















Modification	At what stage is this document in the process?
<p>0XXX: <i>(Code Administrator to issue reference)</i></p> <p>Transitional Extension of the AQ Correction process</p>	<div style="display: flex; flex-direction: column; align-items: flex-end;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid blue; background-color: #e6f2ff; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid purple; background-color: #f2e6ff; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; background-color: #fff9e6; padding: 5px;">04 Final Modification Report</div> </div>
<p>Purpose of Modification:</p> <p>The proposed modification seeks to extend the provision of the AQ Correction process for a transitional period, within limited and specified conditions.</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 December 2016. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>
	<p>High Impact:</p> <p>Shipper Users</p>
	<p>Medium Impact:</p>
	<p>Low Impact:</p> <p>xoserve</p>

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Timetable		Transporter: Insert name
<i>Please provide proposer contacts and an indicative timeline. The Code Administrator will update the contents and provide any additional Specific Code Contacts.</i>		 email address
The Proposer recommends the following timetable: (amend as appropriate)		 telephone
Initial consideration by Workgroup	22 December 2016	Systems Provider: Xoserve
Workgroup Report presented to Panel	16 February 2017	
Draft Modification Report issued for consultation	16 February 2017	commercial.enquiries@xoserve.com
Consultation Close-out for representations	10 March 2017	Other: Insert name
Final Modification Report available for Panel	16 March 2017	 email address
Modification Panel decision	16 March 2017	 telephone

1 Summary

What

Discussions at Distribution Workgroup have highlighted concerns related to the absence of an AQ Review in 2017 as a result of the implementation date of Project Nexus on 1st June 2017. While this creates a number of industry risks, it is felt that the first calculations of rolling AQ, using reads submitted prior to PNID, are at increased risk of error as a result, and additional transitional mitigation is required to safeguard the industry. AQ Review allows users to amend erroneous AQs, which as the added benefit of creating a 'backstop' date which prevents problematic data being re-used in subsequent calculations. The absence of this facility due to the timing of PNID will create additional numbers of incorrect initial rolling AQs, which in the case of six-monthly and annually read meters could take some time to correct.

Why

Transitional AQ validation rules acknowledge and mitigate for the fact that reads that are submitted prior to PNID have not been subjected to the same level of validation as those submitted post Nexus. In certain circumstances, periods of erroneous consumption can cause erroneously inflated AQs. To safeguard against this, transitional AQ validation uses tolerances to ensure AQ increases greater than 400% and above are not calculated. However, it is felt that greater number of errored AQs between the transitional tolerance bands could be allowed into usage, with the removal of the ability of users to make amendments to problematic AQs during AQ review, and therefore prevent problematic data being used in initial rolling AQ calculations.

How

The concept of AQ Correction has been introduced, to enable users to amend AQs in four specific circumstances: a) new registration of supply with evidence of difference in AQ; b) change of customer usage; c) 'market breaker' meter read rejection; and d) theft of gas. It is proposed that for a transitional period, the scope of option b is extended, to allow AQ corrections where there is a recognisable and genuine erroneous AQ calculated as a result of incorrect data (e.g. reads, asset data) submitted prior to PNID.

2 Governance

Justification for Urgency, Authority Direction or Self-Governance

Self-Governance procedures would not apply as it is believed this modification has a material impact on the commercial activities of transporters and shippers, as the rolling AQ is a key component of these activities.

Requested Next Steps

This modification should:

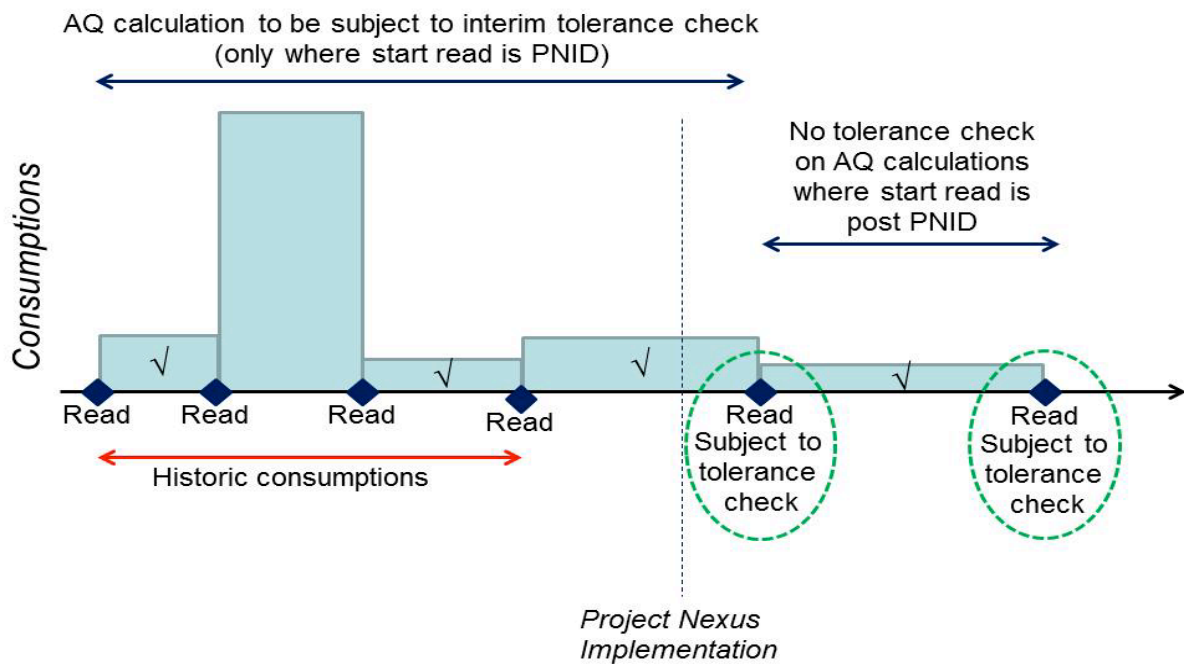
- Not be subject to self-governance;
- be assessed by a Workgroup

Assessment by a workgroup will enable the business rules to be discussed and modified if required following scrutiny by the relevant industry experts.

3 Why Change?

The Project Nexus Implementation Date of 1st June 2017 means that the industry will not undertake an AQ Review in 2017, prior to PNID. One consequence of this omission is that Users will not have the opportunity to make amendments to problematic AQ values in 2017 prior to PNID, and therefore setting a ‘backstop date’ to prevent erroneous data being re-used in initial rolling AQ calculations.

Transitional AQ validation rules and tolerances were developed to mitigate the risk created by the scenario in the diagram below:



Source: Nexus Transitional AQ Validation Rules

Where a period of historic erroneous consumption exists (as a result of prior problematic data) this consumption can be drawn into the initial rolling AQ calculations. The tolerances to prevent erroneous AQs in this scenario are shown below.

4.1 SSP to LSP Tolerance Levels

Lower AQ Band (kWh)	Upper AQ Band (kWh)	AQ tolerance - % Increase in Calculated AQ	Maximum Allowable New AQ (kWh)
1	1	7,000,000%	70,001
2	200	25,000%	50,200
201	500	10,000%	50,500
501	1,000	5,000%	51,000
1,001	3,000	2,000%	63,000
3,001	5,000	1,000%	55,000
5,001	10,000	500%	60,000
10,001	20,000	400%	100,000
20,001	73,200	600%	512,400

4.2 LSP to LSP Tolerance Levels

Lower AQ Band (kWh)	Upper AQ Band (kWh)	AQ tolerance - % Increase in Calculated AQ	Maximum Allowable New AQ (kWh)
73,201	732,000	550%	4,758,000
732,001	2,196,000	500%	13,176,000
2,196,001	29,300,000	450%	161,150,000
29,300,001	58,600,000	400%	293,000,000
58,600,001	And above	350%	4.5 x previous AQ

Source: Nexus Transitional AQ Validation Rules

The tolerances were developed at a stage when it was believed that an AQ Review would take place prior to an October delivery, with the validation and tolerances affording additional protection to the safeguards of the AQ Review, the facility to amend problematic AQs, and set a backstop to avoid erroneous data being subsequently re-used.

As a result, the tolerances that prevent AQs being calculated are relatively wide, and it is believed that the change in circumstances could allow greater numbers of incorrect AQ calculations into the system than was initially envisioned when the tolerances were produced.

During AQ Review 2016, 19 TWh of energy was adjusted using the AQ Review amendment process. This suggests that there is a large amount of energy that is at risk of potential misallocation as a result of the absence of AQ Review 2017, and which this modification seeks to address.

In summary, it is believed that the omission of AQ Review 2017 creates additional risk to the industry that was not originally catered for with an October PNID, and which this MOD seeks to rectify on a transitional and controlled basis, with a transitional extension of the post Nexus AQ Correction process.

4 Code Specific Matters

Reference Documents

The current AQ transitional validation rules are held here:

http://www.gasgovernance.co.uk/sites/default/files/AQ%20Validation%20V1.0_1.pdf

The Nexus AQ BRD is held here:

<http://www.gasgovernance.co.uk/sites/default/files/Annual%20Quantity%20BRD%20v5.6%20Clean.pdf>

Knowledge/Skills

It is believed that the Distribution Workgroup would be a suitable forum to develop the proposal.

5 Solution

Currently, following PNID, Users are able to submit AQ Corrections in four scenarios:

- a) following registration of a new Supply Meter Point evidence that available reads do not represent the AQ recorded)
- b) because of a change in the consumer's equipment which results in an expected change in gas consumption
- c) where a reading has been rejected due to the Outer Tolerance (Market Breaker) validation
- d) following a proven theft of gas

The legal text would be inserted into section G, 1.6, to describe the following business rules (in addition to those above).

It is proposed that for a 12 month transitional period, the rule for option b) would be extended to include an amendment reason of 'erroneous data', only in the circumstances where:

- i) The start read used for the AQ calculation was submitted prior to PNID.
- iii) [Option] [The AQ cannot be amended to a value that is different to the original AQ held at PNID].
- ii) The difference between the newly calculated AQ and the previous AQ is both [20%] and greater than [5,000 kWh].
- iv) Users will be allocated a monthly number of corrections that will be available for this reason. This amount would be based on percentage of MPRNs held by that shipper in relation to the supply market, as a proportion of xxxx available amendment capacity per month (as of 1st May 2017).
- v) Any allotted amendments remaining unused in a given month will not be eligible for re-allocation to a subsequent month or elsewhere.

6 Impacts & Other Considerations

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

While this proposal is related to Project Nexus, it is envisioned that no change to system solutions is required, only to related business rules.

Consumer Impacts

No direct impacts identified.

Cross Code Impacts

It is not believed that a modification needs to be made in another code.

EU Code Impacts

None identified.

Central Systems Impacts

There is no impact to Central systems, as the proposal seeks to make transitional amendment to the business rules relating to existing system codes only.

User Pays

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	<i>No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.</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.	N/A
Proposed charge(s) for application of User Pays charges to Shippers.	N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	N/A

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;	Positive

(ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	
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 would further Relevant Objective d) Securing of effective competition, as it would promote more accurate allocation of costs between shipper users and across the industry.

8 Implementation

No implementation timescales are proposed. However, it would be beneficial if implementation were to take place on Project Nexus Implementation Date.

9 Legal Text

Suggested Text

Below is the relevant text from Section G, 1.6, amended in Modification 0432 to be implemented at PNID. It is suggested that an additional clause be added here to incorporate the proposed business rules.

1.6.20

The Registered User may request a change in the Annual Quantity of a Supply Meter Point on the grounds that the most recently calculated Annual Quantity does not reflect the expected (seasonally adjusted where relevant) consumption of gas over the 12 months following the date of the request due to an eligible cause which occurred after the Read Date of the AQ Opening Reading used in the most recent calculation of the Annual Quantity.

1.6.21

For the purpose of paragraph 1.6.20 "eligible cause" means:

(a)

~~(i) on the basis of substantial evidence as to the confirmed theft of gas~~ (which resulted

In the metered consumption in the AQ Metered Period at the Supply Meter Point being less than the actual consumption ~~of gas~~); or

~~(ii) — because of a change in the Consumer's Plant which results in a change in the basis on~~

which gas is consumed;

~~(b) — notwithstanding the Registered User's right to appeal in paragraph (a), in respect of any Larger Supply Meter Point, the Registered User may not later than 31 July in the relevant Gas Year notify the Transporter that the Registered User considers that the Annual Quantity of a Supply Meter Point fails to satisfy the requirement in paragraph 1.6.6 provided that the Registered User may only so notify the Transporter in the case of:~~

~~(i) — a Larger Supply Meter Point where the Registered User's reasonable estimate of the Annual Quantity, is equal to or less than 50% of the Annual Quantity or is equal to or greater than 200% of the Annual Quantity; and~~

~~(ii) — a Smaller Supply Meter Point, where the User considers that it should be a Larger Supply Meter Point;~~

~~(c) — where a Registered User so notifies the Transporter:~~

~~(i) — pursuant to paragraph (a)(i) or paragraph (b) and the Registered User shall with such notice provide to the Transporter details as set out in paragraph 1.6.5 together with the Registered User's reasons or evidence for its view and a reasonable estimate of the quantity or (as the case may be) value which the Registered User considers should be the Annual Quantity or such variable of such Supply Meter Point; and in the case of paragraph (a)(i) in respect of a Larger Supply Point with an Annual Quantity greater than 293,000 kWh (10,000 therms) where a change of gas supplier has occurred, such details may be provided to the Transporter by use of the table in the format specified in Annex~~

~~G3; (ii) — pursuant to paragraph (a)(ii) the Registered User shall with such notice provide to the Transporter in a format specified by the Transporter details of the Registered User's reasons or evidence for its view and a reasonable estimate of the quantity or (as the case may be) value which the Registered User considers should be the Annual Quantity or such variable of such Supply Meter Point; (d) — the Transporter will consider the details provided by the Registered User under paragraph (c), and where it is satisfied that the Annual Quantity or such variable notified to the Registered User pursuant to paragraph 1.6.12 fails to satisfy the requirement in paragraph 1.6.6 and that estimate of the Annual Quantity provided by the Registered User satisfies the requirement in paragraph 1.6.6, then the Transporter shall substitute the Annual Quantity with that estimate of the Annual Quantity (subject to paragraph 1.6.15 or (as the case may be) variable for the relevant Gas Year).~~

~~1.6.14 — Where the Transporter agrees to revise the Annual Quantity or End User Category under paragraph 1.6.13(d) or paragraph 1.6.17:~~

~~(a) — the Registered User may submit a Supply Point Reconfirmation (in accordance with~~

~~paragraph 2.2.5) in respect of the relevant Supply Point on the basis of the revised Annual Quantity or End User Category;~~

(b)

~~with effect from the Supply Point Registration Date in respect of such Supply Point Reconfirmation, Supply Point Transportation Charges, UDQOs and Energy Balancing Charges (so far as to be determined~~

~~by reference to or directly or indirectly a function of Annual Quantity or End User Category) shall be determined by reference to the revised Annual Quantity or End User Category; the installation, replacement or removal of Consumer's Plant which results in a material change in the basis on which gas is consumed; or~~

~~no adjustment, revision or redetermination in respect of any such Supply Point Transportation Charge, UDQO and Energy Balancing Charge in respect of or accruing in respect of any Day before the Supply Point Registration Date will be made, it being agreed that such amounts and charges will be determined (and, in the case of charges, payable) by reference to the Annual Quantity and End User Category notified by the Transporter pursuant to the foregoing provisions of this paragraph 1.6 unless and until any revision is made pursuant to paragraph (a).c) the commencement of a new business activity or discontinuance of an existing business activity at the consumer's premises.~~

~~1.6.15 Where the Transporter notifies any Registered User of that Supply Meter Point in the relevant Gas Year that a material error has been made in the calculation of any such Annual Quantities or any variables, the Transporter and the User concerned will discuss in good faith the manner in which and time at which such error may be corrected, having regard in particular to the need to ensure that the Registered User continues to enjoy the benefit (in relation to the corrected Annual Quantity) of this paragraph 1.6.~~

~~1.6.16 A User which is the Registered User of a Smaller Supply Meter Point, in relation to which the Supply Point Premises are premises in respect of which the conditions of Condition 22 of the Supplier's Licence are satisfied, may make an election for the purposes of this paragraph by submitting to the Transporter at any time a notice of such election.~~

1.6.22

A Registered User may also request a change to the Annual Quantity of a Supply Meter Point where the Uniform Network Code Validation Rules prescribe the wider tolerance band referred to in Section M5.3.4(b) by reference to the Annual Quantity of the Supply Meter Point and;

(a) the User submits a Meter Reading ("Rejected Meter Reading") for such Supply Meter Point which fails validation because it falls outside the wider tolerance band, but which all other respects is

Valid; and

(b) the User is satisfied that the Meter Reading is valid (and would not fail validation if the Annual Quantity were so changed).

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree the Modification should not be subject to self-governance;
- Refer this proposal to a Workgroup for assessment.