



Performance Assurance Committee (PAC) - Role in UIG Reduction

12 Sept 2017

Objectives

- Provide a background overview of Unidentified Gas (UIG) allocation explaining the changes following the Nexus Implementation
- Review the UIG trend since 1 June 2017, outline the likely causes of volatility and discuss additional actions that industry should take to limit the impact of UIG
- Provide an update on the progress of DM Read Rejection actions and discuss how to accelerate this activity across industry
- Discuss the role of the Performance Assurance Committee (PAC) in monitoring the impact of industry actions that should be taken to reduce UIG
- Align on UIG key messages to be shared with industry

Agenda

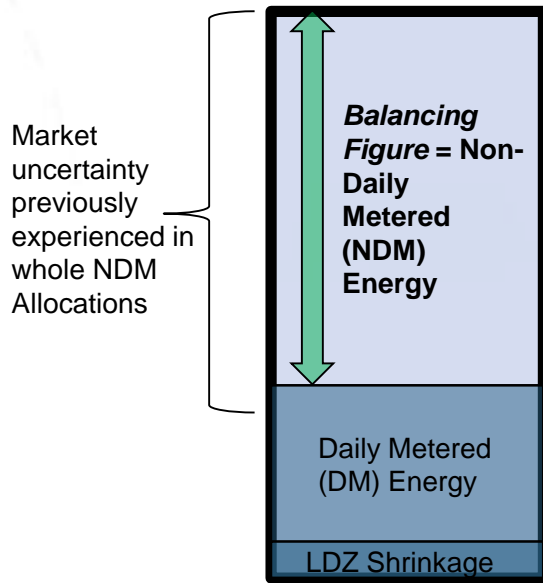
	Agenda Item	Duration	Objective for this section
1	Background to UIG	10 mins	<ul style="list-style-type: none">• Refresh PAC on UIG calculation changes post Nexus
2	UIG trend since 1 June and causes of Volatility	10 mins	<ul style="list-style-type: none">• Review trend in UIG level/volatility since 1 June and discuss the likely causes and actions that industry can take
3	DM Read rejection update	10 mins	<ul style="list-style-type: none">• Provide PAC with an update on the DM read rejection actions and discuss additional steps that may be required to accelerate progress
4	Role of PAC in UIG monitoring	10 mins	<ul style="list-style-type: none">• Discuss the role of PAC in UIG monitoring going forward
5	Industry Key Messages	5 mins	<ul style="list-style-type: none">• Align on key messages to be included from PAC on the topic of UIG

Background to UIG

Background – What's Changed

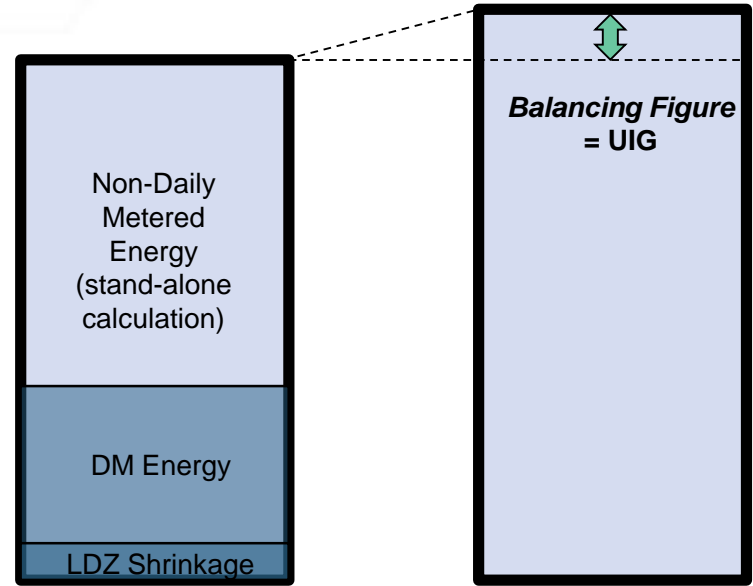
Daily Gas Allocation has changed to support Universal Meter Point Reconciliation – UIG is now the balancing figure in each Local Distribution Zone (LDZ) each day

Pre Nexus



- Same formula used for Nominations/Allocations
- NDM Energy was the balancing figure (Small Supply Point + Large Supply Point)
- Errors in reads/estimates impacted NDM figure
- Volatility was proportionally lower, as part of a larger number (NDM is c 50 to 60% of each LDZ)
- Subsequent reconciliation pushed all UIG into the Small Supply Point sector

Post Nexus

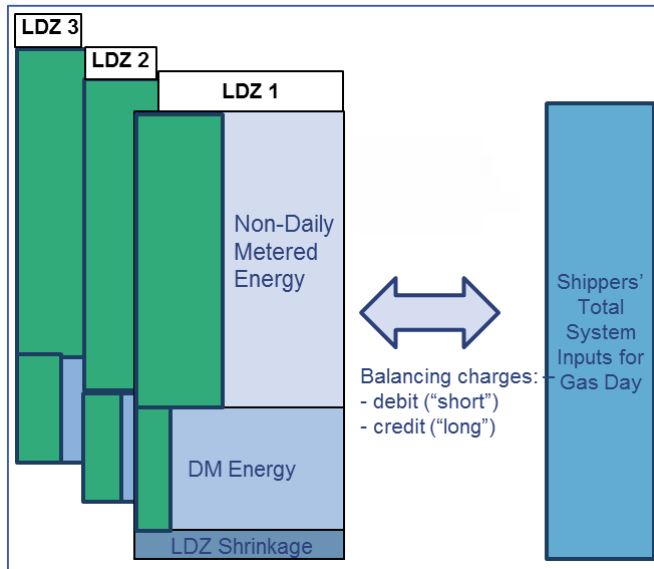


- Same formula used for Nominations and Allocations
- UIG is now the balancing figure each day
- Volatility is focused in a smaller value and is more visible
- New and existing data items explained on later slide
- NDM and DM energy is subject to meter point reconciliation post Gas Day +5 (D+5) – opposite entry is to UIG

How the Gas is Paid for – post-Nexus

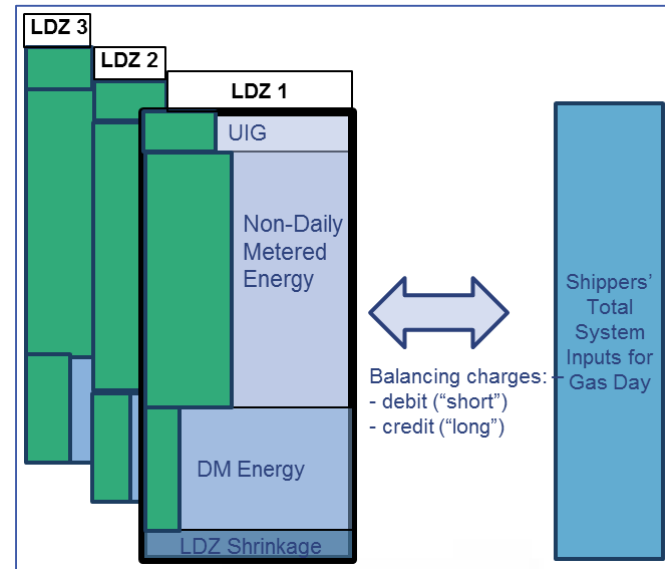
This slide summarises changes in how the gas is paid for following the Nexus implementation. It shows that UIG charges are now more transparent and fixed quantities have been removed. Shippers now need to procure DM, NDM and UIG quantities.

Pre Nexus



- Estimated amount of UIG was billed in arrears (debits to LSP and credits to SSP)
- A fixed monthly quantity for LSP sites which Shippers could account for.
- Shippers only procured for NDM and DM volumes

Post Nexus



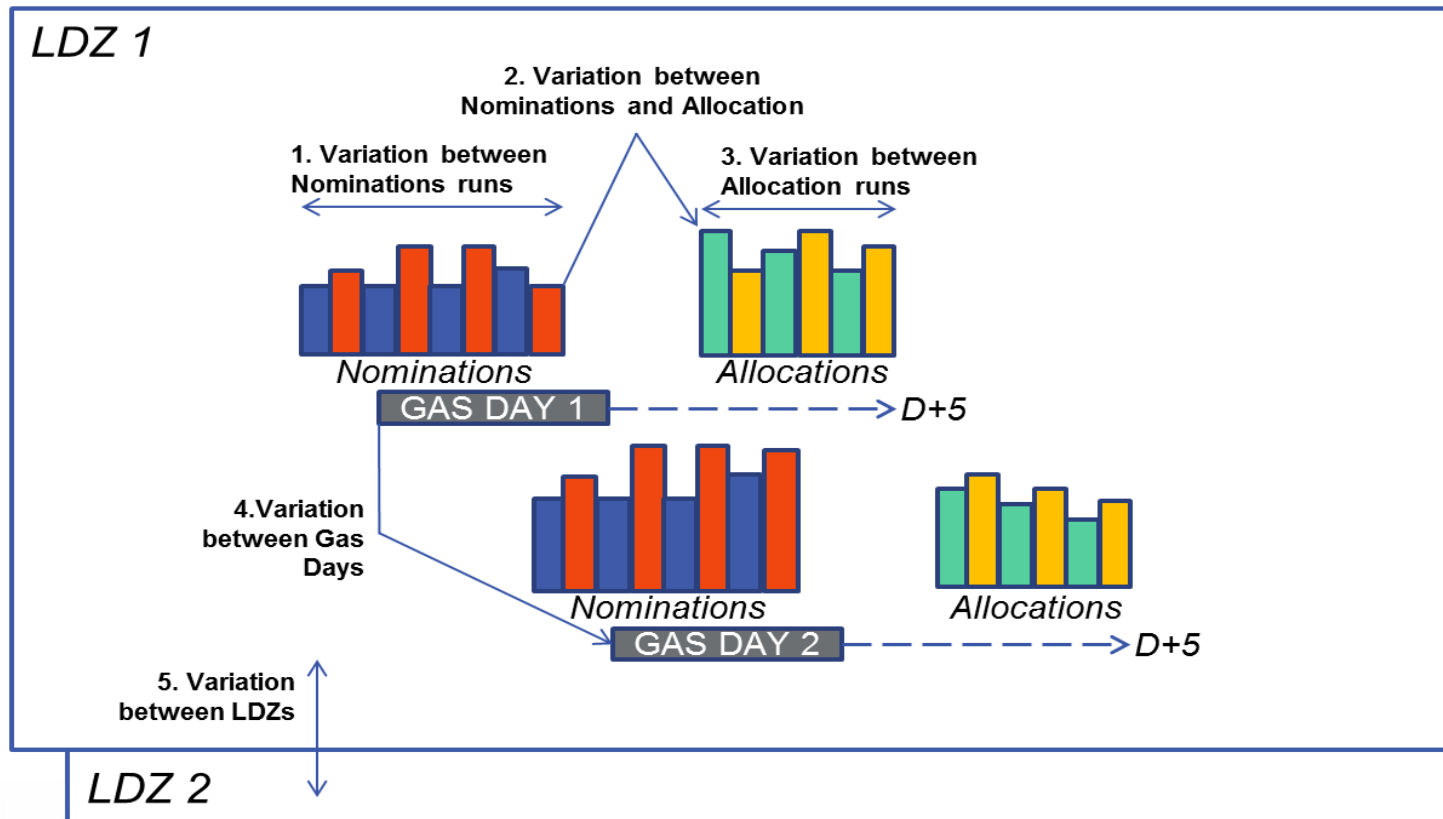
- UIG now included in daily Energy Balancing position, not on a separate invoice
- Energy Balancing compares total Allocations to Total Shipper inputs – national level only
- Scheduling Charges only apply to DM Nominations not to NDM and UIG Nominations

■ Individual Shipper's Allocation (share of UIG, plus NDM and DM Energy)

Sources of variation in UIG

Shippers have reported multiple areas where UIG variation is being observed. These are shown in the diagram below. Known causes are discussed later in this presentation along with actions industry can take to reduce UIG Level and volatility.

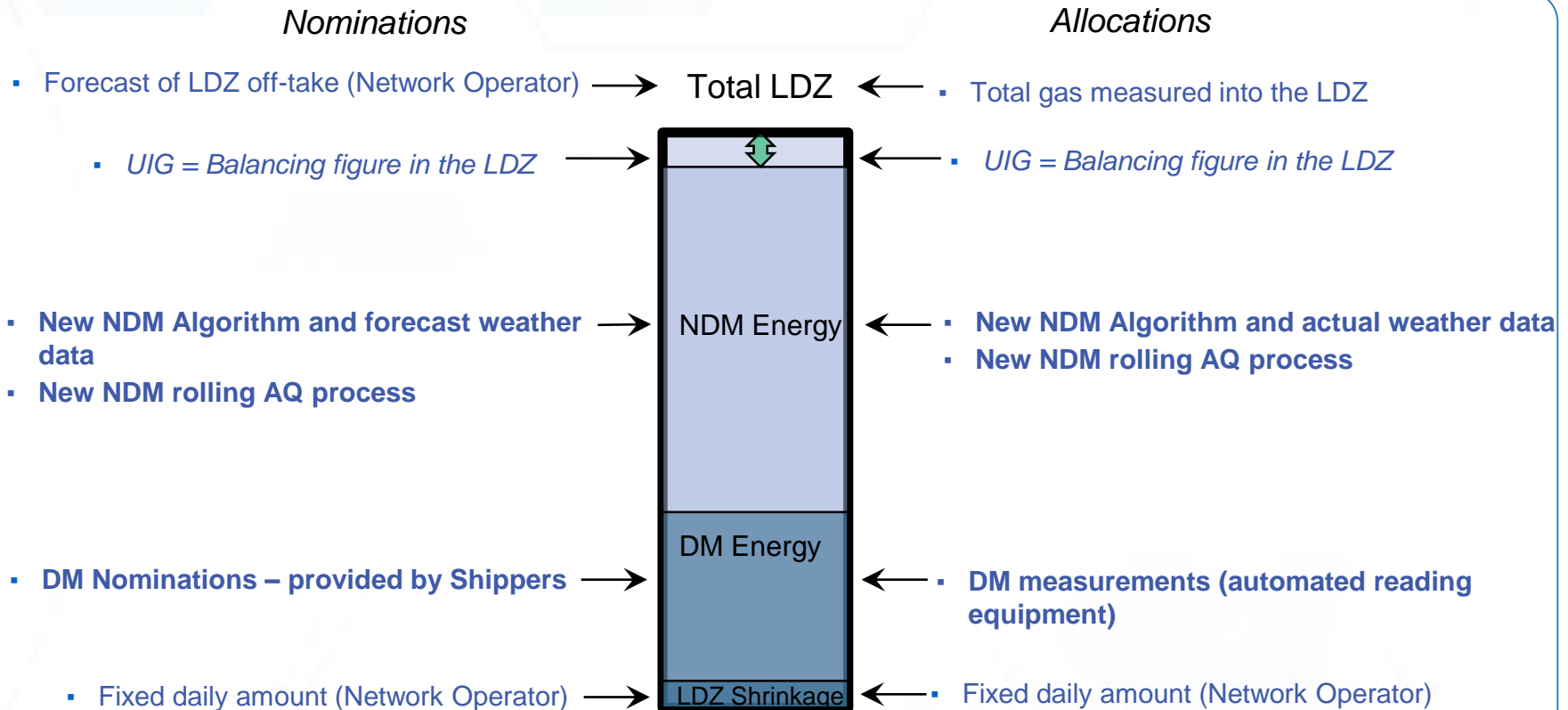
Sources of UIG variation



UIG trend since 1 June 2017 and causes of volatility

Sources of Data for UIG calculation

Multiple data sources feed into daily Nominations/Allocations. These contribute to swings between Nominations and Allocations. Additional data sources and processes Post-Nexus add further scope for volatility. These are in **bold** text below.



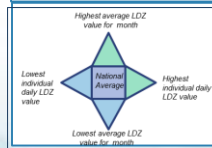
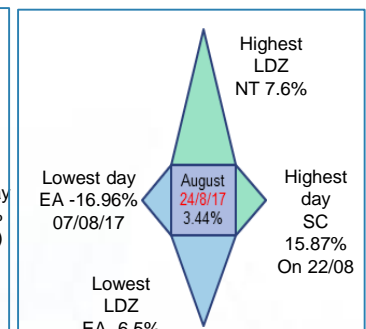
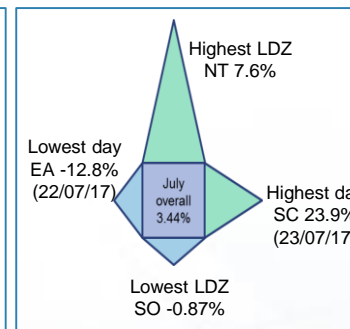
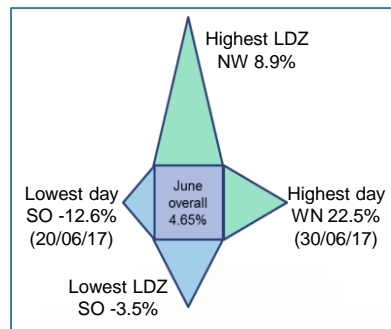
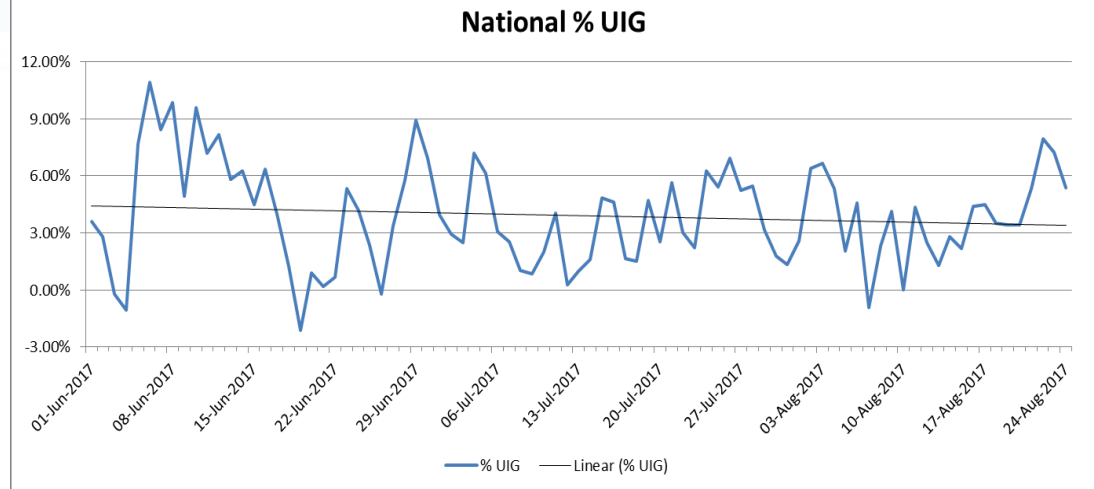
NDM Algorithm uses AQ (Annual Quantity) plus NDM Parameters (ALPs and DAFs) and Actual and Seasonal Normal Weather data

Impact on UIG Volatility to 24 August

The graphs below show the national UIG % by day for June, July and up to 24 Aug 2017. In addition a breakout of high/low values by LDZ is included. Overall National UIG volume has remained static however, day on day volatility remains.

Key messages:

- Between June and July 2017 average national UIG percentage has decreased from 4.65% to 3.44% and remained static in August.
- From 21 Aug -24 Aug a spike in UIG was experienced. This prompted Shippers to request Xoserve to carry out investigation into the possible causes.
- Xoserve conducted a deep dive into LDZ EA (Eastern) and analysing the Composite Weather Variable has not found any obvious causes or drives.
- Analysis will continue and shift to investigating how DM allocation versus estimates is contributing to UIG.
- Updates to this position will be communicated via the Performance Assurance Committee

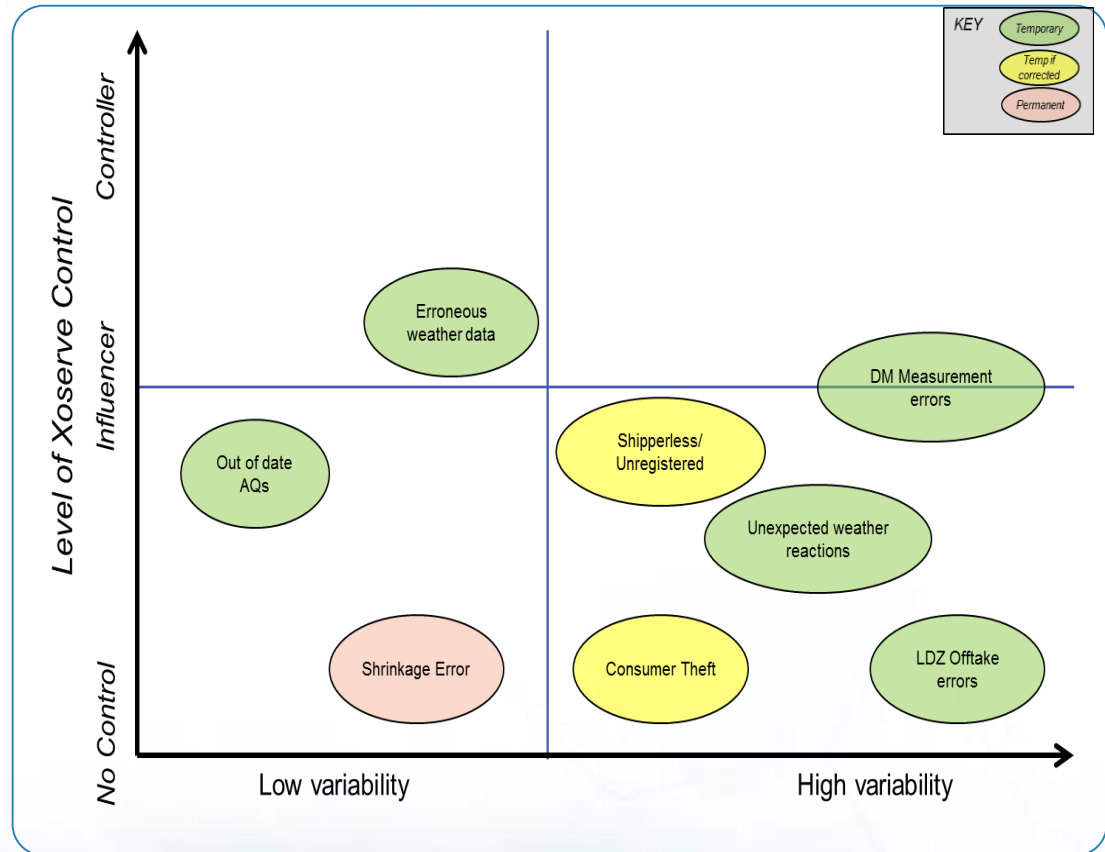


High level assessment of UIG Causes

The diagram below shows known variable factors contributing to UIG levels and volatility. It emphasises that a collaborative industry approach is required to address issues and that the majority factors are temporary until reconciliation occurs

There are a number of activities that industry should take to reduce the impact of UIG these include:

- Reviewing accuracy of Annual Quantities (AQ) and **adjusting where required**
- **Promptly registering shipperless sites**
- **Supplying regular accurate monthly reads for NDM meter points**
- Supplying accurate DM Nominations, as early as possible
- Using the Class 2 product for larger NDM LSP sites where appropriate
- Supporting NDM Demand Estimation modelling by providing additional sample data, especially for small LSP market
- Continue to be diligent in managing consumer theft of gas
- Reviewing the accuracy of LDZ offtake to minimise errors

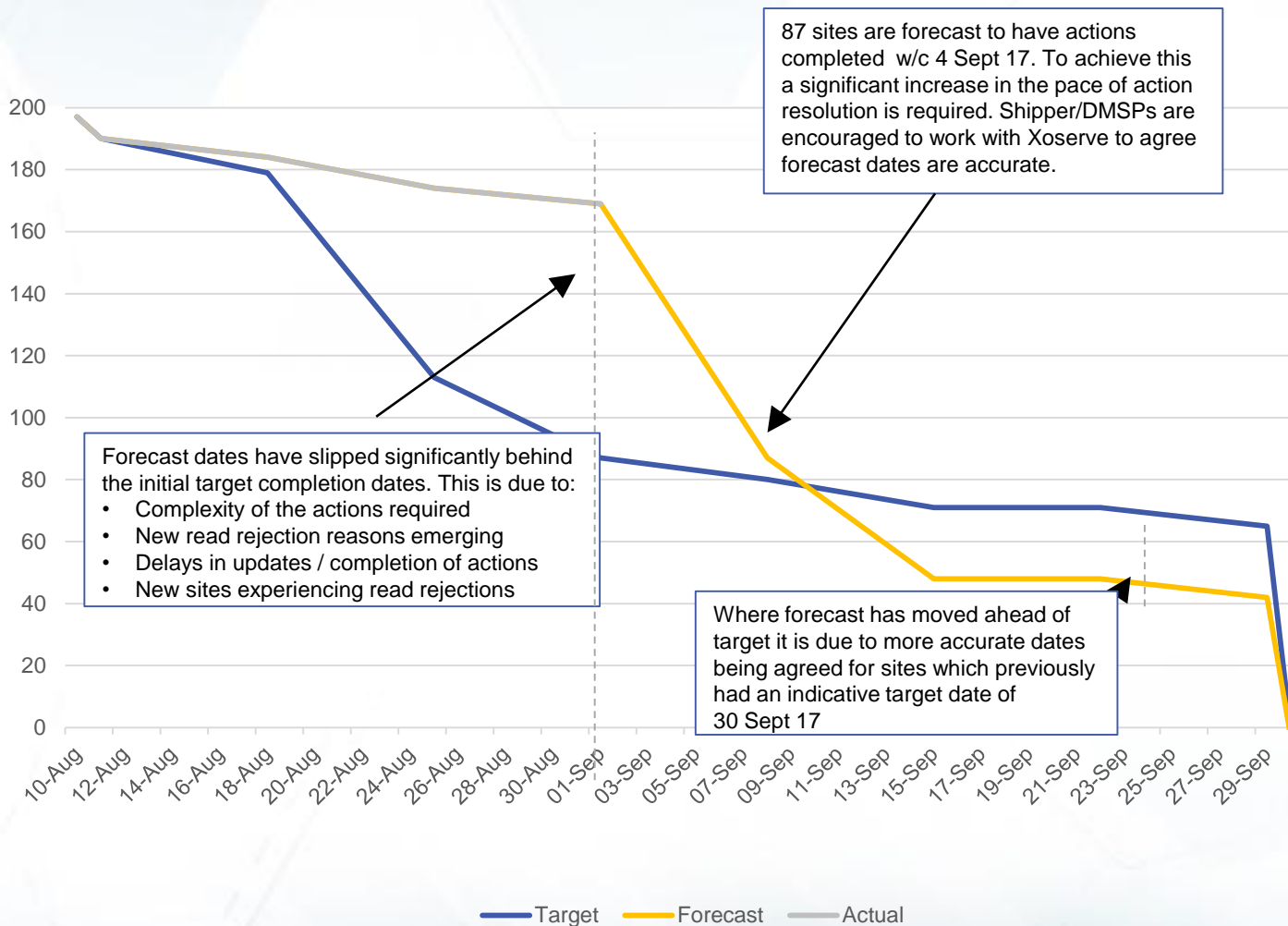


(Existing reporting processes highlighted in Bold)

DM Read Rejection Update

DM Read Rejections - Resolution Glide Paths

Read Rejections from 10 Aug 17



Scope	Total	Remain
DM Sites	220*	165
Shippers	14	14
DMSP	2	2

*Includes 23 new sites since 10 Aug 17

Resolution Actions	Total	Remain
Xoserve	60	47
Shippers	109	86
DMSP	43	26
TBC**	8	6

**Actions to be agreed on bilateral calls. 2 sites were resolved outside of this process

Top 5 Action Types***	Total
Asset Update Required	54
Verify MPRN/Asset detail	38
Incorrect info in Read file	25
INC/Defect	22
Requires further investigation	15

***Include sites where actual reads are now being received

Action Status	Total
Completed	55
In Progress	127
Re-Opened	4
Not Started	22
New	12

*Data accurate as of 1 Sept 17

Shipper Allocated Actions

This chart shows the status of Shipper allocated actions. 59 are 'in progress' with 46 behind original target completion dates. Bilateral calls will continue to progress this activity and however, we do request that appropriate support is continued to be provided to drive the resolution of DM read rejections issues

Read Rejection current action status by Shipper*

Shipper Ref	Completed	In Progress	Not Started	New	Grand Total
SH01	1	20	7		28
SH03	1	10	5		16
SH02	2	9		2	13
SH14			3		3
SH13			1		1
SH12			1		1
SH09	1		3		4
SH05	6	7			13
SH06	2	4	1		7
SH04	6	4		4	14
SH08	1	2			3
SH07	2	2			4
SH11	0	1	0	0	1
SH10	1				1
Total	23	59	21	6	109

Completed – Action taken and site is recording actual reads
In Progress – Action agreed and assigned to relevant party
Not Started – DM Site included in original list at 10 Aug and action yet to be agreed
New – New site since 10 Aug 17 and action yet to be agreed

3 Shippers have >50% of actions. 39 are 'In Progress', 28 behind target date. Bilateral calls will continue to re-confirm the actions and drive completion.

4 Shippers with a total of 10 impacted sites have 8 actions currently 'Not Started'. Bi-lateral calls are scheduled w/c 4 Sept 17 to agree actions required.

The remaining Shippers have been well engaged and c50% of assigned actions have been completed. Continued support is required to complete remaining actions.

Note:

- Xos/DMSP actions excluded from analysis
- 'New' actions are initially assigned to Shippers until bi-lateral calls are held
- Assumed one action per DM site however, once initial action is completed subsequent actions may be required

*Data accurate as of 1 Sept 17

Discussion - Role of PAC in UIG monitoring

Role of PAC in UIG monitoring

- We believe that PAC is the most appropriate forum to report progress on actions taken to reduce the level of UIG and stabilise volatility due to:
 - The membership, which provides the right level of experience
 - The mandate of the group to improve industry performance
 - The ability to de-anonymise reporting
- In order to support PAC we believe the following is required:
 - Agreement of industry actions to be monitored through PAC. Currently this is only DM Read Rejections.
 - Review of existing Performance Assurance Reports to ensure that appropriate monitors are in place
 - Reporting on progress on agreed industry actions
 - MI requirements to monitor the impact on UIG level and volatility
 - A UIG working group to proactively tackle industry wide actions and define UIG success factors

Discussion - Key Messages