














UNC Workgroup Report	At what stage is this document in the process?
<h1>UNC 0652:</h1> <h2>Introduction of winter read/consumption reports and associated obligations</h2>	<div> <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>This modification aims to create an obligation, and associated monitoring reports, to support the process for shippers to submit reads and correct data, ensuring the appropriate winter consumption calculation takes place, for accurate NDM WAR band profiling.</p>	
	<p>The Workgroup recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>Returned to Workgroup for further assessment.</li> </ul> <p>The Panel will consider this Workgroup Report on <b>16 August 2018</b>. The Panel will consider the recommendations and determine the appropriate next steps.</p>
	<p>High Impact:</p> <p>Shippers</p>
	<p>Medium Impact:</p> <p>Transporters</p>
	<p>Low Impact:</p>

Contents		 Any questions?
1	Summary	3
2	Governance	4
3	Why Change?	4
4	Code Specific Matters	4
5	Solution	4
6	Impacts & Other Considerations	5
7	Relevant Objectives	7
8	Implementation	8
9	Legal Text	8
10	Recommendations	8
Timetable		 0121 288 2107
<b>The Workgroup recommends the following timetable:</b>		Proposer: <b>John Welch</b> <b>Npower</b>
Initial consideration by Workgroup	22 March 2018	 <a href="mailto:john.welch@npower.com">john.welch@npower.com</a>
Amended Modification consider by Workgroup	26 July 2018	 07557 170816
Workgroup Report presented to Panel	20 September 2018	Transporter: <b>Joanna Ferguson</b> <b>Northern Gas Networks</b>
Draft Modification Report issued for consultation	20 September 2018	 <a href="mailto:ferguson@northern-gas.co.uk">ferguson@northern-gas.co.uk</a>
Consultation Close-out for representations	11 October 2018	 07883 099616
Final Modification Report available for Panel	15 October 2018	Systems Provider: <b>Xoserve</b>
Modification Panel decision	18 October 2018 (short notice)	 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>
		Other: <b>James Rigby</b>
		 <a href="mailto:james.rigby@npower.com">james.rigby@npower.com</a>
		 07557 198020

## 1 Summary

### What

Since Nexus go-live, it has been reported that up to 25% of relevant sites in End User Category (EUC) bands 3 to 8 have been assigned a default Winter Annual Ratio (WAR) band for the purposes of demand estimation profiling. It has been cited as a contributing factor affecting performance levels of the demand estimation algorithm. To calculate an accurate Winter Annual Ratio, shippers need to submit a pair of reads in the winter period (one in Nov – Dec, and a second in Mar – Apr). If either of these reads is not submitted, or fails validation, winter consumption cannot be calculated, and therefore a 'bucket' or default EUC band is assigned. In addition, if winter consumption energy or the related AQ is erroneous due to underlying data issues, the winter energy is not valid, and an appropriate EUC WAR band cannot be assigned. When reads have not been submitted, shippers can later provide data updates that allow the correct allocation of an accurate WAR band.

### Why

The current level of sites in EUC bands 3 to 8 with a default WAR band (25%) is one contributing factor to potential inaccuracies in the demand estimation algorithm, which in turn leads to increased levels of temporary UIG. A series of reports, plus additional obligations, would increase the level of sites receiving an accurate WAR band, and therefore the accuracy of the demand estimation calculations. It would also serve to highlight and focus efforts on an arguably less well-known industry process that supports the demand estimation calculations.

The relevant supply points (those in EUCs 03-08) will be monthly read, and many should also have advanced metering fitted, so obligations already exist to submit a meter read every month. Additional clarity will be provided by creating new reports and obligations to highlight the need to correct data to ensure winter consumption can be calculated correctly.

### How

This modification seeks to introduce a number of industry reports, sent to users and the Performance Assurance Committee (PAC), to provide visibility and support to the winter consumption process that is linked to the production of accurate WAR bands for supply points in EUCs 03 – 08. These reports would highlight to users when a read has not been submitted in either of the relevant windows, allowing the user to take action and submit a read in the following month. Furthermore, reports would also highlight when reads were not successfully submitted, with an additional obligation being placed on users to undertake a data update to allow the winter annual ratio to be calculated.

The additional reporting would provide visibility for users at different stages of the process, while the additional obligation would provide further clarity and structure to ensure the process works correctly.

## 2 Governance

### Justification for Authority Direction

The Modification Panel determined that this modification should follow Authority Direction procedures as it could have a material impact on competition as a result of more accurate energy allocation.

Modification 0652 will therefore follow Authority Direction procedures.

### Requested Next Steps

This modification should:

- Be returned to Workgroup for further assessment.

## 3 Why Change?

Since Nexus go-live unidentified gas has been the leading issue in the gas retail market, and one of the key areas of investigation has been the accuracy of the demand estimation algorithm. One of the issues highlighted by Xoserve has been the relatively high number of sites in EUC bands 3 to 8 (approx. 25%). It is difficult to accurately quantify the impact, without knowing the correct consumption and more appropriate WAR band for these sites; however, the issue of NDM WAR bands is currently listed as the sixth highest risk on the PAC settlement risk register.

In addition, sites in EUC bands 3 to 8 are assigned a load factor based on their WAR band. If a site has a default WAR band, an inappropriate load factor could be assigned, and therefore an incorrect SOQ calculated. This has implications for transporters for both capacity planning and revenue recovery.

This process has arguably not had wide visibility in the past. With this in mind, the introduction of supporting reports and an additional obligation would ensure that users have regular proactive prompts (when winter reads have become due), as well as reactive reminders (when reads have not been sent) and can therefore make appropriate updates to ensure the industry process works optimally. This would then lead to more accurate demand estimation, and therefore a reduction in levels of temporary UIG, as well as more accurate SOQ calculation (with the associated benefits for transporter capacity planning).

## 4 Code Specific Matters

### Reference Documents

Link to the PARR:

[https://www.gasgovernance.co.uk/sites/default/files/ggf/PAC%20Document%201%20Performance%20Assurance%20Framework%20Report%20Register%20v1.0\\_0.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/PAC%20Document%201%20Performance%20Assurance%20Framework%20Report%20Register%20v1.0_0.pdf)

## 5 Solution

The solution will involve a series of reports, sent by CDSP to users at various points throughout the gas year, to support the winter consumption process. The process requires submission of meter reads in two specific periods, one in November or December, and a second in March or April. Energy kWh is calculated from the pair of reads and then prorated to create a winter consumption quantity. This can then be compared to the prevailing annual quantity to create a winter annual ratio (and subsequently the relevant WAR band for DESC purposes).

There is an existing process where users can later submit a winter consumption quantity when central systems have not been able to calculate that value (for example, in instances where one or both reads in the winter period have not been submitted). It is envisaged that an obligation is created for users to use this process at the appropriate point, following the receipt of a report that highlights such action is necessary.

## **Business Rules**

The CDSP will send a number of reports to all relevant parties (i.e. users that are registered to supply points in the relevant EUC 03-08 bands), at various points throughout the gas year, as well as related reports for monitoring by the Performance Assurance Committee (PAC).

1. Report 1 – the CDSP will send out a report detailing the prospective winter consumption. This will be sent out in May of each gas year. The report will detail the relevant winter consumption and highlight any supply points where a winter consumption quantity could not be calculated for the gas year ahead (for example where a read was not submitted in the preceding winter periods. An obligation will be placed on the user to take action in the September following receipt of the report to update central systems with a winter consumption value for the gas year ahead (where data exists to do so).
2. Report 2 – the CDSP will send a related report to the PAC (in June) for visibility of the number of relevant supply points potentially without winter consumption for the gas year ahead.
3. Report 3 – this report to be sent to users and would highlight those supply points where a correction was potentially required in September but did not take place. Further opportunity to update these supply points with an appropriate winter consumption quantity is available to users throughout the gas year (from October to August).
4. Report 4 - a version of report 3 would be sent to the PAC for monitoring purposes.
5. Report 5 – this report would be sent by the CDSP to users, and would highlight the relevant supply points where a read was not submitted in the first appropriate winter month (i.e. November). The report would be sent at the beginning of December, and serve as a prompt to users who had not fulfilled their monthly read submission obligation to take action and ensure a read was submitted in the following month (i.e. December). This would enable the CDSP central systems to have access to the first relevant read to calculate the winter consumption quantity.
6. Report 6 – this report would be sent to the PAC in January for visibility of supply points that had not fulfilled their monthly read submission obligation, with specific reference to the initial winter period.
7. Report 7 - this report would be sent by the CDSP to users, and would highlight the relevant supply points where a read was not submitted in the second appropriate winter month (i.e. March). The report would be sent at the beginning of April, and serve as a prompt to users who had not fulfilled their monthly read submission obligation to take action and ensure a read was submitted in the following month (i.e. April). This would enable the CDSP central systems to have access to the second relevant read to calculate the winter consumption quantity.
8. Report 8 - this report would be sent to the PAC in May for visibility of supply points that had not fulfilled their monthly read submission obligation, with specific reference to the initial winter period.

Reporting timeline

The timeline below illustrates at which points during the gas year the reports would be sent, and when updates can take place. For clarity, the additional obligation would become applicable on receipt of report 1 (May), following which, updates should be performed in September.

6 Impacts & Other Considerations

Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

None identified.

Consumer Impacts

None identified.

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none"><li>Domestic Consumers</li><li>Small non-domestic Consumers</li><li>Large non-domestic Consumers</li><li>Very Large Consumers</li></ul>
What costs or benefits will pass through to them?	Insert text here
When will these costs/benefits impact upon consumers?	Insert text here
Are there any other Consumer Impacts?	Insert text here

Cross Code Impacts

There may be an impact on the IGT UNC which will need to be considered in the Workgroup.

EU Code Impacts

None identified.

Central Systems Impacts

No major impacts, some additional reporting to be created.

## Workgroup Impact Assessment

Panel Questions

Review the model and consider the true value of the impact of the proposal

## Rough Order of Magnitude (ROM) Assessment

Insert text here

**OR**

### Rough Order of Magnitude (ROM) Assessment *(Workgroup assessment of costs)*

Cost estimate from CDSP	Insert text here
Insert Subheading here	Insert text here

## 7 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None

f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Improving the demand estimation calculations should enhance accurate apportioning of energy, therefore furthering relevant objective d) competition between shippers and suppliers.

## 8 Implementation

No implementation timescales are proposed. However, implementation should be as soon as is practical, and ideally as soon into the next winter read cycle as possible.

## 9 Legal Text

### Legal Text

To be provided by Transporters.

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This modification should be returned to Workgroup for further assessment.