

Stage 01: Modification

0450:

Monthly revision of erroneous SSP AQs outside the User AQ Review Period

At what stage is this document in the process?



This Modification will provide Users with the ability to amend the AQs of a limited amount of SSPs each month outside the User AQ Review Period where these are erroneous.



The Proposer recommends that this modification should be assessed by a workgroup



High Impact:
Smaller Suppliers



Medium Impact:
Larger Suppliers



Low Impact:
Xoserve

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1 Summary

Is this a Self-Governance Modification?

The Modification panel determined that this is not a Self Governance modification.

Why Change?

The current arrangements, whereby AQs for SSPs can only be amended during the User AQ Review Period, make it impossible for SSPs with erroneous AQs to be amended in a timely manner during the rest of the year. Suppliers are balanced against the AQs of the sites they supply; therefore this has a disproportionate impact on smaller suppliers when they acquire SSPs of this nature from other suppliers and thus has a knock on effect on their ability to compete effectively as they are less able than other larger suppliers to cover the costs resulting from this situation. In addition, erroneous AQs result in misallocation of costs and it should be made easier for suppliers to correct the most seriously inaccurate of these.

Solution

Should this proposal be implemented, shippers with SSP customers in their portfolios will be given the ability to appeal the AQs of certain SSP meter points, where these are erroneous, outside of the User AQ Review period, i.e. from 1 October to 31 May. A 20% rule will apply in each case with a minimum permissible amendment of 4000 kWh, unless the SSP's current AQ is 1, in which case these rules will not apply. Reporting of SSP appeals will be issued quarterly as part of the UNC378 report. This will be treated as user pays and charged monthly based on the SSP market share of each shipper by number of meter points supplied.

Relevant Objectives

Implementation of the proposal would further effective competition between relevant Shippers in line with objective d) as it would allow Shippers to manage their small supply point portfolio more closely, AQ accuracy would increase further in the industry, which allow more accurate distribution of volume and costs.

Implementation

We would suggest a three-month period for workgroup development followed by consultation, with a date for implementation to be determined by the Authority.

This modification ceases relevance upon implementation of Nexus.

2 Why Change?

All Shippers are disadvantaged by the current inability of Shippers to amend AQs for SSPs outside of the User AQ Review Period. As Shippers are balanced against their AQs, erroneous AQs for SSPs create a multitude of issues which directly impact on the ability of smaller shippers and suppliers to compete on level terms with their larger competitors who are much more able to bear the cost of erroneous AQs within their portfolios.

Therefore, this proposal would allow all Users to amend a defined number of SSP AQs per month during the AQ Appeal Period to increase the accuracy of the kWhs volume related to any given portfolio, to support correct allocation of volume and costs, and therefore enhance competition.

3 Solution

It is proposed that all Users are given the ability to amend the AQ of a set number of SSP (AQ<73,200 kWhs) sites outside the User AQ Review Period – between 1st October and 31st May.

A capacity of SSP Appeals would be 20,000 instances per month for the industry. These instances mean attempts of Appeals; the count of issued T17 dataflows in the given month. The outcome of SSP AQ Appeals is going to be AC for Accepted or RJ as rejected, no RF – referral to manual validation will be available. Xoserve will create a rejection code for exceeding monthly Appeal allowance in T18 dataflows.

For the avoidance of doubt the SSP AQ appeal will, where relevant, be the same as the LSP AQ appeal process

At initial implementation the number of Appeals available for each Shipper will be derived as follows

1. Each Shipper with less than 50 Meter Points in their portfolio will be allocated the number of meter points in their portfolio as at snapshot date.
2. Each Shipper with more than 50 Meter Points in their portfolio will be allocated 50 Appeal opportunities as the minimum.
3. Deducting the sum of the Appeal in point 1 and 2 from the total 20,000 instance per month will be the basis of the Small Supply Point (defined as AQ< 73,200kWhs) count based market share percentage allocation. This percentage allocation to be defined to one decimal point.

As an example:

- Shipper A has 24 Meter Points in their portfolio at the time the snapshot is taken, therefore 24 Appeal opportunities will be allocated for each month during the predefined period the snapshot was taken for.
- There are 15 shippers (as at March 2013) with fewer than 50 supply points, as total they have 540 Meter Points, so they will be allocated 540 instances of the 20,000.
- There are 30 Shippers (as at March 2013) with more than 50 Meter Points in their portfolio, so each will be allocated 50 instances, adding up to a total of 30*50=1500.
- The remaining pot equates to 20,000-540-1500=17960.
- Shipper B has 450,000 Meter Points, which equates to 2.1% of the number of SSP Meter Points in the market, so they will have 17960* 2.1%=377 AQ Appeal opportunities on top of the allocation of 50, so the total is 427 each month for Shipper B.

The above described calculation will be carried out twice a year by Xoserve.

A snapshot of the portfolio will be taken on

- 1st working day of September, to calculate the monthly allocation for the period of 1st October to 31st January
- 1st working day of January, to calculate the monthly allocation for the period of 1st February to 31st of May.

Between 1st June and 1st October the Shippers will utilise the AQ amendment process, for the new AQs to be effective and therefore available for AQ Appeals from 1st October

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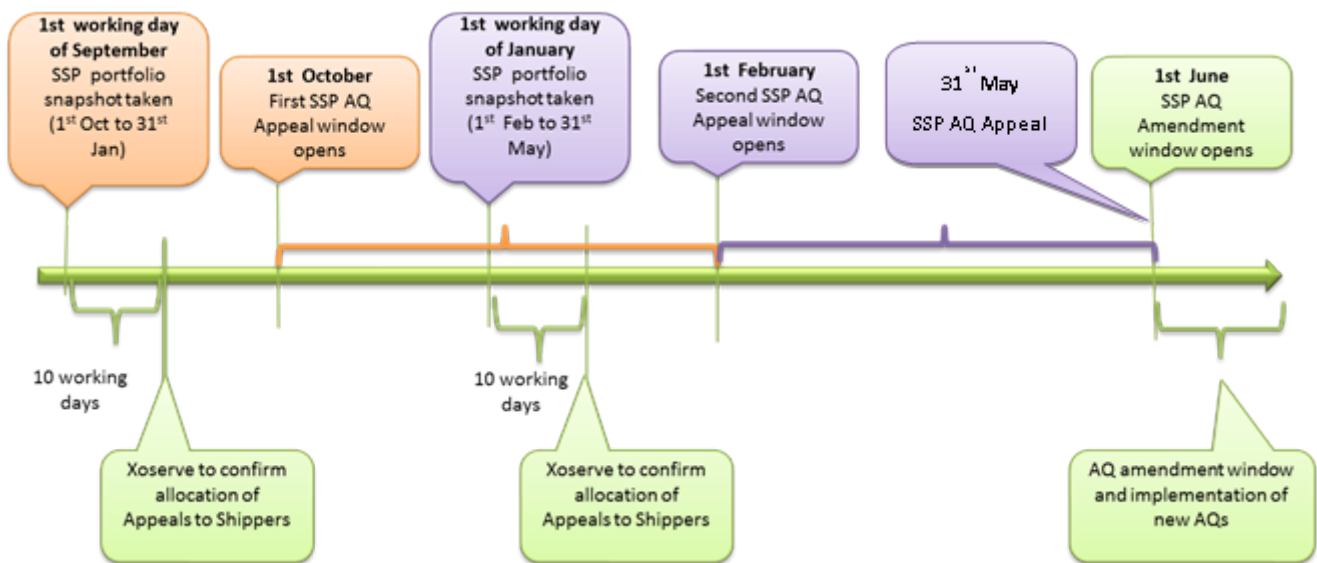
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Xoserve will notify the relevant members (contacts on the Xoserve AQ distribution list) of Shippers of the number of monthly Appeals allocated, within ten working days of the snapshot dates via e-mail.

If the Shipper was not to utilise the appeal allowance for the month, the remaining number of appeal opportunity is lost, and cannot be rolled over to the following month.

Shippers will be able to challenge SSP outside of the AQ amendment window: 1st October to 31st May. A 20% rule will apply in each case with a minimum 4000 kWh amendment. No AQ amendment less than these for any SSP may be carried out unless the Meter Points current AQ is 1, in which case the above describe tolerance s are not applicable, and the Shipper can Appeal the AQ to any other volume but 1. As an example, AQ of 1 can be appealed to AQ of 2,000, however AQ of 4,000 can be appealed to AQ of 9000 as the change is greater than 4,000 kWhs and the change is more than 800 kWhs - 20% of the original 4,000 AQ This is to ensure only erroneous AQs are corrected.

As the proposed number of extra SSP amendments allowed to take place outside the User AQ Review Period would amount to up to 240,000 extra amendments per gas year and these will be staggered over the whole year.

The process will utilise the existing AQ Appeals process. Once the new AQ is agreed, the Shipper will need to re-confirm the MPRN with the new AQs.

Following Distribution Workgroup discussion, Xoserve has conducted a ROM assessment which indicated that a system solution was most cost effective.

The assessment was based on 400 appeals by 20 Shippers monthly; the cost estimate over two years is the below:

- Manual solution would cost an estimated £855k - £1.09m for the industry
- Systemised solution would cost an estimated £150k - £210k for the industry.

Reporting of SSP Appeals will be issued quarterly as part of the MOD378 report.

Timescales and content as described in MOD378. The report will be sent to the relevant contacts held on AQ related and MOD378 related Xoserve distribution lists.

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User Pays
Classification of the modification as User Pays, or not, and the justification for such classification.
<i>Classification as User Pays due to possible impact on Xoserve systems.</i>
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.
<i>100% cost to eligible Users.</i>
Proposed charge(s) for application of User Pays charges to Shippers.
- To be assessed by Xoserve
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
- <i>User Pays charges of total cost, allocated in line with the % of Appeals available to each Shipper</i>

4 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

Implementation of the proposal would further effective competition between relevant Shippers and Suppliers in line with objective d) as Shippers would be able to amend erroneous AQs outside the User AQ Review Period thus counteracting the current disadvantage with the current process. More accurate AQs will lead to more accurate and efficient allocation of costs across the market.

5 Implementation

As determined by the Authority following consultation if implemented.

Attempts have been made in the past to amend the AQ process for SSPs but these have often encountered delays and cost barriers due to the large amount of work that could be required on Xoserve's systems to implement far-reaching changes. The proposer is hopeful that limiting the amount of SSP amendments allowed outside the User AQ Review Period to 20,000 per calendar month should support the implementation of this change.

It has been confirmed by Xoserve this change will not impact/delay the development of Project Nexus. This Modification would support Shippers to prepare to Nexus on a small scale by having to manage a number of mid-year small supply point AQ changes. The implementation of this Modification is recommended to be the earliest possible time, so the industry and all Shippers take maximum advantage of it.

6 Legal Text

Suggested Text

Add to UNC TPD Section G:

1.6.3. (c) – Each holder of a gas supply licence may, in accordance with UNC TPD Section

G 1.6.4. (a) (i), UNC TPD Section G 1.6.4. (b) (i) and UNC TPD Section G 1.6.4. (c), amend

the Annual Quantity of no more than 20,000 Smaller Supply Points per calendar month during the AQ Appeal Period.

While the Proposer is welcome to put forward suggested legal text, text will be provided by the Transporters when requested by the Modification Panel.

7 Recommendation

The Proposer invites the Workgroup to:

- AGREE that this modification should progress to Consultation.