





UNC Modification	At what stage is this document in the process?
<h1>UNC 0644:</h1> <h2>Improvements to nomination and reconciliation through the introduction of new EUC bands and improvements in the CWV</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>Purpose of Modification:</p> <p>This modification seeks to split the End User Categories (EUC) EUC01B and EUC02B into three and grouping by prepayment, market sector code of industrial and commercial and finally all remaining meter point reference numbers. It also seeks to amend the Composite Weather Variable (CWV) to include more than just wind speeds and temperature plus the creation of parameters to flex the Weather Correction Factor (WCF) and/or Daily Adjustment Factors (DAF) where they reach defined tolerances. These amendments would provide a more accurate profile to that which is in place today and would work towards improved nominations which in turn would reduce reconciliation and UIG.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> considered at short notice considered a material change and not subject to self-governance assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 21 December 2017. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact:</p> <p>Shippers</p>
	<p>Medium Impact:</p> <p>Transporters</p> <p>CDSP</p>
	<p>Low Impact:</p> <p>NA</p>

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Timetable			07816 172 645
The Proposer recommends the following timetable:		Transporter:	
Initial consideration by Workgroup	05 January 2018	Joanna Ferguson Northern Gas Networks	
Workgroup Report presented to Panel	19 April 2018		
Draft Modification Report issued for consultation	19 April 2018	 jferguson@northern-gas.co.uk	
Consultation Close-out for representations	11 May 2018		
Final Modification Report available for Panel	15 May 2018	 07883 099616	
Modification Panel decision	17 May 2018	Systems Provider:	
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1 Summary

What

Recently there has been excessive volatility in nominations, reconciliation and unidentified gas (UIG) since the implementation of Project Nexus, which has affected Shippers. The volatility could be reduced through amendments to the EUC01B/EUC02B as this EUC band relates to majority of consumer MPRNs.

Enhancing the Composite Weather Variable (CWV) as part of the Weather Correction Factor (WCF) to incorporate more than just wind speeds and temperature, plus amendments to the Daily Adjustment Factor (DAF) (in conjunction with an assessment of the WCFs) could provide further stability.

This change would create a seasonal or time of year component which considers different behaviours that can be vastly different based on the time of year and the sector applied to.

The proposed changes are parameter changes within the current calculations rather than the calculations themselves, these remain as currently defined.

Why

The benefit of making this change would be the improvements to nominations and subsequently reconciliation because the profiled volume would be closer to the actual consumer consumption so as such UIG would be less volatile. This would also be a cost effective approach as it would impact both nominations ahead of and on the day, making energy purchasing less volatile for all Shippers, and reconciliation after close out.

This approach would allocate the energy to the right place resulting in reduced UIG and less reconciliation at a later date.

The proposed amendments would improve the shaping of the profiles. There could be different shapes per profile, each being more reflective of the actual usage.

How

This should be determined based on analysis of actual data and we expect DESC and Parties to be involved throughout. Energy allocation can be improved in three distinct areas:

1. Introduction of three End User Categories for what was EUC01B/EUC02B:
 - i. EUC01P/EUC02P – For prepayment heating load
 - ii. EUC01I/EUC02I – For Market Sector Code of Industrial & Commercial (I&C) heating load
 - iii. EUC01B/EUC02B – All remaining MPRs
2. Expand the data items included in the CWV to improve the WCF applied to all EUCs (including the newly proposed ones) which would require amendments to Section H 5.1.1
3. To create wider parameters for the DAF and/or the WCF where the CWV and the SNCWV are >[1]% tolerance

Points 1 and 3 can be delivered via DESC but any amendments to point 2 would require amendments to Section H would require a modification. We believe the solution should be developed as a suite rather than independently.

2 Governance

Justification Authority Direction

The UIG impacts which have triggered Request 0631R and this Modification proposal are due to the material commercial impacts which relate to the shipping of gas which Shippers have seen since project Nexus was implemented. For this reason, it is recommended that this modification should progress requiring Authority direction.

Requested Next Steps

This modification should:

- Considered at short notice
- be considered a material change and not subject to self-governance
- be assessed by a Workgroup

Due to the significant industry concerns surrounding UIG, the proposer requests that this modification is considered at short notice to allow the assessment process to start as soon as possible and provide an opportunity to address these concerns.

It should be noted DESC are currently defining the analysis for the standard profile updates. The current DESC timeline for review concludes in April, however, this may require a review as it is recommended this modification development is completed in conjunction with the current analysis work.

3 Why Change?

There has been excessive volatility in nominations, reconciliation and UIG since the implementation of Project Nexus, this has affected Gas Shippers.

The NDM Demand Estimation Methodology is a UNC related document and contains the relevant formulas which are proposed for change in this Modification.

If the changes proposed are not made then Gas Shippers will continue to experience excessive levels of volatility.

Why Change EUC Bands?

Prior to Nexus splitting EUC01B/EUC02 into further segments was not possible due to the complexity of Reconciliation by Difference (RbD). Post Nexus the design allows such enhancements, and will have the benefits of increasing the accuracy of profiling.

Why Change The Composite Weather Variable / Weather Correction Factors?

The CWV/WCF only takes into consideration two elements currently (wind speeds and temperature), however, consumer behaviour in EUC01B/EUC02 is subject to more than just this e.g. two consecutive days may have the same temperature but one is overcast with rain and the other is dry and bright. It is acknowledged that behaviours change because the greyer day would see increased energy consumption because it is perceived to be colder. Fluctuations like these are not agnostic to the time of year and can occur at any time other than the peak of heat in summer. Scenarios such as these are not catered for currently and it is our belief that expanding the WCF to incorporate further variable elements will improve accuracy.

The current approach to WCF calculation doesn't allow sufficient movement if the weather is a long way from seasonal normal. Reshaping within the CWV as part of the WCF will automatically influence the SNCWV.

These changes would help with on the day balancing and gas purchasing by improving the accuracy of nominations. This will promote certainty and would be an improvement on the current position. It would ensure energy is in the right place (both nominations and allocations) and would address UIG, it would help prepayment biased portfolios and niche I&C smaller customer volume shippers, as it would improve on the day purchasing through improved accuracy.

Outcomes from other review groups and modifications may also be of interest e.g. Review Group 0178 and Modification 0451 because they have shown that profiles differ depending on the meter and the sector type.

4 Code Specific Matters

Reference Documents

NDM Demand Estimation Methodology

TPD Section H

Knowledge/Skills

These would include UIG, statistical analysis and demand modelling, nomination process and the reconciliation process.

5 Solution

The solution is broken into three parts:

1. Introduction of three End User Categories for what was EUC01B/EUC02B:
 - i. EUC01P/EUC02P – For prepayment heating load
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 - iii. EUC01B/EUC02B – All remaining MPRs
2. Expand the data items included in the CWV to improve the WCF applied to all EUCs (including the newly proposed ones) which would require amendments to Section H 5.1.1
3. To create wider parameters for the DAF and/or the WCF where the CWV and the SNCWV are >[1]% tolerance

Points 1 and 3 can be delivered via DESC but any amendments to point 2 would require amendments to Section H so would require a modification. We believe the solution should be developed as a suite rather than independently.

The solution would see the same WCF applied to all three EUCs but any amendments to the DAF would be per EUC to ensure accuracy.

If new weather data items are added to the model the NDM Demand Estimation Methodology document (3.2.1) and Section H (5.1.1) would require amendment which we would seek to complete via this modification rather than as independently.

For the EUC01B/EUC02B; the business rule would be if they are not prepayment and are not a market sector code of I&C then they would be classified as EUC01B/EUC02B.

Creation of the EUC01I/EUC02I may result in data cleansing activity to ensure accuracy of this data item

3.2.1 a) and b) of the NDM Demand Estimation Methodology document explicitly lists temperature and wind speed, our solution would be to extend this data set to include other variables (e.g. rain) to introduce improved accuracy in profiling.

The solution doesn't intend to make any changes to NDM Algorithms booklet; however, it is recognised the proposed amendments would create additional profiles.

The solution may create the need for DSC changes; these are suggested to be developed in parallel to this modification to strive to meet the implementation date referenced.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

None

Consumer Impacts

No direct impacts identified – although improved allocation will ensure a closer match between Transporters invoiced charges and customer actual demand, minimising reconciliation flows and improving volatility in the energy purchasing area.

Cross Code Impacts

None identified – it is not believed any SPAA or iGT UNC changes are required to complement this modification, however this assumption should be ratified by the Workgroup.

EU Code Impacts

None

Central Systems Impacts

Changes would be required to central systems to introduce the new EUCs so input from the CDSP would be required.

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None

c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

This modification delivers positive impacts to Objective (d) as it improves accuracy in nominations and reduces reconciliation and UIG. It would therefore promote accurate cost targeting and improve effective competition furthering relevant objective d).

8 Implementation

No implementation timescales are proposed. However, it would be beneficial if the modification were approved sufficiently ahead of 30 September 2018 to allow effective system implementation by the start of the 2018 gas year on 01 October 2018.

The change could also need to align with the changes being delivered through the DSC Change Management process.

9 Legal Text

Text Commentary

To be provided by Transporters.

Text

To be provided by Transporters.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Considered the modification at short notice;
- Agree that Authority Direction should apply;
- Refer this proposal to a Workgroup for assessment.