



Mod 0661R Review Group:

Update on Action 1007

8th November 2018

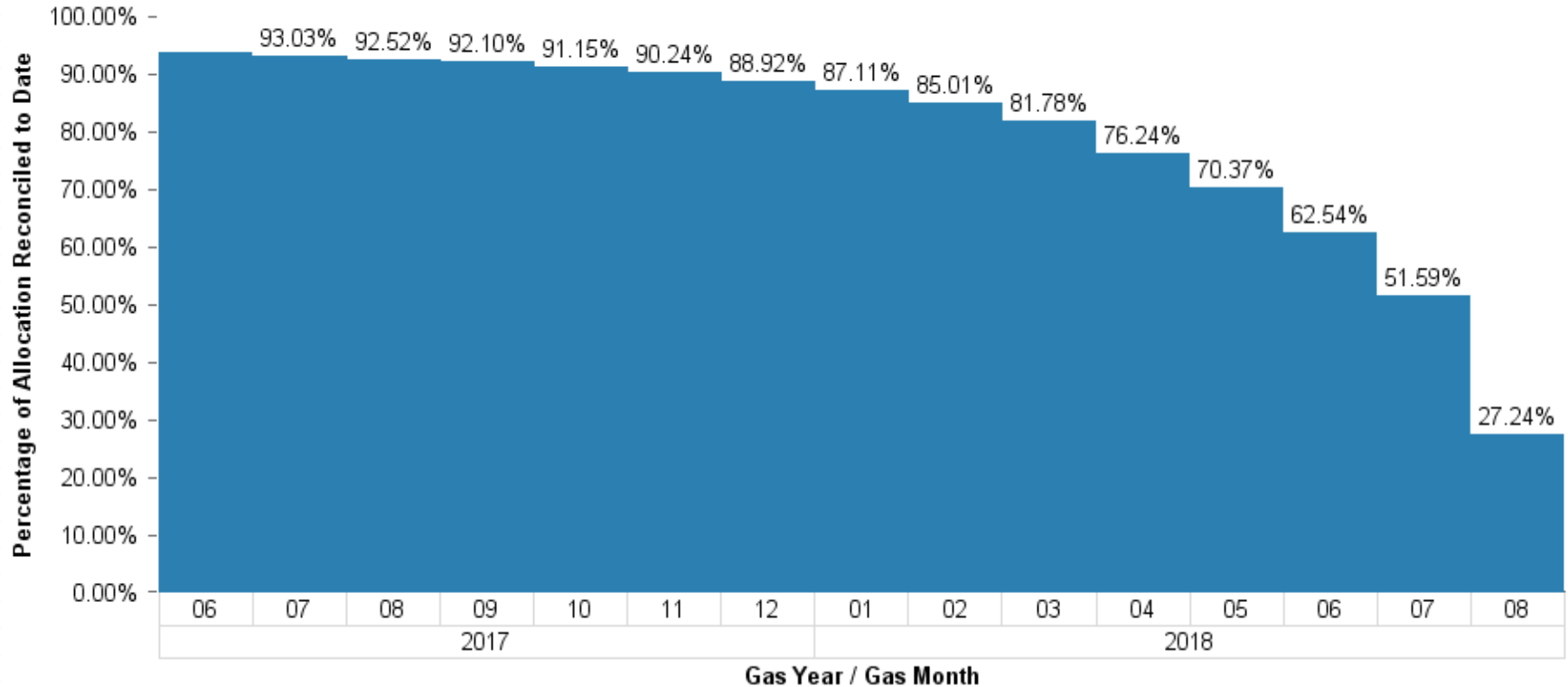
Xoserve Action 1007:

“To look at the balancing volumes (at close out) compared to the Industry reconciliation volumes by gas flow month and then convert them to a cost by investigating the difference between SAP and SMP”

- Xoserve has considered the action against the period June 2017 (Nexus go-live) to August 2018
- The Workgroup suggested Xoserve’s monthly “% of Allocation Reconciled (billable energy) Report’ (**next slide**) might be used as a proxy to establish 0661R materiality
- We have looked into using the monthly report;
 - the basis of the report is post-Nexus reconciled billable energy against a target of 100% reconciliation - for Class 3 and Class 4 (NDM) meters
 - the report does not show the Class 3-4 annual demand profiles e.g. summer versus winter
 - applying SAP (and SMP) to derive materiality on this basis will be misleading – it takes no account of shippers’ daily energy imbalance volumes nor the SMP at which the daily imbalance volume was cashed-out

Meter Classes 3 & 4: % of Allocation Reconciled (billable energy) for the period Jun 17 - Aug 18

% Allocation Reconciled Jun 2017 - Aug 2018 - Classes 3 & 4



Xoserve Action 1007:

- We have also considered a comparison between energy imbalance and, reconciled volumes on an aggregated (gas flow month) basis but this needs further consideration by the Workgroup:
 - Daily energy imbalance and, industry reconciliation volumes will not correlate i.e. Class 4 meter point reconciliation can take place up to 3-4 years post Gas Day
 - Shippers' daily allocated imbalance will include Class 4 (NDM) allocation as a component however, it should not be assumed the NDM component caused the daily imbalance

Xoserve Action 1007:

- In order to effectively assess 0661R materiality will require the development of a complex report;
- By *aggregating* individual shipper information:
 - Daily imbalance volumes and the SMP (buy or sell) applied to those imbalance volumes
 - Meter point reconciliation volume (under / over utilisation) against the relevant Gas Day; and calculate the resultant debit/credit (SAP)
 - Assess utilisation against imbalance volume to determine whether the 'allocated imbalance' changed direction and flip the SMP e.g. SMPB to SMPS (or vice versa) to calculate the SMP/SAP differential to determine debit/credit
 - Note. meter point utilisation volume/reconciliation is not calculated on a daily basis; it is profiled between the meter readings. The meter utilisation debit/credit charge is based on the profiled, 'average' SAP
- Xoserve would welcome further workgroup consideration of alternate approaches to assessing materiality

Further Consideration:

- Gas and electricity comparison;
 - In electricity, meter reconciliation/settlement is a sub-function of energy balancing and balancing/settlement effectively close-out at the same time (up to 14 months)
 - In gas, energy balancing and meter reconciliation/settlement are separate, sequential processes.
 - Daily energy balancing will close-out at Month+15
 - Meter reconciliation /settlement (for Class 4) may take up-to 3-4 years post Gas Day