

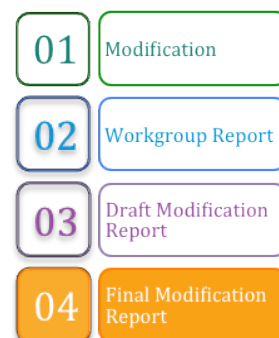
Stage 04: Final Modification Report

0481:

Amendment to AQ Values Present Within Annex A of the CSEP NExA AQ Table Following the 2013 AQ Review

Update the AQ table in CSEP NExA, Annex A Part 8 to reflect more up to date information produced following the 2013 AQ Review

At what stage is this document in the process?



Panel consideration is due on 17 April 2014.



High Impact: None



Medium Impact: Users (Shippers), iGTs and DNOs



Low Impact: None

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About this document:		 0121 288 2107
<p>This Final Modification Report will be presented to the Panel on 17 April 2014.</p> <p>The Authority will consider the Panel's recommendation and decide whether or not this change should be made.</p>		 02920 249135
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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification as it will have a material impact on competition and affect iGTs' revenue.

Why Change?

There has been no change to the CSEP NExA AQ table values since 2012 which was based on data from the AQ review of 2010. Analysis illustrates that the AQ values have moved to such a level that the current table requires update with more accurate and up to date information.

The CSEP NExA values are fixed, and are the basis of the Transportation charges issued by the iGTS. The iGT transportation charges are not affected by changes in the AQ following the review process. It is, therefore, imperative that these values reflect any changes in the market.

Solution

It is proposed that the current CSEP NExA AQ Table is updated with up to date values, as produced following the publication of the AQ review of 2013. This table is produced each year as a result of the implementation of modification iGT030, and is detailed in Section 2.

Relevant Objectives

d) Securing of effective competition

The increased accuracy of AQ values should result in improved allocation of energy and costs between Shippers and therefore promote effective competition.

Implementation

No implementation timescales are proposed. However, it would be preferable if this modification were implemented by 01 September 2014.

No implementation costs have been identified, other than those to update the table, and any are expected to be very low.

2 Why Change?

Values in the CSEP NExA are not reflective of current AQ Levels

iGTs are required to adopt the AQ values present within the NExA AQ Table for the purpose of calculating domestic transportation charges through the Relative Price Control (RPC) Charging Methodology.

Under Annex A, Part 1 of the NExA, iGTs are required to undertake an AQ review for all Large and Small Supply Points, the procedure following the same process and timescales as those applied by Large Gas Transporters in accordance with the Uniform Network Code. However, the movement in any AQs following a review do not change the iGT charging (as this is set on the basis of the CSEP NExA table).

Annually, following the completion of an AQ review, analysis of the AQ values present within the AQ Table is performed to ensure that they remain fit for purpose and a reasonable estimate of the value of gas consumed in accordance with house type and geographical location.

Modifications iGT030, iGT040V and UNC0328

As a result of the implementation of iGT030 a revised table of AQ values is produced each year. However, there is no automatic mechanism to update the revised AQ Table into the CSEP NExA. The table produced following this year's AQ review shows that, on average, AQ values within the CSEP NExA are now more than 7.6% higher, on a weighted average basis, than those produced following this year's AQ review. The last update was made as a result of the implementation of modifications iGT040V and UNC0328.

A copy of the AQ Table which it is proposed should replace that presently within the NExA is provided in Section 3 below.

The methodology used by all iGTs in the calculation of the revised AQ values was the same as for modifications iGT040V and UNC0328 and is detailed in appendix 1.

In terms of the volume of mprns included in the calculation, this is included in the table below

Band	House Type	South SW, NT, WS, SO		Average WN, SE, NW, EA, EM, WM, NE (0%)		North NO, SC	
		AQ (kWh)	Number	AQ (kWh)	Number	AQ (kWh)	Number
A	1 Bed	5,565	27,055	6,127	32,173	6,892	5,754
B	2BF, 2BT	7,048	93,080	7,387	144,624	8,214	34,073
C	2BS, 2BD, 3BT, 3BF	9,758	52,915	10,319	114,380	10,572	26,820
D	3BS, 2BB	10,699	59,532	11,271	135,224	11,686	34,118
E	3BD, 3BB	12,675	23,730	13,571	61,257	15,660	28,532
F	4BD, 4BT, 4BS	15,141	75,638	16,367	197,140	18,526	64,492
G	5BD, 5BS, 6BD	21,810	10,991	23,026	30,196	24,634	8,411

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3 Solution

It is proposed that the current CSEP NExA AQ Table is updated with up to date values, as produced following the 2013 AQ review, in line with the requirements of iGT030, and detailed in section 2.

Replace existing CSEP NExA AQ Table:

Band	House Type	South SW, NT, WS, SO		Average WN, SE, NW, EA, EM, WM, NE		North NO, SC	
		AQ (kWh)		AQ (kWh)		AQ (kWh)	
A	1 Bed	6,473		7,022		7,718	
B	2BF, 2BT	7,989		8,383		8,684	
C	2BS, 2BD, 3BT, 3BF	10,776		11,304		11,372	
D	3BS, 2BB	11,748		12,221		12,596	
E	3BD, 3BB	13,429		14,468		16,276	
F	4BD, 4BT, 4BS	16,256		17,655		19,296	
G	5BD, 5BS, 6BD	22,644		24,423		25,606	

with the revised version below

Band	House Type	South SW, NT, WS, SO		Average WN, SE, NW, EA, EM, WM, NE (0%)		North NO, SC	
		AQ (kWh)		AQ (kWh)		AQ (kWh)	
A	1 Bed	5,565		6,127		6,892	
B	2BF, 2BT	7,048		7,387		8,214	
C	2BS, 2BD, 3BT, 3BF	9,758		10,319		10,572	
D	3BS, 2BB	10,699		11,271		11,686	
E	3BD, 3BB	12,675		13,571		15,660	
F	4BD, 4BT, 4BS	15,141		16,367		18,526	
G	5BD, 5BS, 6BD	21,810		23,026		24,634	

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

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.

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.

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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

d) Securing of effective competition:

The increased accuracy of AQ values as a result of bringing them up to date, reflecting changes such as energy efficiency requirements under Building Regulations, will change the allocation of energy and transportation costs between Shippers. More appropriate targeting of costs is consistent with facilitating the securing of effective competition between Shippers.

5 Implementation

No implementation timescales are proposed. However, it would be preferable if this modification were implemented by 01 September 2014.

6 Legal Text

Text

The legal text is the revised CSEP NExA AQ Table provided in Section 3 above. At the 20 February 2014 Panel meeting, National Grid Distribution confirmed that no UNC related legal text was required to implement the modification.

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7 Consultation Responses

Representations were received from the following parties:			
Organisation	Response	Relevant Objective	Key Points
E.ON UK	Support	d) - positive	<ul style="list-style-type: none"> Energy efficiency and improvements to building regulations have resulted in a regular downward drift in gas consumption, which needs to be reflected in the setting of future AQs for new properties. The NExA table changes will not affect the charging of any current MPRN, however by updating the table it will ensure that new connections are established with a more accurate AQ, reflective of changing consumer behaviour and more energy efficient homes.
RWE npower	Support	d) - positive	<ul style="list-style-type: none"> The industry has a responsibility to accurately price domestic new connection customers based on the most up to date AQ values available. A customer would expect to be priced at the most reflective price possible. In line with Ofgem incentives e.g. Retail Market Reform (tariff simplification) this provides a positive step towards transparency and fairer pricing for domestic customers.
Scotia Gas Networks	Support	d) - positive	<ul style="list-style-type: none"> The updating of the CSEP NExA AQ table will reflect the current AQ data. SGN accept the need to continually review the AQ data so that it is reflective of the actual demands on networks. SGN also acknowledge that continued improvements in the energy efficiency of buildings will introduce lower AQ values.
SSE	Support	d) - positive	<ul style="list-style-type: none"> The CSEP NExA values are fixed and are the basis of the Transportation charges issued by the iGTs and so it is important that these values reflect any changes in the market.

Four representations were received and implementation was unanimously supported.

Summary Comments

No new issues were identified.

Implementation

E.ON suggested implementation should become effective 1 day following a decision from the Authority, commenting that the proposed new NExA table AQ values are the product of the previous gas year analysis (an output of the AQ Review) and given that E.ON have seen year on year downward movements in consumption levels, the values in the table are in all probability still too high, relative to the actual consumption

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that the home will experience when occupied - at some time in the future. The NExA table AQ will often be assigned to the home at the planning stage with the UIP/The iGT and the Developer setting the AQ when the contract is signed, which may be a number of years before the home is actually built and occupied.

Any delays to implementing the new values will result in higher transportation charges being incurred by customers for all new properties that are assigned their new AQ from the NExA Table. Since the individual AQs used for transportation charges are never corrected, delays to implementation result in perpetual higher costs than are appropriate for those sites

RWE npower supported implementation for 01 September 2014.

Additional Issues Identified in Responses

No additional issues were identified.

8 Panel Discussions

9 Recommendation

Panel Recommendation

Having considered the Modification Report, the Panel recommends:

- that proposed Modification 0481[should/should not] be made.

10 Appendix 1

Method of AQ Calculation as Specified Under Modification iGT030

iGTs individually collated AQ data using the following rules:

The average AQ per property type for each of the three geographic areas was calculated and the number of individual supply points used to derive that average was stated.

iGTs reported from the AQ review output files, not from the overall portfolio.

If an AQ had not been reviewed, it was not included in the dataset.

The AQ used was the final AQ that was taken as the revised AQ value. Where an iGT has no values for a type of property the cell AQ and number were left blank.

The following were excluded from the AQ data:

- Infill domestic property AQs.
- Non-domestic property AQs.
- Where an installation read was used in the AQ calculation.
- There was no AQ change because the site became live less than 26 weeks prior to the cut off read date.
- There were no reads with which to calculate the AQ.
- The AQ changed outside the +100% / -50% tolerance and the calculated AQ is used as it was not challenged, or challenged unsuccessfully.
- AQs changed using the Large Transporter's agent adjustment factors based on the change from the old to new weather correction data.

The following were included in the AQ data:

- Only properties deemed to be new housing when first connected to a gas connection.
- The AQ changed outside the +100% / -50% tolerance, but the new AQ is used as the shipper successfully challenged the old AQ being used.
- All other AQ values calculated as part of the most recently completed AQ Review using meter reads (for clarity it also includes those above the 2,500 therm threshold).
- Only house types that are listed in Table 1 in Appendix CI-1 of the Code.