














UNC Final Modification Report		At what stage is this document in the process?
<h1>UNC 0634 (Urgent):</h1> <h2>Revised estimation process for DM sites with D-7 zero consumption</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>Purpose of Modification:</p> <p>This modification proposes to create a new process for amending daily metered consumption to prevent D-7 zero estimates from being used where inappropriate to do so.</p>		
	The Panel determined that this Urgent modification should not be implemented	
	High Impact: Shippers, Suppliers, Xoserve	
	Medium Impact: Transporters	
	Low Impact: None	

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12	Recommendations	19	Transporter: Cadent
Timetable			 Chris.Warner@cadentgas.com
This Modification is following a timetable directed by the Authority:			 01926 653541
Panel Recommendation on Urgency	13 October 2017		Systems Provider: Xoserve
Ofgem Decision on Urgency	16 October 2017		 commercial.enquiries@xoserve.com
Consultation Commences	27 October 2017		
Consultation Close-out for representations	03 November 2017		Other: Gareth Evans (proposer rep)
Final Modification Report available for Panel	06 November 2017		 gareth@waterswye.co.uk
Modification Panel decision	09 November 2017		 telephone
Ofgem Decision	10 November 2017		07500 964447

1 Summary

What

At present when a Class 1 Daily Metered (DM) Supply Meter Point does not have a Valid Meter Reading for any particular settlement day, then the consumption from D-7 is used as a proxy to determine the consumption. The use of the consumption from D-7 is intended to use a previous actual consumption in order to minimise the level of error between an estimate derived and any consumption at the Supply Meter Point. Where the D-7 consumption is zero then this zero is used in the estimate process and could be propagated week after week, which if incorrect, would mean that any consumption would be allocated to Unidentified Gas (UIG) until a Valid Meter Reading is accepted.

Why

The unintended consequence of the current mechanism is, that if a Class 1 site on an LDZ is consuming gas, does not submit a Valid Meter Reading and the D-7 consumption is zero, where this is not replaced by an Actual reading before Exit Closeout the volume is allocated to Unidentified Gas (UIG) which is paid for by NDM shippers until a Valid Meter Reading is accepted.

How

This modification proposes that where a D-7 value of zero consumption is used to derive the estimated DM reading for a Class 1 site (excluding NTS sites), the CDSP will review that consumption and either confirm to the shipper that they intend to keep in place the zero value, or where they consider that this D-7 zero consumption value is incorrect, inform the shipper of a proposed amendment to the consumption on that given Gas Flow Day. They will either use a meter read that has been submitted to the CDSP, but has not been loaded as a Valid Meter Reading, or an AQ/365 value. The Shipper User can direct Xoserve to either maintain the zero value, or provide an alternative consumption where a zero or AQ/365 has been proposed. If the shipper does not respond then Xoserve will utilise the values they have proposed.

2 Governance

Justification for Urgency

The additional burden placed on shippers as a result of both high and volatile UIG during the summer since the new UK Link system went live on 01 June 2017 has had a material impact and this modification seeks to address some of these issues. There are a number of industry initiatives in progress to address UIG; however, little progress appears to have been made. Since mid to late September 2017, UIG, instead of decreasing as a result of the industry initiatives, increased to levels never seen before by the industry. As winter approaches and consumption increases further, this, combined with increasing UIG percentage allocations will cause the burden of overall UIG for shippers to become a significant risk that cannot currently be mitigated. It is on this basis that this modification should be granted urgent status.

Requested Next Steps

This modification should:

- proceed under a timetable agreed with the Authority.

- be issued to consultation.

3 Why Change?

Project Nexus made a number of significant changes to how the gas settlement regime operates. The removal of scaling factor in settlement, changes to individual reconciliation for all sites with the withdrawal of RbD process and the use of actual weather data has meant that settlement error and losses that arise in LDZs are the responsibility of (paid for by) shippers and are now concentrated into a single volume, termed Unidentified Gas or UIG.

Settlement losses from energy theft and other reasons that are not accounted for at some point in the reconciliation process (permanent UIG) have been consistently assessed by the AUGE since 2012 as around 1% of total LDZ throughput. The Demand Estimation Sub Committee (DESC) estimates have also indicated a permanent UIG value of around 1%.

These predicted volumes do not tally with the current levels of UIG being experienced by the market with average monthly volumes of approximately 5% (approximately £20-40m per month across the industry). A number of LDZ's have experienced significant volatility with some daily volumes greater than 10% or sometimes even negative. There is a possibility that the AUGE and DESC estimates are incorrect; however, it is highly unlikely that this explanation would account for the scale of error that has been visible since 01 June 2017. Settlement error must be considered as the primary factor.

Settlement error can come from a number of sources such as algorithm errors, inaccurate AQs or the use of estimated consumption for daily read sites that do not submit an Actual Meter Reading. An assessment of the current settlement algorithm would take considerable time and whilst there may be some benefits in doing so (in particular looking to using more extensive datasets to model behaviour), it is uncertain that this would identify changes that materially reduce the level of UIG in the market. The automated rolling AQ process should significantly reduce the level of error within the NDM sector in the coming months as suppliers submit meter reads. The current "must read process" and recent obligations brought in by UNC Modification 0570 will support an acceptable level of accuracy in this area.

The current situation (as of 29 September 2017) indicates that the number of daily metered sites which are using estimated reads for settlement is as high as 110 from 1133 sites. The resulting impact of this volatility is being passed onto the rest of the market. If a Valid Meter Reading is not loaded for a daily read site, Xoserve will utilise a meter reading that was provided seven calendar days previously irrespective of that consumption. This error can be significant if a daily metered site is being assumed to flow no gas (through the use of a zero estimate), when in fact the site was consuming a significant amount of gas.

Xoserve have highlighted the issue and reached out to daily metered shippers with sites which are using estimated reads for settlement. They have also escalated the issue through Transition Progress Group (TPG) and the Performance Assurance Committee (PAC). Since there has not been any distinct progress to date and this urgent modification is required to address this issue prior to the coldest winter months.

4 Code Specific Matters

Not relevant

5 Solution

It is proposed that:

Where this estimation process occurs for a Class 1 site (that is not connected to the transmission network) and this would result in a consumption of zero:

- The Shipper will be notified within the Daily Read File provided by Daily Metered Service Provider, Xoserve will then decide whether to amend the consumption, where possible to an actual consumption where derived from reading information that the Daily Metered Service Provider has recorded a reading, but has been unable to submit this reading or it has been rejected.
- If no such read is available, then where Xoserve believes that the most appropriate consumption is zero, inform the shipper that it will continue to utilise a zero value.
- If Xoserve believes that zero is not appropriate then Xoserve will inform the shipper that it will use an AQ/365 value.
- Where the shipper is notified it may either agree with Xoserve proposal, or may direct that the site's consumption is maintained at zero. Where Xoserve is proposing either a zero or an AQ/365 value, it may also direct Xoserve to use an alternative consumption they believe is more appropriate.

If the shipper does not respond to the Xoserve communication then for the avoidance of doubt Xoserve will proceed with its decision within 2 Business Days.

As this is an urgent modification it should be implemented as soon as possible following Authority decision perhaps with preparatory work completed in advance of the Authority decision.

6 Impacts & Other Considerations

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

No impacts on the current Significant Code Review or other significant industry change identified.

Consumer Impacts

There are no direct impacts on consumers should this modification be implemented. However, this modification should reduce the scale and variability of UIG on NDM portfolio shippers. This should reduce balancing costs for shippers which should allow suppliers to provide cost reflective prices.

Cross Code Impacts

There may be an iGT UNC cross code impact due to the joint agency agreement.

EU Code Impacts

No EU Code Impacts identified.

Central Systems Impacts

This solution will retain the existing estimation methodology and the notification of these to Shipper Users. Xoserve have demonstrated the ability to insert consumptions in advance of D+5 that will then inform future D-7 positions.

A process will be required by Xoserve to notify the relevant shippers of its proposed action and for the Shipper to respond if they wish to direct an alternative course of action.

The volumes expected within Class 1 are not expected to merit a system process in order to amend the consumption.

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; (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

This modification should:

- improve the accuracy of settlement by incentivising shippers to ensure that daily metered sites are settled on daily reads in a consistent manner;
- reduce both the scale and variability of UIG in the market, so reducing costs;
- lead to more accurate cost apportionment;

therefore, furthering competition and furthering relevant objective (d).

8 Implementation

No formal implementation timescales are proposed, but this modification must be implemented as soon as possible after Authority decision to limit the continuing negative impact of continuing high levels of UIG. An interim solution should be provided if there is a lead time to an automated system solution.

9 Legal Text

To be provided.

10 Consultation

Panel invited representations from interested parties on 03 November 2017. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 18 representations received 2 supported implementation, 3 offered qualified support, 2 provided comments and 11 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Cadent	Oppose	d) - Negative	<ul style="list-style-type: none"> • Believes the proposed solution introduces terms to the UNC associated with the derivation and provision of 'notional' daily meter readings at DM Supply Meters by the CDSP and Shippers Users. Other than for very specific circumstances, this principle does not presently feature within the UNC. • Is inconsistent with a fundamental tenet of the CDSP arrangements; that 'discretionary' Code terms impacting on the CDSP should not be in placed in the UNC.

			<ul style="list-style-type: none"> • The solution does not feature any terms or guidance on how and on what basis the CDSP should exercise the 'discretions' identified within the proposal. • Notes there is no provision for the auditing or validating the accuracy of 'alternative' consumptions whether these are determined by the CDSP or Shipper User. • Is unclear why Class 2 Supply Meters have been omitted. • Has the opinion that an unintended consequence is that, rather than reducing UIG, there is a risk of additional uncertainty being given to the volume of UIG presently existing. • Understands that subject to confirmation by the CDSP, this Modification can be implemented with immediate effect. • No impacts or costs have been identified. • Legal text is not available. • Believes that the objectives of this Modification have merit and could be helpful in mitigating the current financial risks to the industry of Unidentified Gas (UIG), being an exceptional event. • Mindful of this it is our opinion that subject to some alteration to the proposed solution components, these could be applied on a transitional 'time limited' basis to overcome the immediate issues associated with the reading of DM Supply Meter Points. • Further understands that there may be process difficulties associated with the ability for the CDSP to adhere to the business rules identified. These are particularly associated with the necessity for relevant daily read data to be applied to the UK-Link system by the gas flow day D+5 'close out' deadline.
Centricia	Oppose	None	<ul style="list-style-type: none"> • Understands this Modification has been raised to address UIG issues relating to Daily Metered sites causing UIG volatility, when a read is not accepted into settlements. • Believes this proposal will act as an incentive for DM sites to submit more reads, however have concerns this won't necessarily reallocate the UIG to the correct party.

			<ul style="list-style-type: none"> • There is no evidence this proposal if approved will result in an improvement in UIG allocation and reduce volatility. • Welcomes a strategic review of the UIG concerns that is able to evidence measures that will better address UIG allocation and the perceived increased volatility.
Corona Energy	Support	d) - Positive	<ul style="list-style-type: none"> • Notes a number of UNC modifications have been raised to address UIG volatility. • Understands it aims to reduce the variability to UIG caused by the use of estimated consumptions for daily metered (DM) sites and agrees this modification achieves that aim and so will be of benefit to the industry. • Agrees with the proposer's timetable for implementation • Notes there will be a marginal operating requirement to handle the notifications from Xoserve as they arise, but feels confident that these obligations can be met without a significant increase in cost.
Dong Energy (Orsted Sales UK)	Oppose	d)	<ul style="list-style-type: none"> • Acknowledges the intention of this modification to address the unidentified gas volatility issues, however does believe this modification will achieve this objective. • Due to the urgency of the modification, has not been able to fully assess any costs. • Feels this modification would fundamentally change the way zero consuming sites are handled, and could potentially lead to genuine zero consumptions being changed to an erroneous consumption value. • Notes that Xoserve has confirmed that DM sites only contribute to 1% of the UIG and 10 sites are the main contributors. Xoserve also confirmed that out of the 31 zero consuming sites, 21 appear to be genuine (based on historic data). None of the remaining 10 sites are contributing to the UIG issue, which means this modification if implemented will not address the UIG issue. • Recognises that this modification would address a very small number of incorrect zero consuming sites, however there has been insufficient time to develop an appropriate method of allocating consumption for these DM sites.

E.ON	Oppose	None	<ul style="list-style-type: none"> • Acknowledges the current UIG challenges and support trying to resolve it, however does not support this Modification. • Believe these zeros are due to Nexus implementation issues and once resolved the likelihood of a zero being used as an estimate is no higher than other values, so, there is no reason to assume a DM meter will break at any particular time. • Does not support the approach of AQ/365 because does not believe it to be a sensible value to use as a default – DM AQ values are not used for allocation and as such have a lower propensity to be reviewed than other AQ values. • AQ/365 excludes any seasonality which risks increasing volatility into UIG rather than reducing it. This would also miss day of week shape which is critical to DM consumption estimates. • Feels that overall the industry would not see any substantial benefit from the proposal; instead it would more likely experience added complexity of a non-systematised solution resulting in the potential risk of issues not being resolved in time for close out. Or might result in bouncing the nomination values at the last minute. Both of these add to the uncertainty in this area. • Due to the urgency, has not been unable to determine costs but there would be costs associated if approved. • Has not been unable to conduct detailed analysis, due to Urgency, but have used the recommendations of internal experts in UIG.
First Utility	Support	d) - Positive	<ul style="list-style-type: none"> • Agrees this modification proposes an alternative process for amending consumption on Class 1 Daily Metered (DM) sites to prevent inappropriate D-7 zero estimated consumption entering the settlement calculation. • One of the unintended consequences of the current mechanism is when a Class 1 DM site consumes gas on a particular day but does not manage to submit a Valid Meter Reading and the D-7 consumption is zero. In this situation, the volume is allocated to unidentified gas which is mostly paid for by NDM shippers until a Valid Meter Reading is submitted and accepted.

			<ul style="list-style-type: none"> • Supports immediate implementation following Authority decision due to the urgency of this modification. • Feels there would be no impact on costs.
Gazprom	Oppose	d) - Negative	<ul style="list-style-type: none"> • Understands the desire to address concerns around transitional issues relating to Daily Metered (DM) sites, does not believe the proposal will address those issues. • Feels that the proposal if implemented would have a detrimental impact on both transitional and business as usual arrangements. • Notes that DM issues represent circa 1% of UIG and of this 10 sites represent 50% of the 1%. None of these 10 sites would be addressed by this proposal. Indeed of the 31 sites which have a 0 consumption 21 appear to be valid. Thus, implementing this proposal would have led to 21 valid 0 consumption being erroneously changed. • Feels the proposal as set out would not only fail to address the transitional DM issues, it would erroneously correct 70% of correctly determined 0 consumptions. • Notes that the proposal is enduring and thus would have a broader continuing negative impact on business as usual based on the evidence presented. • Believes the proposal will impact Customers and Shippers negatively in that it will require additional resources to be put in place to, in the majority of cases circa 70%, correct the valid 0 consumptions which have been replaced with erroneous consumptions • Has concerns that the urgent timetable allowed for little exploration of the proposed solution.
Good Energy	Qualified Support	None	<ul style="list-style-type: none"> • Supports this change in principle, but with the following caveat: • Believes the proposal can be positive in encouraging DM sites to submit reads, has concerns that it could be biased towards DM sites if no checks are undertaken by Xoserve upon the receipt of an “alternative consumption” read from the Shipper. • Would encourage Xoserve to undertake a validation of this alternative consumption, especially in case such

			as those where the read is close to incurring ratchet charges.
National Grid NTS	Oppose	None	<ul style="list-style-type: none"> • Understands this Modification is one of several currently being developed focussed on addressing industry concerns with the level and volatility of UIG. • Appreciates this Modification has been raised to eradicate false zero values from the use of D-7 estimates where no read is available. • Supports the work underway to look for solutions to the UIG challenges being experienced, have concerns that the solution outlined within this Modification may not lead to reductions in either the levels or the volatility of UIG. • Understands during the workgroup held on 26th October, Xoserve estimated that the solution was likely to have an impact on approximately ten sites. This proposal does not evidence the impact the solution may have on UIG levels or volatility and therefore a transitional solution may be more appropriate. There is a risk that this enduring solution may lead to a different misallocation of UIG in the longer term and on this basis.
Northern Gas Networks	Comments		<ul style="list-style-type: none"> • Has concerns about the solution, understands the issue and agrees in principle with the sentiment of obtaining accurate data in a timely manner. • Feels that the solution needs to be set out more specifically in the modification. • Appreciates it is possible that this will be done in the Legal Text; however, as this is yet to be provided. • Feels that the following clarifications would lend to a stronger sense of support for the modification: <ul style="list-style-type: none"> ○ Confirmation about what happens with Class 2 sites. As they may also need to have rules associated with the same D-7 issues for estimates. ○ The wording around Xoserve's actions are very subjective and as a result this leaves processes open to interpretation and implies that Xoserve are able to make decisions or have knowledge about the site that they will not have.

			<ul style="list-style-type: none"> ○ Decision processes must be clear and decisive in order to build an efficient delivery mechanism. ○ Xoserve do not have a direct relationship with these sites to be able to make subjective decisions about whether a zero estimate is reflective of actual consumption. ○ Has awareness that the AQ is not currently used in most DM/Class 1 processes other than a trigger for inclusion in Class 1, and this may also be inaccurate. • Has further concerns about the volume of work Xoserve would incur if this is approved as an enduring arrangement, particularly with it being a manual process involving the reference of DLC files and new consumption calculations. • Feels that this would be better suited as a transitional arrangement. • Agrees that it might further Relevant Objective d) the Securing of Effective Competition between Shippers.
Npower	Oppose	d) - None	<ul style="list-style-type: none"> • Supports the numerous initiatives to improve issues relating to UiG, and in theory, improving current problems with DM estimates makes sense, opposes this modification for two reasons: <ul style="list-style-type: none"> ○ Feels the urgent status given to the modification did not allow thorough industry development of the proposal. This left some of the areas such as the suitability of using AQs, clear and well understood business rules, underdeveloped. Furthermore, given the focus that Xoserve have shown in this area, and some debate on the full materiality of the specific issue, it is not clear how much benefit would be offered through implementation of the proposal. ○ Generally supports the work that is ongoing to resolve UiG issues, and appreciates that in some areas swift action may be required, but is still important that any industry proposals are thoughtfully developed with risks and benefits well debated and understood.
RWE Supply & Trading GmbH	Oppose	d) - None and potentially negative	<ul style="list-style-type: none"> • Notes that neither the modification proposal nor discussions at the Workgroup clearly demonstrate how the proposal will affect the level and volatility of UiG.

			<ul style="list-style-type: none"> • Transitional problems with loading DM meter reading files post Nexus are being resolved so that more daily reads will be included in settlements. • Does not support using AQ/365 as it is not a suitable proxy for sites that operate flexibly and respond to market signals. Using AQ/365 could equally lead to a further misallocation where a zero reading is correct. • Understands that Shippers develop a good understanding of the operation of their DM sites and there are already established processes for making corrections ahead of close-out. • Presumes there may be ongoing additional processes required to validate the CDSP's proposed amendments to consumption. This has not been quantified.
SGN	Comments	d) - None	<ul style="list-style-type: none"> • Supports the various initiatives currently underway aimed at reducing the daily levels and volatility of Unidentified Gas (UIG). • Understands that this modification aims to incrementally improve industry data and to halt the propagation of erroneous zero estimates throughout settlement. • Supports the work currently underway in relation to UIG and the focus on improving industry data, however, does not see that sufficient evidence has been provided that shows how the current position in respect of either issue would be improved by this modification. • Understands that Workgroup discussions indicate that the number of sites affected by D-7 zero consumption are very low and therefore the materiality of this issue is commensurately low, and so therefore question whether an enduring modification is an appropriate solution. • Believes that further clarity and certainty would be required regarding the rules under which the CDSP would operate before this modification could be implemented.
ScottishPower	Qualified Support	d) - Positive	<ul style="list-style-type: none"> • Understands that the current level and volatility of UIG are not sustainable, that consecutive estimated zero consumption is a significant contributor and welcome proposals that aim to tackle this issue.

			<ul style="list-style-type: none"> • Understands that the proposed solution will reduce UIG volumes by ensuring that non-zero consumption is attributed to DM sites that would otherwise be entered erroneously as zero. • Notes while historically D-7 is reasonably representative because read issues had been resolved quickly, the increase in DM read issues that take a long time to resolve results in erroneously high UIG for extended periods. • In the current form, the proposal could undermine its objective by producing an enduring process in which a shipper has a right to challenge a non-zero consumption without clearly stating what controls would prevent this being misused. • Understands there are existing processes by which an AQ can be amended and suggests that, in a similar manner, any Shipper taking the opportunity presented by this Modification to amend the 'default' AQ/365 consumption should be allowed to do so only on provision of adequate supporting evidence. • Remains concerned by an ongoing opportunity for consumption to be reduced without a Party following a defined industry processes. If this proposal is approved and the controls suggested above cannot be accommodated, suggests there is either a sunset clause on the modification, to ensure that it does not persist as an enduring solution.
SSE	Oppose	Negative	<ul style="list-style-type: none"> • States the use of D-7 data has, historically, been an accurate method of deriving estimated consumption for missing readings on daily metered sites where issues that cause missing reads are generally resolved in a short timescale. Implementation of Project Nexus has produced a situation where a number of daily metered sites have not been able to load reads for a prolonged period. • Believes Xoserve and the industry appear to be working through these issues to resolve this temporary issue and so to amend an ongoing process which has proved to be effective historically in order to address a temporary problem, which appears to be have been resolved or be coming towards a resolution for most sites, would be a mistake.

Total Gas & Power	Oppose	None	<ul style="list-style-type: none"> • Supports initiatives to resolve high levels of UIG and volatility but does not believe this modification will do that. • Believes it seeks to address a temporary issue that can be resolved better by addressing the root causes and more worryingly has longer term negative consequences. Historically the D-7 estimate has worked well and the transitional DM zero issue is temporary and when resolved will cease to be an issue and therefore will not need this modification to be implemented. • Does not support AQ/365 as this does not reflect seasonality or day of use patterns which are more likely to be accurate on an enduring basis, as they have been in the past. • Has not had the opportunity to conduct further analysis, due to the Urgent status of the modification
West & West Utilities	Oppose	d) – Negative f) - Negative	<ul style="list-style-type: none"> • States that the Legal Text was not available when this response was written and therefore the response is based on the present understanding of the proposal. • Believes if the proposed solution is interpreted narrowly, that the proposal tries to solve one problem but creates another. • Further feels if the proposed solution is interpreted broadly then that gives the CDSP wide discretion which is undesirable and may lead to the CDSP being accused of not being impartial. • Notes the solution states: <ul style="list-style-type: none"> ○ The key issue is the interpretation of “where possible to an actual consumption”. Based on a narrow interpretation of the proposal then the proposed process would create problems. ○ Based on a wider interpretation of the proposal the phrase “where possible to an actual consumption” could be given a wide interpretation as meaning that the CDSP should have discretion as to whether to use the DMSP read that has failed validation. If this is the case we are concerned that this could lead to inconsistencies and disputes. ○ Modification 0565A, which brought the CDSP into effect, removed discretion from the CDSP as it was thought to be no longer appropriate,

			<p>reintroducing discretion would be counter to this approach.</p> <ul style="list-style-type: none"> ○ It might be appropriate to have a process incorporating some discretion but this should be initiated by the Shipper with the CDSP testing that the Shipper's proposed estimate is reasonable against some agreed criteria. ○ The modification proposes that the changes are enduring. If either of the wide or narrow interpretations of the above phrase were to be operated for a limited transitional period then the risks may be acceptable. Does not believe that these risks are acceptable in an enduring change.
Xoserve	Qualified Support		<ul style="list-style-type: none"> • Sees merit in the principles in the modification but in line with representations made at the workgroup would request that this be considered as a transitional modification until sufficient DM Supply Meter Points are recording actual meter readings. • The deadline of D+5 should be considered within the modification solution in order that the outcome of reduced UIG volatility can be realised. • Feels the analysis suggests that more consumptions of zero are correct than not. • On an enduring basis where DM Supply Meter Points have recorded an actual zero meter reading, Users could assess the validity of such reading in line with the existing UNC provisions such as in M6.6, prior to this being used the subsequent week in the event that an actual reading was not obtained. • Understands as a transitional modification the process would be initiated with immediate effect from the implementation date. Process assessment would be required to implement an enduring solution with Shipper Users, but no system changes are anticipated. Consequently it is not expected that this would require an extended implementation timetable. • States a Process assessment would be required to implement an enduring solution, but no system changes are anticipated, and notes that reporting has not been specified in the solution. • Has reservations about the timings set out within the modification. Exit Closeout occurs at Gas Flow Day +5

			<p>(calendar days). In order to get the benefit of this solution the Metered Volume should be amended by D+5 so that the allocation uses this information – otherwise consumption will only be accounted for through reconciliation. In such circumstances this will not achieve the immediate benefit of reducing the volatility of UIG.</p> <ul style="list-style-type: none"> • Would absolutely support utilising the capability to insert amended Metered Volume on the remaining sites where the D-7 appears to be invalid. The modification places responsibility on Xoserve on an enduring basis to determine the validity or not of a zero consumption which, in the absence of an actual reading, it may not be best placed to do. • It does not follow that a zero consumption at a DM Supply Meter Point is invalid, and at the workgroup Xoserve offered statistics that suggested that of the 31 sites using a D-7 of zero (of the remaining 73 outstanding at 20th October) could identify from the reading files that only 10 could be concluded were invalid zero consumptions.
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Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report, and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

Discussion

The Panel Chair summarised that Modification 0634 proposes to create a new process for amending daily metered consumption to prevent D-7 zero estimates from being used where inappropriate to do so. This modification proposes that where a D-7 value of zero consumption is used to derive the estimated DM reading for a Class 1 site (excluding NTS sites) and an alternative consumption would be used based on AQ/365 or other corrected reading provided by the Shipper.

Panel Members considered the representations made noting that, of the 18 representations received, 2 supported implementation, 3 offered qualified support, 2 provided comments and 11 did not support.

Panel noted that there had been very little time for final consideration of the proposal.

Some Panel Members believed the proposal could be positive in encouraging DM sites to submit reads, although they had concerns that it could be biased towards DM sites if no checks were undertaken by Xoserve upon the receipt of an “alternative consumption” read from the Shipper. They also noted that the proposed solution would reduce UIG volumes by ensuring that non-zero readings consumption was attributed to DM sites that would otherwise be entered erroneously as zero.

Most Panel Members did not support the proposal and believed the proposed solution introduced terms to

the UNC associated with the derivation and provision of 'notional' daily meter readings at DM Supply Meters by the CDSP and Shippers Users, other than for very specific circumstances, and that this principle did not presently feature within the UNC. They also considered that it sought to address a temporary issue that could be resolved better by addressing the root cause, had longer term negative consequences and noted that historically the D-7 estimate had worked well. However, if implemented it would negatively impact genuine zero consumption reads and create an additional administrative burden on Shippers.

Consideration of the Relevant Objectives

Some Panel Members considered relevant objective d) *Securing of effective competition between Shippers and/or Suppliers*, agreeing that implementation would have a positive impact because one of the unintended consequences of the current mechanism is when a Class 1 DM site consumes gas on a particular day but does not manage to submit a Valid Meter Reading and the D-7 consumption is zero. In this situation, the volume is allocated to unidentified gas which is mostly paid for by NDM shippers until a Valid Meter Reading is submitted and accepted, hence this modification would provide a process and clarity for the associated costs incurred.

Other Panel Members considered that this was detrimental to relevant objective d) as the solution does not feature any terms or guidance on how and on what basis the CDSP should exercise the 'discretions' identified within the proposal and that there is no provision for the auditing or validating the accuracy of 'alternative' consumptions whether these are determined by the CDSP or Shipper User. In addition, this modification would not address the root cause of the DM Reads issues and therefore not resolve UIG volatility.

Some Panel Members considered relevant objective f) *Promotion of efficiency in the implementation and administration of the Code*, agreeing that implementation would have a negative impact because based on a wider interpretation of the proposal the phrase 'where possible to an actual consumption' could be given a wide interpretation as meaning that the CDSP should have discretion as to whether to use the DMSP read that has failed validation. If this was the case this could lead to inconsistencies and disputes.

Determinations

Panel Members voted with 2 votes in favour of implementation (out of a possible 12), Panel did not agree to recommend implementation of Modification 0634.

12 Recommendations

Panel Recommendation

Panel Members recommended that Modification 0634 should not be implemented.