






UNC Modification	At what stage is this document in the process?
<h1>UNC 0652:</h1> <h2>Obligation to submit reads and data for winter consumption calculation (meters in EUC bands 3 – 8)</h2>	<div> <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>This modification aims to create an obligation, and associated monitoring reports, for shippers to submit reads and correct data to ensure the appropriate winter consumption calculation takes place, for accurate NDM WAR band profiling.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 15 March 2018. 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>Low Impact:</p>

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Timetable		 0121 288 2107
The Proposer recommends the following timetable:		Proposer: John Welch Npower
Initial consideration by Workgroup	22 March 2018	 john.welch@npower.com
Workgroup Report presented to Panel	19 July 2018	 07557 170816
Draft Modification Report issued for consultation	19 July 2018	Transporter: Joanna Ferguson Northern Gas Networks
Consultation Close-out for representations	09 August 2018	 ferguson@northern-gas.co.uk
Final Modification Report available for Panel	16 August 2018	 07883 099616
Modification Panel decision	16 August 2018	Systems Provider: Xoserve
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		 07557 198020

1 Summary

What

Since Nexus go-live, it has been reported that up to 25% of relevant sites in End User Category (EUC) bands 3 to 8 have been assigned a default Winter Annual Ratio (WAR) band for the purposes of demand estimation profiling. It has been cited as a contributing factor affecting performance levels of the demand estimation algorithm. To calculate an accurate Winter Annual Ratio, shippers need to submit a pair of reads in the winter period (one in Nov – Dec, and a second in Mar – Apr). If either of these reads is not submitted, or fails validation, winter consumption cannot be calculated, and therefore a 'bucket' or default EUC band is assigned. In addition, if winter consumption energy or the related AQ is erroneous due to underlying data issues, the winter energy is not valid, and an appropriate EUC WAR band cannot be assigned. When reads have not been submitted, shippers can later provide data updates that allow the correct allocation of an accurate WAR band.

Why

The current level of sites in EUC bands 3 to 8 with a default WAR band (25%) is one contributing factor to potential inaccuracies in the demand estimation algorithm, which in turn leads to increased levels of temporary UIG. New obligations against the underlying data for the calculations, and associated monitoring reports, would increase the level of sites receiving an accurate WAR band, and therefore the accuracy of the demand estimation calculations. It would also serve to highlight and focus efforts on an arguably less well known industry process that supports the demand estimation calculations.

A new obligation should not be unduly onerous, given that the sites involved should be monthly read in any case, and many should also have advanced metering fitted. Additional clarity will be provided by creating a new obligation on the need to correct data to ensure winter consumption can be calculated correctly.

How

This modification seeks to add the concept of winter consumption into the Code, obligate and provide a target for the submission of winter reads in the appropriate periods (November / December and March / April), and further mandate that shippers ensure, through data correction that an appropriate WAR band is assigned for sites in EUC bands 3 to 8 (also in cases where reads were not successfully submitted in the relevant period). It is also proposed that named reporting be delivered to PAC on a regular basis, so performance against these obligations can be monitored.

2 Governance

Justification for Self Governance

This modification is not material as it simply adds extra weight to existing obligations concerning read submission at certain points of the year, along with an additional obligation for a process that already exists and is undertaken throughout the industry (associated data updates).

Requested Next Steps

This modification should:

- be considered a non-material change and subject to self-governance
- be assessed by a Workgroup

3 Why Change?

Since Nexus go-live unidentified gas has been the leading issue in the gas retail market, and one of the key areas of investigation has been the accuracy of the demand estimation algorithm. One of the issues highlighted by Xoserve has been the relatively high number of sites in EUC bands 3 to 8 (approx. 25%). It is difficult to accurately quantify the impact, without knowing the correct consumption and more appropriate WAR band for these sites; however, the issue of NDM WAR bands is currently listed as the sixth highest risk on the PAC settlement risk register, with an estimated impact of £9 million to allocation. This risk was initially quantified in the 'Gas Market Settlement Risk Quantification' report produced through Modification 0506. This risk was based on an estimated level of 25% of relevant sites having a default EUC band, essentially the same level as that which is being reported now. This risk has since been circulated in the industry towards the end of 2017 (along with other settlement risks) as part of the Performance Assurance Framework Administrator's (PAFA) consultation on the Performance Assurance Committee (PAC) settlement risk register.

While the relevant meters in these EUC bands should be read monthly, an additional obligation to ensure that reads are submitted in the target winter periods, plus a further obligation to make data updates when it is not possible for this to occur, will improve the number of sites in these EUC bands that are ultimately assigned the correct WAR band.

In addition, sites in EUC bands 3 to 8 are assigned a load factor based on their WAR band. If a site has a default WAR band, an inappropriate load factor could be assigned, and therefore an incorrect SOQ calculated. This has implications for transporters for both capacity planning and revenue recovery.

4 Code Specific Matters

Reference Documents

Link to the PARR:

https://www.gasgovernance.co.uk/sites/default/files/ggf/PAC%20Document%201%20Performance%20Assurance%20Framework%20Report%20Register%20v1.0_0.pdf

5 Solution

A new concept of winter consumption and WAR bands needs to be created within Section H of the UNC, and potentially carried across to the NDM Demand Estimation Methodology UNC related document. The definitions are as follows.

Winter consumption: Winter consumption is calculated using a pair of meter readings submitted during the winter period, in November/December and March/April. The energy calculation is prorated. This winter consumption is then used to calculate the winter annual ratio (the ratio between winter consumption and annual consumption/AQ).

Winter Annual Ratio (WAR) Band: End User Categories (EUC) 3 to 8 use an additional 4 WAR Bands from 1 to 4 for demand profiling. These bands are assigned different usage profiles dependent on how sensitive a supply point is to winter weather (1 is least sensitive and 4 is most sensitive). Where winter consumption is not calculated, a default band/profile for the EUC is assigned.

In addition, an obligation will be created in TPD M5 for shippers with meters within EUC bands 3 to 8 to submit reads in the winter periods of November/December and March/April.

An additional obligation will also be created for shippers to provide winter consumption data updates if it was not possible to submit the reads at the appropriate time.

In addition, a report will be added to the PARR Schedule 2 that provides named reporting to the PAC, showing read performance at the obligated winter periods, as well as numbers of default WAR bands by party. This report will be produced by Shipper and EUC Band, showing percentage of portfolio in each EUC band assigned a default WAR band, and the percentage of portfolio having winter reads submitted in the obligated periods.

6 Impacts & Other Considerations

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

None identified.

Consumer Impacts

None identified.

Cross Code Impacts

There may be an impact on the IGT UNC which will need to be considered in the Workgroup.

EU Code Impacts

None identified.

Central Systems Impacts

No major impacts, some additional reporting to be created.

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	None

Code.	
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

Improving the demand estimation calculations should enhance accurate apportioning of energy, therefore furthering relevant objective d) competition between shippers and suppliers.

8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

9 Legal Text

Legal Text

To be provided by Transporters.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- be considered a non-material change and subject to self-governance
- Refer this proposal to a Workgroup for assessment.