

**UNC Workgroup 0643 (Urgent) Minutes
Changes to settlement regime to address Unidentified Gas issues
including retrospective correction**

Monday 15 January 2018

at The St Johns Hotel, 651 Warwick Road, Solihull B91 1AT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Alex Holbourne	(AH)	Corona Energy
Andrew Margan	(AM)	Centrica
Andy Clasper	(AC)	Cadent
Basil Long	(BL)	Corona Energy
Beverley Viney	(BV)	National Grid NTS
Carl Whitehouse	(CW)	First Utility
Charles Wood	(CW)	Dentons
Fiona Cottam	(FC)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
George MacGregor	(GM)	utilita
James Murphy	(JM)	Stark
John Welch	(JW)	npower
Jon Dixon*	(JD)	Ofgem
Kirsty Dudley	(KD)	E.ON
Linda Whitcroft	(LW)	Xoserve
Lorna Lewin	(LL)	Orsted
Louise Hellyer	(LH)	Total Gas & Power
Luke Reeves*	(LR)	EDF Energy
Mark Bellman	(MB)	Dataserve UK
Mark Jones	(MJ)	SSE
Mark Palmer	(MP)	Orsted
Rachel Hinsley	(RH)	Xoserve
Rhys Keeley	(RK)	Centrica
Richard Pomroy*	(RP)	Wales & West Utilities
Sallyann Blackett	(SB)	E.ON
Steven Britton*	(SB)	Cornwall Energy
Tom Breckwoldt	(TB)	Gazprom Energy
Tom Steward*	(TS)	Good Energy

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0643/150118>

The Workgroup / Final Modification Report is due to be presented at the UNC Modification Panel by 15 February 2018.

1.0 Introduction and Status Review Consideration of Amended Modifications

1.1 Approval of minutes (04 January 2018)

The minutes were approved.

Modification 0643

FC overviewed the Fixed Daily UIG Percentage for the Daily Allocation process of Modification 0643 and explained in essence, this was the same allocation process as had already been defined for Modification 0642.

She then explained the Monthly Reconciliation process and defined the procedure as below:

- Universal individual Meter Point rec still applies Daily UIG allocation is not re-opened by Rec
- Equal and opposite of all individual recs is shared to Unreconciled Class 3/4 and Unread Class 1/2 only
- Sharing based on throughput for Unreconciled/ Unread meters, using separate Settlement Error Weighting Factors
- 12 month pot, rec/read in this month removes site from all of previous 11
- Re-reconciliation of an earlier month's read does not remove from current month's sharing
- Extra test applies for each smear month and LDZ – if Rec Energy (+/-) > Allocated Energy for the month for the qualifying MPRs in an LDZ, then smear to all sites, regardless of reconciled status

FC overviewed the overall Settlement Error Rec process by month regarding the Read and the New Rec including, how the Smearing process would be managed. CW wanted more clarity in relation to the Legal Drafting and the way the Reconciled energy and Smearing procedure would work, including the Extra Test in terms of retrospective actions required. FC said that the Extra Test would need to be included in the Code. LH asked if there could be a situation where the Rec might jump back out again and FC said that may happen with regards to older and previous months and how the system caught up. GE added that this would be a natural consequence of the system logistics and said if people felt that the 12 months could be left regarding the Universal Smearing against the Rec Smear, then the Rec would be taken and frozen at D+5. LH suggested that keeping the 1/12th division was a more robust process. SB said she felt that it would depend on the allocations and costs for any specific month, as the suggested process from GE would mean there was no way of knowing what energy would be calculated per month, which she felt was a big risk. She added that to reduce the risk, the 1/12th option was a more sensible approach. FC enquired what the benefits were to it being flexible and GE said that if a Shipper missed the target for the Meter Reads, then this would provide a high level of the direction of travel and energy, doing it month by month. LW said that if an error was caused by Xoserve then a firm confirmation would be required, and then by 'Month 9' this would be minus and the whole figure would stay the same month by month. FC said that keeping the Universal Smear was the most sensible approach and LW said she would need confirmation from GE that this was the confirmed process.

Modification 0642 and 0643

FC moved on to overview the assumptions for each of the modifications and she explained that Modification 0642 and 0643 would be addressed in the same way, noting that a Change of Shipper event in a month would remove the meter point from share of Settlement Error Rec for that month, regardless whether the read was actual or estimated. She also said the Unidentified Gas and Settlement error and Weighting Factors could vary from LDZ to LDZ. FC then explained that the LDZ measurement errors (incl Shrinkage corrections) would not result in a change to UIG calculation but would be treated as Settlement Error Rec, and that the

Prevailing AUG Table Weighting Factors would apply until AUG could produce specific Settlement Error factors.

2.0 Consideration of Amended Modification

GE explained that in essence this was the same Modification as 0642, with some additions within the Solution regarding the NDM Review and he said that the following wording had been added, detailed as: *'In addition there will be an annual process, to coincide with the start of the Gas Year, where the CDSP will be required to undertake a review if the aggregate NDM LDZ AQ has increased or decreased by less than 1% over the year.'* In addition, the modification would apply from 01 June 2017 and would therefore be retrospective in its application. GE then drew attention to the Throughput tables that provided greater clarification. He also provided an explanation in respect of the reconciliation process as defined in the Workgroup Report, and added that he had overviewed this process in respect of the D+5 and the algorithms of 120. A general discussion then took place regarding the retrospective element in relation to the UIG, the apportionment of energy and the D+5 'close out' position. GE said that the Energy Balancing Credit Committee (EBCC) would need to look at the EBCC measure in the Code.

3.0 Consideration of Legal Text

Indicative 0624/0643 Drafting

Section H – Demand Estimation and Demand Forecasting

CW provided an overview of the specific amendments and alterations within the document as detailed below:-

1.2.7 *The "NDM Supply Point Segment" in an LDZ is all the NDM Supply Meter Points (at a given time) in the LDZ as a whole.*

1.3.2 *The "Applicable Demand Model" in relation to the NDM Supply Point Segment in an LDZ, or an End User Category, is the Demand Model applicable in any Gas Year to such NDM Supply Point Segment or End User Category in accordance with further provisions of this paragraph 1.*

1.4.4 *A Demand Model shall incorporate the Composite Weather Variable for the relevant LDZ.*

1.5 *For the purposes of this Section H seasonal normal demand ("SND") for the NDM Supply Point Segment in an LDZ, or an EUC Sample for any Day will be determined in accordance with the Applicable Demand Model on the basis of the seasonal normal value of the Composite Weather Variable for the Day in respect of that LDZ.*

1.7 Development of Demand Models and End User Categories

For each Gas Year, the Committee will, in accordance with paragraphs 1.8 and 1.9, develop or revise for each LDZ:

a) definitions of a number of End User Categories for the LDZ;

b) a Demand Model for each such End User Category, as well as for the NDM Supply Point Segment in the LDZ.

1.13.3 *The NDM Demand Estimation Methodology shall set out:*

a) the basis on which the values (for an End User Category, LDZ and Day) of Annual Load Profile and Daily Adjustment Factor are to be determined by reference to the applicable Demand Model;

be determined by reference to the applicable Demand Model;

c) the types of weather data to be obtained (as provided in paragraph 1.4.9) by the CDSP; and

d) the basis on which weather data estimated or recorded at different times of the Day is to be used in determining the value of the Composite Weather Variable.

2.5.1 For the purposes of paragraph 2.2 the "**Scaling Factor**" (SF_t) and "**Weather Correction Factor**" (WCF_t) in respect of an LDZ and a Day are (respectively) the factors determined as follows:

$$SF_t = ASD_t / NDMD_t$$

$$WCF_t = (ASD_t - \sum ((AQ_{EUC}/365) * ALP_t)_{LDZ}) / \sum ((AQ_{EUC}/365) * ALP_t)_{LDZ}$$

where for the LDZ and Day 't':

ASD_t is:

(a) for the purposes of Nomination Determination, the Forecast LDZ Demand (at the relevant time of Nomination Determination) determined in accordance with paragraph 5.2, less the aggregate sum of DM Output Nominations (at the relevant time of Nomination Determination) at all DM Supply Meter Points and adjusted by deducting LDZ shrinkage;

(b) for the purposes of Offtake Determination, that quantity comprised in the LDZ Daily Quantity Offtaken attributable to all NDM Supply Meter Points, determined as the LDZ Daily Quantity Offtaken less the sum of the UDQOs for all Users for all DM Supply Points;

$NDMD_t$ is the aggregate for all NDM Supply Meter Points of the amounts determined by calculating NDM Supply Meter Point Demand (SPD) in accordance with paragraph 2.2 with a Scaling Factor equal to one (1);

AQ_{EUC} is for each End User Category, the sum of the applicable Annual Quantities, as at the relevant determination date, for all NDM Supply Meter Points in that End User Category.

2.5.2 For the purposes of determining AQ_{EUC} in relation to a Day (D) in a Gas Year, the "**applicable**" Annual Quantities are:

(a) subject to paragraph (b), the Annual Quantities applying in October in the Gas Year;

(b) if, for any later month (M) in the Gas Year up to and including the month in which Day D falls, the value of AQ_{EUC} determined on the basis of the Annual Quantities applying in Month M would differ from the prevailing value of AQ_{EUC} (including pursuant to any prior adjustment within the Gas Year under this paragraph (b)) by more than one percent (1%), the Annual Quantities applying for month M.

2.6.1 The "**Unidentified Gas**" ('UIG') for an LDZ and a Day shall be determined as follows:

$$UIG = LDQO * UIGF$$

where:

LDQO is the LDZ Daily Quantity Offtaken for the LDZ on such Day;

UIGF is the UIG Factor specified in the AUG Table (pursuant to Section E9) for the LDZ and the Gas Year in which such Day falls.

2.6.2 *The “Forecast Unidentified Gas” ('FUIG') at any time for an LDZ and a Day shall be determined as follows:*

$$FUIG = AFLD * UIGF$$

where:

AFLD is the Forecast LDZ Demand for the Day (in accordance with paragraph 5.2.7(a)) at that time, adjusted to exclude forecast LDZ shrinkage and forecast stock change;

UIGF is the UIG Factor for the LDZ and the Gas Year in which such Day falls.

3.2.2 *The “Estimated Weather Correction Factor” for a Day in respect of an LDZ is the factor determined by calculating the Weather Correction Factor (in accordance with paragraph 2.5) for that Day substituting for the term 'ASD_t' the value of the aggregate demand of the NDM Supply Point Segment in that LDZ determined [from the Applicable Demand Model on the basis of the Composite Weather Variable for the Day] [in accordance with the NDM Demand Estimation Methodology].*

Section E 0643

CW then overviewed the changes in the document, highlighting specific areas of interest, as below:

7.1.2 *Subject to paragraph 7.5, for each Reconciliation Billing Period and for each LDZ:*

- . (a) **Relevant** Supply MeterSystem Exit Points are:
 - . (i) *subject to paragraph (ii), NDM Supply MeterSystem Exit Points (other than Isolated Supply Meter Points) for which Offtake Reconciliation [on the basis of a Reconciliation Meter Read] was not carried out in the Reconciliation Billing Period;*
 - . (ii) *if the threshold condition in paragraph (g) is not satisfied, all NDM Supply MeterSystem Exit Points (other than Isolated Supply Meter Points);*
- . (b) *for each Relevant System Exit Point, the “Settlement Error Reconciliation Period” is:*

(i) subject to paragraph (ii), the same period as comprising each month from (but not including) the last month in which Offtake Reconciliation was carried out in respect of such Relevant System Exit Point to (and including) the Reconciliation Billing Period; or (if shorter) the period of 12 months ending with (and including) the Reconciliation Billing Period;

- . (b) (ii) *if the threshold condition in paragraph (g) is not satisfied, the period of 12 months ending with (and including) the Reconciliation Billing Period;*

High level Transition Document requirements - Modifications 0642/0642A/0642

CW then provided an overview of the content of the Transition Document produced by Dentons, as detailed below:

All modifications are effective on a Gas Flow Day basis – we can use generic language similar to recent mods.

We assume the Implementation Date will be the 1st of a month.

Section H

0642/0643

Will the Implementation Date be a 1 October? If so, the procedures for DESC in H1.7 and H1.8 will apply on the basis of the new rules (and amended NDM Demand Estimation Methodology) leading up to the Gas Year starting on the Implementation Date.

If not, the procedures H1.7 and H1.8 will have to apply, based on the new rules (and amended NDM Demand Estimation Methodology), as if there were a new Gas Year starting on the Implementation Date.

Will the revised formula for AQ in H3.2.1 actually give rise to any changes in AQs? If so (i) will AQs be recalculated (as of the first month) for all NDM SMPs even if no meter reads in the prior AQ read period, and (ii) if so could there be any threshold changers?

0642A

Base UIG Factor is 2.5% from Implementation Date until first Gas Year for which DESC sets a different Base UIG Factor.

Therefore no issues about October implementation. No other transition provisions needed other than the Gas Flow Day basis. Section E 0642

In E7.1, will the first Reconciliation Billing Period to which the new rules (ie settlement error reconciliation) apply, be the Reconciliation Billing Period starting on the Implementation Date? (Such that reconciliation carried out in the month of the Implementation Date, for the RBP ending immediately before the Implementation Date, is based on the old rules.)

Possibly some issues about LDZ reconciliation if it relates to a period more than one month prior to Implementation Date.

In E9, what is the first date (ie start of an AUG Year) from which an AUGE will operate to the new rules (the 'new AUG start date')? Does it require a new appointment?

From the Implementation Date until the new AUG start date, the UIG Factor is 1.1%. (For E9, it doesn't matter whether the Implementation Date is a 1 October.)

Until new SER allocation factors are determined the SER allocation factors are the same as the UIG allocation factors.

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The AUG Table in force as of the Implementation Date will be deemed amended to reflect the abot transitional UIG Factors and SER allocation factors.

What do we need to say about the determination of new SER allocation factors? Will they be set as from the new AUG start date (ie the first time that UIG Factors are set by the AUGE) or a later point in time?

0643

As for 0642, plus need to address 7.1.2(b), how the variable reconciliation billing period starts. Options are:

- . period is based on last Offtake Reconciliation up to (and including the month of) the Implementation Date
- . retain the rolling 12 months until the first Offtake Reconciliation for a SMP after the Implementation Date. Also provide for retrospective application/adjustment when detail is developed. 0642A No transition provisions needed other than the Gas Flow Day basis.

A brief general discussion took place regarding how the AQ Reads were calculated in relation to the Demand Estimation process and FC agreed to investigate this matter further.

New Action 0643 0101: Xoserve (FC) to confirm the process of Demand Estimation and the AQ calculation process.

CW also queried if anything different would be added to the AUG in October prior to the implementation date, and FC said that would not be approved before 31 January 2019. CW said if it was delayed for any reason, then this would have to be included in the Settlement Factors.

4.0 Consideration of Cost and Benefits

Not discussed in this meeting.

5.0 Development / Completion of Workgroup Report

Not discussed in this meeting.

6.0 Next Steps

BF said his expectations for the next meeting were to complete the Workgroup Report and confirm the Legal Text.

7.0 Any Other Business

None.

8.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Tuesday 30 January 2018	The St Johns Hotel, 651 Warwick Road, Solihull B91 1AT	Detail planned agenda items. <ul style="list-style-type: none"> • Completion of the Workgroup Report • Confirmation of the Legal Text

Action Table (as at 15 January 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0643 0101	15/01/18	3.0	Xoserve (FC) to confirm the process of Demand Estimation and the AQ calculation process.	Xoserve (FC)	Pending