

UNC Workgroup 0642 (Urgent) 0642A Minutes
Changes to settlement regime to address Unidentified Gas issues
Tuesday 30 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
Alec Mason*	(AM)	Ecotricity
Alex Holbourne*	(AH)	Corona Energy
Andrew Green*	(AG)	Total Gas & Power
Andrew Margan	(AMa)	Centrica
Benjamin Martin	(BM)	Stark
Beverley Viney	(BV)	National Grid NTS
Borja Ayerdi Vilches	(BAV)	ScottishPower
Carl Whitehouse	(CW)	First Utility
Chris Faulds	(CF)	ScottishPower
Chris Warner	(CWa)	Cadent
David Mitchell*	(DM)	SGN
David Tennant	(DT)	Dentons
Fiona Cottam	(FC)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
James Murphy	(JM)	Stark
John Welch	(JW)	npower
Joshua Phelps*	(JP)	Ecotricity
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 Rixon	(MR)	Engie
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

* *via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0642/300118>

The Workgroup Report is due to be issued to consultation by 01 February 2018.

1.0 Introduction and Status Review

1.1 Approval of minutes (15 January 2018)

BV explained she had proposed a minor amendment to the minutes in relation to a wording change which was agreed. These were then amended and re-published on the 15 January 2018 meeting page.

The minutes were then approved.

2.0 Confirmation of Legal Text

BF explained that DT was going to provide an overview to the Legal Text and associated amendments.

DT said that he had produced a Cover Sheet which encompassed all of the 3 Modifications which he hoped would be useful and would provide further clarity.

He then provided an overview of the Legal Text for Modifications 0642, 0642A and 0643:

Modification 0642

MODIFICATION 0642 – SCHEDULE B

TPD SECTION H - DEMAND ESTIMATION AND DEMAND FORECASTING

DT explained that some amendments had been made to the following sections and these could be clearly identified in the 'Change Marked' version. He drew attention to the specific areas of interest within the sections as detailed below.

1.2 End User Categories

1.5 Seasonal Normal Demand

1.12 Demand Estimation Sub-Committee

2.2 Supply Meter Point Demand Formula

2.4 Daily Adjustment Factor

2.5 Weather Correction Factor and Scaling Factor

2.6 Unidentified Gas

3 NDM ANNUAL QUANTITIES - 3.2 Annual Quantity

MODIFICATION 0642 – SCHEDULE A

TPD SECTION E - DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

DT then provided an overview of the 'Change Marked' version of this document drawing attention to specific sections of interest, where amendments had been made, in the following sections:

1.1 User Daily Quantities

1.3 Reconciliation

7. SETTLEMENT ERROR RECONCILIATION

7.4 No retrospective adjustments

7.5 Qualifying LDZ Reconciliation

9 UNIDENTIFIED GAS - 9.4 Establishing the AUG Statement and AUG Table

AND SETTLEMENT ERROR

A lengthy general discussion then ensued regarding the measurement or quantity defined was energy or volume, and that there was a difference in how these were both measured or identified. FC explained she had had a discussion with DT about this topic and she had tried to provide a simplistic explanation for DT to encompass within the Legal Text. She added that the energy quantity derived from the volume measured as consumed in the LDZ and it was then converted to energy. DT added that more information on this area had been further included in Section E. RP asked what was the situation with regards to Non Daily Meters and whether these were included or not, in respect of the Settlement Errors.

A further discussion took place in relation to UIG and MB proposed the starting value was 1.1% as determined by the AUGS and he said he wanted to know how this definition was derived. GE said that he was not prepared to go into further detail regarding this matter and that this decision should be left to the AUGS in terms of how they allocate UIG, together with the Scaling Factors.

DT then provided an overview of the Cover Page Document as detailed below:

Modification 0642 (Urgent) Changes to settlement regime to address Unidentified Gas issues

Legal text

Transportation Principal Document

TPD Section C – Nominations

Amend paragraph 1.5.3 to read as follows: 1.5.3

(c) for the purposes of paragraph (b) an “adjusted” Nomination Quantity for a Day in respect of a System Exit Point is the Nomination Quantity adjusted by the UIG allocation factor specified in the prevailing AUG Table in respect of the category to which that System Exit Point belongs on that Day.

TPD Section E - Daily Quantities, Imbalances and Reconciliation

Section E of the Transportation Principal Document to be amended as shown in Schedule A attached.

TPD Section H - Demand Estimation and Demand Forecasting

Section H of the Transportation Principal Document to be amended as shown in Schedule B attached.

Transition Document

Amend Part IIC of the Transition Document by inserting a new paragraph 24 to read as follows:

24 REVISION OF UNIDENTIFIED GAS ALLOCATION

24.1 General

24.1.1 In this paragraph 24:

- (a) *Modification* means *Modification 0642* (pursuant to which, among other things, this paragraph 24 applies);
- (b) *Implementation Date* means the *Implementation Date of the Modification*;
- (c) *Old Rules* means the provisions of the Code as they apply prior to the Modification;
- (d) *New Rules* means the provisions of the Code as they apply following the Modification;
- (e) section references are to sections of the *Transportation Principal Document*.

24.1.2 Subject to the further provisions of this paragraph 24, the *New Rules* are to be effective from the *Implementation Date* on a *Gas Flow Day* basis.

24.1.3 For the purposes of this paragraph 24, where a provision of the *New Rules* is to be effective from the *Implementation Date* on a “*Gas Flow Day* basis”:

(a) such provision shall be effective in respect of gas flows (and related activities under the Code including the holding of System Capacity, the making of Nominations, and the allocation of quantities as UDQIs and UDQOs) on Days on and from the *Implementation Date*;

and accordingly

(b) in relation to anything which (under the Code) may be done or is to be done before the *Gas Flow Day*, the *New Rules* shall apply before the *Implementation Date* in relation to *Gas Flow Days* on and after the *Implementation Date*;

(c) in relation to anything which (under the Code) may be done or is to be done after the *Gas Flow Day*, the *Old Rules* shall apply on and after the *Implementation Date* in relation to *Gas Flow Days* before the *Implementation Date*.

24.2 Modification of Section E

24.2.1 *Settlement Error Reconciliation* under the *New Rules* in Section E7 shall be carried out with effect from and in respect of the *Reconciliation Billing Period* commencing on the *Implementation Date*, and accordingly *Unidentified Gas Reconciliation* under the *Old Rules* shall be carried out in the month of the *Implementation Date* in respect of the *Reconciliation Billing Period* ending immediately before the *Implementation Date*.

24.2.2 The *New Rules* in Section E9 shall apply with effect from and in respect of the *AUG Year* commencing 1 October 2019; and accordingly:

- (a) the *AUG Document* shall be modified to reflect the *New Rules*,

(b) the CDSP shall, in accordance with any guidance or direction of the UNC Committee, either make amendments to the prevailing AUG Expert Contract, or conduct a new tender for appointment of an AUG Expert, so as to implement the New Rules, and

(c) for the purposes of Section E9.4.1, the methodology in the AUG Statement shall reflect the New Rules,

with effect from the AUG Year commencing 1 October 2019.

24.2.3 For the AUG Year commencing 1 October 2018 the Old Rules shall apply for the purposes of preparation of the AUG Statement and AUG Table, without prejudice to paragraph [24.2.4] below.

24.2.4 For the period from the Implementation Date until 1 October 2019:

(a) the UIG Factor applying for each LDZ shall be 1.1%;

(b) the SER allocation factors for each Category of NDM Supply Point shall be the same as the prevailing UIG allocation factors

(c) the prevailing AUG Table shall be deemed amended to reflect paragraphs (a) and (b).

24.2.5 The Uniform Network Code Committee shall amend the document currently entitled 'Customer Settlement Error Claims Process Guidance Document' so that its title is 'Pre-Cut Off Error Claims Process Guidance Document'.

24.3 Modification of Section H

24.3.1 The revised NDM Demand Estimation Methodology (in the form attached to the Final Modification Report for the Modification) shall be effective (on a Gas Flow Day basis) with effect from the Implementation Date and in accordance with paragraph [24.3.2] below.

24.3.2 Unless the Implementation Date is 1 October in a Gas Year, Section H1.7 shall apply on the basis of the New Rules, for the purposes (among other things) of establishing the Derived Factors to apply with effect from the Implementation Date, as if the period commencing on the Implementation Date and ending on the following 30 September were a separate Gas Year.

24.3.3 For each NDM Supply Meter Point, the Annual Quantity shall be determined in accordance with the New Rules in Section H3.2 with effect from the month following the first AQ Calculation Month which is not earlier than the month before the Implementation Date; and until then the Annual Quantity as determined under the Old Rules and applying in the month before the Implementation Date shall continue to apply.

The revised NDM Demand Estimation Methodology (in the form attached to the Final Modification Report for the Modification) shall be effective (on a Gas Flow Day basis) with effect from the Implementation Date and in accordance with paragraph [24.3.2] below.

LW said that she had questions regarding the 'cut over days' and she was not sure how two processes with systems out of alignment could operate, especially with different files and rules. GE agreed that two sets of rules was not a workable option and felt the industry would work to the new rules and use historical information to support their new positions. LW added that prior to the Implementation Day this needed to be understood with regards to the

allocations. RP felt there should be a cut over period similar to that used for Nexus with Non Effective Days. A lengthy general discussion then took place regarding Non Effective Days, when the old rules and new rules would be valid and the impact of D+5. GE said as a default option, that the same process would be undertaken but the view was there would be a hard cutover and the industry would need to adapt quickly. FC and LW said that Nexus was not a very smooth process and some days didn't get allocated when they should have done. LW again reiterated that the Non Effective Days impact needed to be considered. GE said he did not want to make any changes to the modification at this late stage, as that would also change the scope and content, which is he was not prepared to do if this impacted the legal text. He added that any changes would cause lots of issues and problems for the market, as a whole if they were too complex. DT said there were no specifics included in Section H on this matter, however there were complex rules already included in relation to 'Truncating'.

Modification 0642A

MODIFICATION 0642A – SCHEDULE B

TPD SECTION H – DEMAND ESTIMATION AND DEMAND FORECASTING

DT drew attention to certain sections within Section H, especially 1.14 regarding the Base UIG Factor, as detailed below:

1.14 Base UIG Factor

1.14.1 The "Base UIG Factor" for a LDZ and a Gas Year is a single factor to be applied on every Day of the Gas Year to the LDZ Daily Quantity Offtaken to determine Base Unidentified Gas in accordance with paragraph 2.6.1(b).

1.14.2 The Committee shall determine (in accordance with paragraph 1.7), for each LDZ and each Gas Year, the Base UIG Factor as the Committee's estimate of the expected average Calculated Unidentified Gas for the LDZ for such Gas Year, taking into account Calculated Unidentified Gas in the LDZ for a [12 month period selected by the Committee] preceding such determination.

1.14.3 The Committee may choose to determine a single value of the Base UIG Factor to apply for all, or for sub-set of, the LDZs for a Gas Year.

FC explained some discussions had taken place about UIG and whether it was set by Class or by individual LDZ. SB said this needed to be different for Modification 0642S in Section H and DT confirmed he would make the necessary changes. He then completed the overview of this document, again noting that it was 'Change Marked' to aid understanding and to provide clarity.

MODIFICATION 0642A - SCHEDULE A

SECTION E – DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

DT drew attention to specific sections and points as required to provide reasoning to the amendments.

BF asked if there were any more comments on any of the Legal Text. CWa said that he was aware that the Legal Text Commentary for all of the three modifications was required by close of play Wednesday 31 January 2018 in readiness for the consultation on 01 February 2018. FC said in relation to Modifications 0642 and 0643 was an updated AUG framework required?, and the general consensus was that this was not necessary. DT added that in relation to

Modification 0642 that TPD Section E, Point 9.0 would be updated to reflect the new rules. BF said that these were not needed within the modification at this stage, and that these could follow based on the actual implementation date. GE agreed and said that any changes required could be undertaken via the UNCC remit.

3.0 Amendment of Modifications

3.1 Modification 0642

BF explained that GE had made some more amendments to the modification. GE then said he wanted to formally thank everyone for their feedback and suggestions and that he had amended the modification in line with this feedback, by adding further detail via a Table format specifically regarding the Settlement Error of Weighting Factors. A lengthy general discussion then took place regarding the Scaling Factors and if the 1.1% was shaped to different class of users and if the Reconciliation Smearing procedure included the debit and credits per month in relation to the Meter Read process. GE said that the purpose of the modification was not regarding the incentive reads submission process and that the Scaling Factors were shown in a distinct way within the Table, as detailed in the Workgroup Report.

3.2 Modification 0642S

KD explained that she had now changed the categories and percentages as had been requested, including some amendments within the solution section regarding the Annual Assessment. BF asked if the AUGE arrangements would be terminated on the implementation of the modification. KD said yes this was correct, although the original Weighting Factors would still be used for the next 5 months. FC said there would be a notice period for the AUGE and AMa suggested that a decision could be made by the UNCC regarding the AUGE.

4.0 Completion of Workgroup Reports

BF explained that he had encompassed all of the 3 modifications within the same Workgroup Report and they were identified by different font colours where needed. He said he hoped that it was easier to have all the information contained in one report.

BF moved through the Workgroup Report amending and making insertions to specific areas as requested by the Workgroup or participants. Further general discussions took place in relation to the implementation timelines and the potential risks to UK Link and Gemini. LW also stated that there may be some issues with additional Cash Call notices being issued. BF added words this affect, regarding the Energy Balancing process. BF also confirmed that each Proposer had added into the workgroup reports the retrospective arguments in each case against the Relevant Objectives. BF then moved on to add more detail into the Consumer Impacts section, as some individuals had concerns over potential increased costs and AMa suggested that an additional modification may be required to address this retrospective aspect. GE said that this had been covered already in the modification. BF continued to make insertions and amendments as requested by the Workgroup to ensure all individuals had their suggestions and points captured within each section as discussed. BF said that the updated version would be published and the consultation would 'close out' on 08 February 2018. He drew attention to the fact that the Joint Office Website was being updated on this day, and so the completed report would be published on 12 February 2018.

5.0 Review of Cost Benefit Analysis

Modification High Level Impact Assessment - Presentation

LW provided an overview to the '*Modification High Level Impact Assessment*' presentation, explaining that these high level impact assessments had been undertaken to take account of

the following: UKLINK Impacts, Gemini Impacts, Testing & Regression Impacts, System Performance and Elapsed delivery timelines regarding each specific modification. She wanted to reiterate that as the requirements were still evolving whilst undertaking this impact assessment, an element of risk margin had been applied to each of the options. Therefore, the costs associated with each of the options would be given in a high level range. She added that should any of the modifications be implemented, then Xoserve would need to undertake a more detailed impact assessment to verify the costs and timescales prior to implementation.

LW then explained the Summary of Alternative Proposals schematic which itemised each modification as detailed below, and she added that these changes would be undertaken by Xoserve in-house at no extra cost:

Modification 642: Changes to settlement regime to address Unidentified Gas issues

- Calculate daily UIG as a fixed percentage of throughput
- Follow top down approach to allocate NDM
- Calculate WCF using the pre-Nexus calculation
- Apportion the UIG using the weighted scaling factor
- Addition of new batch to identify settlement relevant meter points
- Changes to UG Smearing process to consider the above factors
- One retrospective smearing to be performed based on the implementation date, if not possible offline

Modification 642A: Changes to settlement regime to address Unidentified Gas issues with current NDM allocation approach

- Calculate daily UIG as a fixed percentage of throughput
- Follow Existing approach to allocate NDM
- Balancing quantity shared on allocation to class 3 and 4
- No UIG Weighting factor used in UIG allocation
- Changes to UKLINK to consider balancing quantity in UG Smearing process

Modification 643: Changes to settlement regime to address Unidentified Gas issues including retrospective correction

- Calculate daily UIG as a fixed percentage of throughput
- Follow top down approach to allocate NDM
- Calculate WCF using the pre-Nexus calculation
- Apportion the UIG using the weighted scaling factor
- Addition of new batch to identify settlement relevant meterpoints

- Changes to UG Smearing process to consider the above factors
- Changes to Rec process to smear UIG across unreconciled meters in past 12 mon

LW then explained that in relation to the Impacted Components regarding each modification the estimated delivery timescales in each case would be:

Modification 0642 = 46 weeks, Modification 0642S = 35 weeks, Modification 0643 = 50 weeks

LW overviewed the potential implementation timeline schematic from now until September 2019 and then explained the costings as detailed below:

Estimated elapsed timescales		
46 weeks	35 weeks	50 weeks
Estimated delivery costs		
Circa £2 million	Circa £1 million	Circa £2.2 million

Costs associated with each of the options include additional environments in order to deliver the solution within the required timescales and risk margins have been applied

Timescales include the following common elements

Governance	4 weeks
Market Trials	12 weeks
Implementation Prep and Dress Rehearsals	4 weeks

A lengthy general discussion then took place in respect of the implementation timelines and GE proposed that in each case the duration of weeks could be reduced, for example in the case Modification 0642 from 46 weeks to 26 weeks, and LW said that there was the potential option to take off 12 weeks in each costing scenario, but that this needed to be considered and handled in a sensitive and practical manner. SB said that from a Shipper's perspective that it was not possible to 'un-pick' or 'un-rec' closed days and so there would be a need for market trials, due to the fact that nothing could be amended at the reconciliation stage.

A general discussion then ensued regarding who would make the decision on the implementation date, and it was agreed, it would be ratified by the DSG with the DSC Change Committee making the final decision. Other general concerns were mentioned regarding the required changes to Gemini, the budgetary costs and the overall governance and Urgent Modification process. LW again reiterated that all the information that had been presented was a high level assessment only at this stage.

FC wanted to draw attention to the 'Updated' presentation, *Availability of Data to Support UIG Analysis*, which she had presented at the previous meeting on 15 January 2018 and she explained the updated areas were now in red font or had a red 'new box' on each slide, to aid clarity. BF suggested that this presentation should be published alongside the Workgroup Report and all were in agreement with this proposal.

6.0 Review of Outstanding Actions

Action 0103: Xoserve (FC/LW/DA) to look to provide a high-level view on potential costs and testing environment requirements for consideration at the 15 January 2018 meeting.

Update: FC and LW confirmed this information had been supplied in the form of a presentation and so the action could now be closed. **Closed.**

Action 0104: Waters Wye (GE) to provide more information on why the implementation dates cannot be changed, to assist Ofgem with their decision.

Update: GE confirmed he had now included more detail within the Workgroup Report regarding the implementation dates and so this action could now be closed. **Closed**

Action 0105: E.ON (KD) to consider if a guidance document to support the process in Modification 0642A is needed.

Update: KD said if the modification was implemented, then she would produce this document to provide clarity and so this action could now be closed. **Closed**

7.0 Next Steps

BF confirmed the modifications would go out to consultation on 01 February 2018 with a close out date of 08 February 2018 and that the workgroup was now formally closed.

8.0 Any Other Business

None.

9.0 Diary Planning

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

Workgroup meetings will take place as follows:

BF confirmed the Workgroup was now formally closed.

Action Table (as at 30 January 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0103	04/01/18	1.2	To look to provide a high-level view on potential costs and testing environment requirements for consideration at the 15 January 2018 meeting.	Xoserve (FC/LW/DA)	Closed
0104	15/01/18	2.0	Waters Wye (GE) to provide more information on why the implementation dates cannot be changed, to assist Ofgem with their decision.	Waters Wye (GE)	Closed
0105	15/01/18	3.0	E.ON (KD) to consider if a guidance document to support the process in Modification 0642A is needed.	E.ON (KD)	Closed