

Draft High Level Business Principles for AQ - as discussed at the meeting on 23/03/10

Note: these Draft Business Principles are for review at the next meeting of the Topic Workgroup, and have not yet been accepted.

This workgroup has dependencies on the outputs from both the Allocation and Reconciliation High Level Principle Workgroups. It is recognised that although a hierarchy of requirements has been identified, more in depth analysis in the detailed requirements gathering phase is required. This will not occur until more clarity is received from the SMIP.

For this reason this document contains Business Principles rather than Business Rules.

| Principles | Comments |
|--|---|
| <p>AQ Principles using Daily Allocations</p> <p>1. Preference for 'No AQ' Where allocations are undertaken on a daily basis in a fully Smart Metered world based on actual meter readings and AQs are not part of any processes affecting shippers then there is an aspiration to move to a regime in which the Annual Quantity becomes redundant. This is known as the 'No AQ' option.</p> <p>Where reads are not received, for whatever reason on any given day, a methodology would need to be developed as an apportionment of AQ would not be possible in a 'No AQ' world. This will need to be addressed by PN UNC Workstream.</p> <p>Calculation of SOQ, especially for billing purposes, will need to change. Currently for NDM sites the SOQ is a mathematically calculated derivative of the AQ. In a 'No AQ' world an alternative calculation of SOQ would be required. This will need to be developed in the Detailed Requirements Gathering Phase.</p> | <p>GTs are concerned that the AQ is used in a number of industry processes. However shippers felt that none of these processes concerned them. Under a 'No AQ' regime, where these processes no longer impacted shippers, any obligations would need to be removed from UNC and Licenses. Further analysis on this subject would be required within the detailed requirements gathering phase of Project Nexus.</p> <p>'No AQ' could only exist where allocations are carried out daily based on a daily meter reads. If reads were submitted any less frequently then some form of AQ would be required</p> <p>It is still to be decided whether the removal of AQ as a process should be phased or introduced after the completion of Smart Metering rollout.</p> |

| Principles | Comments |
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| <p>Transitional Arrangements</p> <p>2. Rolling AQ For Transition Transitional arrangements during Smart Metering rollout would be covered by a move from the current Annual AQ process to a Monthly Rolling AQ Review. This would be applied to all meter points both dumb and smart during transition.</p> <p>The definition of what is meant by 'Transition' will be discussed and agreed at PN UNC Workstream.</p> | <p>Not all group members supported the rolling AQ. Further cost benefit analysis may be required to determine whether rolling AQ is cost effective.</p> <p>Not all principles of Mod 0209 are appropriate, the workgroup supported principles of a Rolling AQ rather than the principles as defined in Mod 0209. The Mod was developed prior to the concept of a Smart Metering regime.</p> |
| <p>AQ Principles using Non-Daily Allocations</p> <p>3. Rolling AQ An option from the Allocation Principles Workgroup is that meter readings are submitted less frequently than daily. If this is the case an AQ or some form of apportioning mechanism would be required.</p> <p>The methodology for calculating the AQ would be a rolling monthly AQ. This could be applied to both Smart and Dumb meters and therefore would be appropriate for transition.</p> | <p>Support for rolling AQ is not universal. Further cost benefit analysis may be required to justify that this is the optimum solution.</p> <p>Mod 209 offered one view of a rolling AQ. However agreement on the principles of a Rolling AQ and not necessarily the rules defined in Mod 0209 would need to be developed. Mod 209 was developed without being cognisant of a regime containing Smart Metering</p> |
| <p>Fallback Position</p> <p>4. Annual AQ Review Should there not be daily allocations based on meter readings and analysis proves that Rolling AQ is not an efficient solution then the fallback position would be an improved version of the AQ process</p> <p>This would mean that a refurbished Annual AQ would also be the fallback transitional solution should Rolling AQ be deemed inappropriate.</p> | <p>There are several areas of concern with the current process and detailed requirements gathering would need to explore these areas.</p> |

- 5. An enhanced estimating route is required to apply at site level to take account of:
 - average consumption under seasonal normal weather conditions
 - sensitivity to deviations from seasonal normal weather
 - actual weather on the day compared to [1]

Subjects for discussion in other Topic Workgroups/Industry Forums

| <u>Subject</u> | <u>Where discussed (current view)</u> |
|--|--|
| Transitional plans. Move from Rolling AQ to No AQ. Big Bang approach or not? | SMIP and PN UNC Workstream detailed Workshops. |
| Defining 'Rolling AQ' as Mod 0209 developed in 2008 and business rules may no longer be appropriate in a Smart world | Detailed Requirements gathering groups (AMR) or SMIP |
| Missing Reads | AMR detailed requirements (for AMR) SMIP or CCP (for Smart) |
| Calculation of SOQ or equivalent under a 'No AQ' regime | Detailed Requirements gathering groups (AMR) or SMIP |
| What are all the industry parties obligations regarding AQ in terms of UNC and licence conditions? | SMIP and PN UNC Workstream detailed Workshops. |

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