



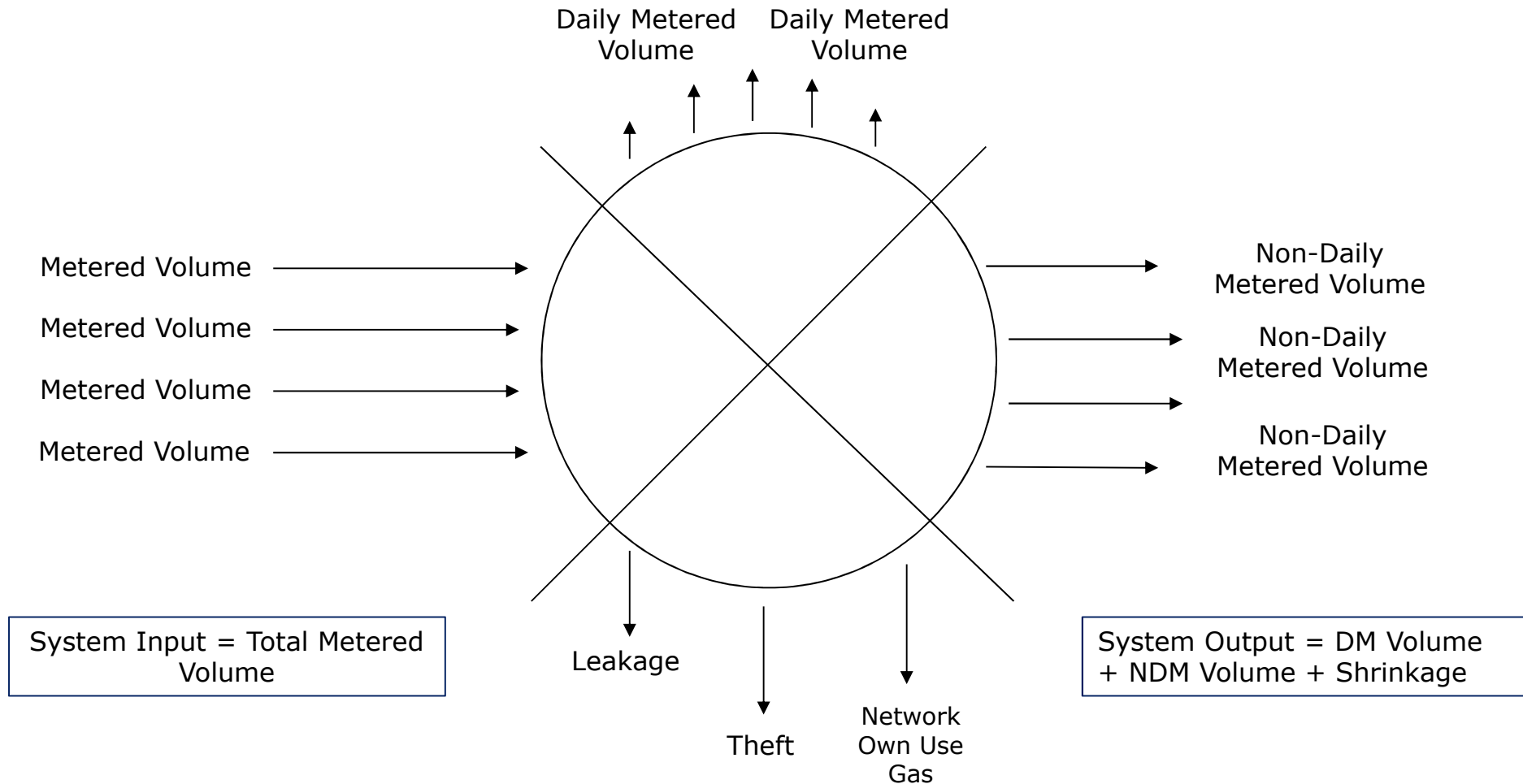
## **Gas Market Settlement Risk Assessment Framework**



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# Assessment Framework

The diagram below shows a simple illustration of the gas market which is to be considered



# Objectives of the Assessment Framework

- Provide a framework for analysis of gas settlement risks;
- Enable settlement risks to be grouped together, if required; and
- Allow settlement risks to be quantified at each phase of the gas settlement process.

# Assessment Framework Approach

Base case – Settlement Today	<b><u>Metered Volume Accuracy</u></b> <ul style="list-style-type: none"> <li>• Profiling</li> <li>• Conversion to kWh</li> <li>• Technical metering</li> </ul>	Input Controls	Post Event Controls	<b><u>Meter Read Accuracy</u></b> <ul style="list-style-type: none"> <li>• Standing data</li> <li>• Frequency of reads</li> <li>• Change of Supply</li> </ul>	Input Controls	Post Event Controls	<b><u>Volume Allocation Accuracy</u></b> <ul style="list-style-type: none"> <li>• Annual Quantity</li> <li>• Change of Supply</li> </ul>	Input Controls	Post Event Controls	<b><u>Final Volume Accuracy at 36-48 months</u></b> <ul style="list-style-type: none"> <li>• Fair Distribution of errors identified</li> </ul>	Input Controls	Post Event Controls
Transition phase												
Post Nexus Implementation												

- The base case will be defined as the current UNC rules and operational procedures completed by Xoserve.
- It may not be possible to comment on the transitional phase as this is not well documented and some areas are currently undefined.
- The analysis will focus on gas flowing through the LDZ.

# Use of the Framework

Approach to documenting settlements risks:

## **Step 1**

- Used the framework to construct a table that illustrates the base case outlined in the UNC which BRDs reference. Document initial controls.

## **Step 2**

- Analyse the Project Nexus BRDs highlighting changes to each area of the framework.

## **Step 3**

- Assess the settlement risks following Nexus implementation and whether they can be quantified in the model.

## **Step 4**

- Document whether new or existing controls can mitigate the risk.

# Assessment Framework

The following matrix will be considered when analysing the Project Nexus BRDs

**Accurate Settlements Performance** is defined as reflecting reality.

**Compliant Settlements Performance** is defined as adhering to the rules set out in the UNC.

	<b>Compliant</b>	<b>Non Compliant</b>
<b>Accurate</b>	✓	✗
<b>Inaccurate</b>	✓	✗

- If we identify an action/target as compliant but could be amended to improve accuracy we will look to include this as an input within the dynamic model.
- The assessment may highlight some processes which create inaccurate settlement which cannot be addressed through a performance assurance framework but would require future industry change.