

UNC 0642A:

Changes to settlement regime to address
Unidentified Gas issues



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Why change?



- Post-Nexus the UIG volumes have for some parties shown increased volatility in comparison to Pre-Nexus
- This issue appears to be caused due to a mixture of allocation error and true UIG
- In the short term until volumes are reconciled this has lead to difficulties for some parties in purchasing energy and settling with their customers
- Due to the issues faced there is not an option to 'do nothing'

Options



- There have been a number of modifications including 0642/0643(urgent) which have triggered a significant piece of work across the industry to tackle the accuracy at balancing and speed of reconciliation.
- There are still parties struggling with this area and it needs a more focused solution that can only be delivered through a modification
- 0642A is an alternative approach to bringing back the old regime (Pre-Nexus); 0642A seeks to build on the implemented Nexus solution already developed / delivered
- 0642/0642A are trying to deliver a solution for the same issue just in alternative ways

Solution



- 0642A is keen to maintain the benefits from the Nexus implementation rather than to roll back to historic solutions which were superseded because they had their own issues
- We propose separating the current UIG into two elements:
 - (1) Fixed UIG
 - (2) Balancing quantity
- UIG would be a fixed %, reviewed annually through current industry routes i.e. DESC
- Balancing quantity would operate as UIG does presently; ensuring all the reconciliation processes remain unchanged. Reconciliation movement adjusts the balancing quantity
- Visibility of true UIG is preserved (rather than hidden like 0642) as the sum of the final balancing quantity and the fixed UIG are known; enabling the industry to see the actual volume we need to target and reduce going forward

Recommended Steps



- The Proposer recommends that this modification should be:
 - Not subject to self-governance because of the material impacts for competition
 - Seek urgent status because of the significant commercial impact
 - Proceed along the same timelines as 0642(urgent), for which this is an alternate