

UNC Workgroup 0635 Minutes
Reforms to incentivise accurate and timely DM reads to improve the
accuracy of Unidentified Gas allocation
Thursday 26 October 2017
at Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW

Attendees

Andy Clasper	(AC)	Cadent
Andrew Margan	(AM)	Centrica
Bob Fletcher (Chair)	(BF)	Joint Office
Carl Whitehouse	(CWh)	First Utility
Charles Ruffell	(CR)	RWE
Chris Warner	(CWa)	Cadent
Claire Towler	(CT)	SSE
Darren Lond	(DL)	National Grid
David Addison	(DA)	Xoserve
David Mitchell	(DM)	SGN
David Reilly*	(DR)	Ofgem (UNC 0619/0619A)
Emily Wells	(EW)	Corona Energy
Frasier Mathieson	(FM)	SGN
Gareth Evans	(GE)	Waters Wye
Hilary Chapman	(HC)	SGN
John Burke*	(JB)	Cadent (AOB only)
John Welch	(JW)	npower
Jon Dixon	(JD)	Ofgem
Karen Visgarda	(KV)	Joint Office
Kathryn Turner*	(KT)	Good Energy
Kirsty Dudley	(KD)	E.ON
Kully Jones (Secretary)	(KJ)	Joint Office
Lorna Lewin	(LL)	DONG Energy
Mark Jones*	(MJ)	SSE
Nicky Rozier*	(NR)	(BUUK)
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy	(RP)	Wales and West Utilities
Shanna Key	(SK)	Northern Gas Networks
Shardul Pandit*	(SP)	Wales and West Utilities
Steve Britton	(SB)	Cornwall Insight
Steve Mulinganie	(SM)	Gazprom
Tim Hammond	(TH)	Corona Energy

* via teleconference

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0635/261017>

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 April 2018.

1.0 Outline of Modification

GE said prior to introducing the modification that he knew and appreciated that this overall topic was seen by many in the Industry as an emotive and contentious issue. He introduced the modification and explained that it was important that Shippers sought to ensure that their Daily Metered Sites were consistently settled on Actual Reads, as failure to do so, meant that the rest of the Industry was subject to volatile and unpredictable swings in Unidentified Gas (UIG) as estimates were having to be used and then corrected.

GE further added that substantial balancing costs (around £20-40m a month across the Industry) are presently being incurred via UIG as well as the associated credit cover costs. He added, there was, however, no mechanism to pass these costs onto those who cause them, resulting in little, if any incentive at present to address these problems.

GE said that both Corona and First Utility were experiencing balancing costs each month and that there were also associated credit security costs being incurred too. He then overviewed a schematic that detailed and showed how the UIG levels had been increasing together with increasing volatility in the market. GE then proposed that specific obligations needed to be placed on Shippers and Transporters via the UNC in order to ensure every effort was made to reduce the number of estimates being used for settlement of daily metered sites.

GE explained that the modification had two key parts to it, both designed to incentivise Shippers and Transporters issues with Valid Meter Readings:

- An increase of scheduling charges to 10% of SAP (from the current 1%) and a reduction in the tolerance before scheduling charges are levied to 3% for all DM sites.
- Extension of the 97.5% read submission target to both Class 1 and Class 2 sites, with an incentive mechanism applied (proceeds return to the industry in the same way as scheduling charges)
- Incentive Payment = (%DM target - % DM performance) x DM AQ/365x10%SAP

Incentive payments would be smeared back across the industry.

A lengthy and protracted general discussion took place regarding these costings and who should be responsible for these, in relation to the Trading Arrangement. CWa said that from a Transporter perspective, if the Meter or Meter Pulse equipment failed then it would be the Shippers responsibility to be liable for these costs. He said that further clarification was needed within the modification regarding the areas of liability and GE said he would ensure this was detailed within the Solution to inform Legal Text, especially regarding the Monthly Read Liability process, together with the procedure for compensation if no Meter Read information was available. GE then recited the specific Terms and Conditions as defined in section TPD M5, 5.7 and CWa again reiterated that the Transporters had no control over the Meter Pulse, and so could not be liable for these. GE agreed to provide clarity regarding the liability aspect from both a Transporter and Shipper perspective.

New Action 1001: First Utility (GE) to provide clarity regarding the specific liabilities from a Transporter and Shipper perspective.

DL said that he needed to have discussions with GE regarding the impacts on the systems within in Gemini in relation to the DM Meter read processes.

New Action 1002: National Grid NTS (DL) to discuss with First Utility (GE) the impacts on the systems within the Gemini system in relation to the DM Meter Read process.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

Q1. In proposing to set aside the existing transporter incentive, will there be an additional/alternative incentive?

Not discussed within the meeting.

Q2. In considering that for class 1 sites the process is a joint one, are 2 incentives required for both parties?

Not discussed within the meeting.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference will be published alongside the Modification at <https://www.gasgovernance.co.uk/0635/>

3.0 Next Steps

BF confirmed that this modification would be further developed within the Distribution Workgroup Meeting on 23 November 2017.

4.0 Any Other Business

None.

5.0 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 23 November 2017	Elexon, 4th Floor, 350 Euston Road, London, NW1 3AW	Detail planned agenda items. <ul style="list-style-type: none"> • Amended Modification • Consideration of Business Rules • Review of Impacts and Costs • Development of Workgroup Report

Action Table (as at 26 October 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1001	26/10/17	1.0	First Utility (GE) to provide clarity regarding the specific liabilities from a Transporter and Shipper perspective.	First Utility (GE)	Pending

Action Table (as at 26 October 2017)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
1002	26/10/17	1.0	National Grid NTS (DL) to discuss with First Utility (GE) the impacts on the systems within the Gemini system in relation to the DM Meter Read process.	National Grid NTS (DL) and First Utility (GE)	Pending