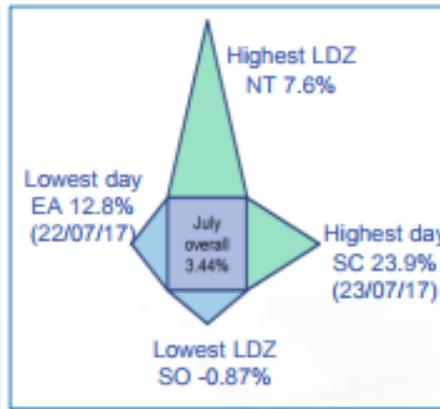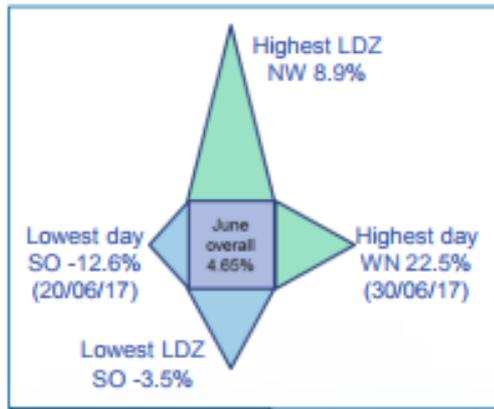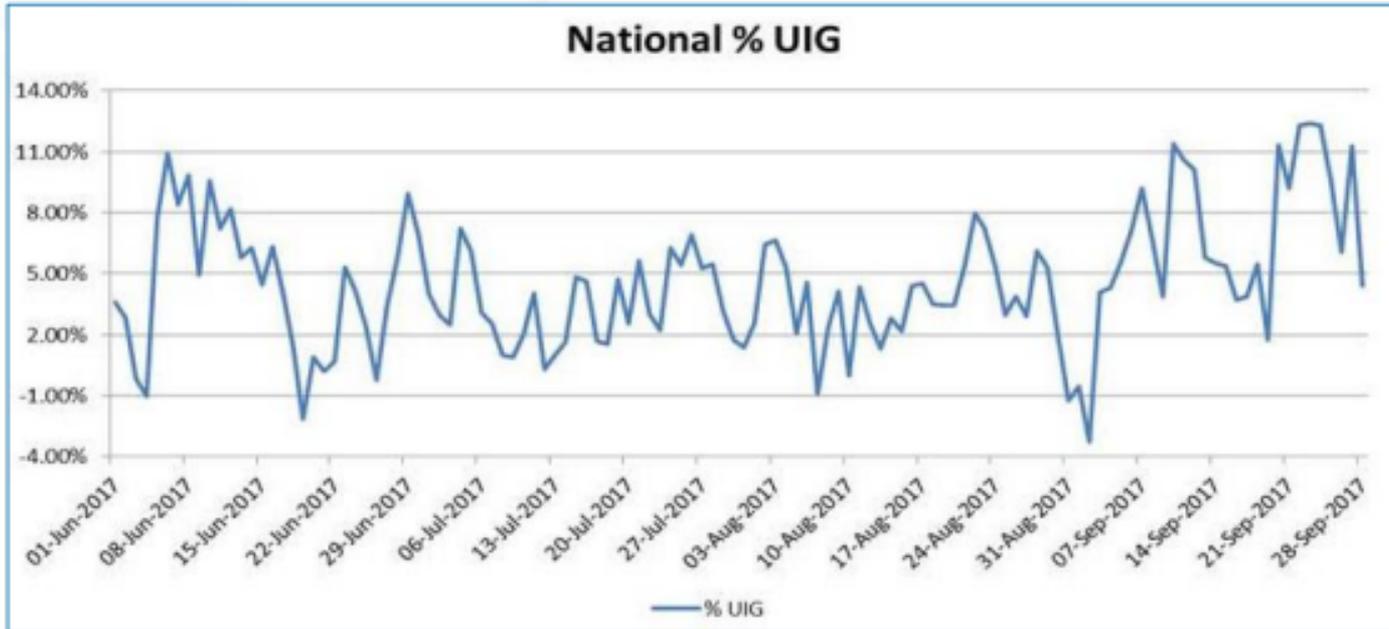
Options

Obligations need to be placed on shippers and transporters via the UNC in order to ensure every effort is made to reduce the number of estimates being used for settlement of daily metered sites.

Solution

This modification has two key parts to it, both designed to incentivise shippers and transporters issues with Valid Meter Readings:

- An increase of scheduling charges to 10% of SAP (from the current 1%) and a reduction in the tolerance before scheduling charges are levied to 3% for all DM sites.

- Extension of the 97.5% read submission target to both Class 1 and Class 2 sites, with an incentive mechanism applied (proceeds return to the industry in the same way as scheduling charges)

- Incentive Payment = (%DM target - % DM performance)x DM AQ/365x10%SAP

Recommended Steps

The Proposer recommends that this modification should be:

- Agree that Authority Direction should apply as the change will have a material impact on shippers and transporters in reducing the UIG costs of £20-£40m a month.

- Workgroup assessment to develop the modification for 2 months