













| UNC Modification | At what stage is this document in the process? |
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| <h1>UNC 0664:</h1> <h2>Transfer of Sites with Low Read Submission Performance from Class 2 and 3 into Class 4</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>Purpose of Modification:</p> <p>To create an obligation for Shippers to move sites with low meter read submission performance from Product Class 2 and 3 into Product Class 4.</p> | |
|  | <p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> considered a material change and not subject to self-governance assessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 16 August 2018. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p> |
|  | <p>High Impact:</p> <p>Shippers</p> |
|  | <p>Medium Impact:</p> <p>CDSP</p> |
|  | <p>Low Impact:</p> <p>Transporters</p> |

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| Timetable | |  0121 288 2107 |
| The Proposer recommends the following timetable: | | Proposer: John Welch Npower |
| Initial consideration by Workgroup | 28 August 2018 |  enquiries@gasgovernance.co.uk |
| Workgroup Report presented to Panel | 20 December 2018 |  john.welch@npower.com |
| Draft Modification Report issued for consultation | 20 December 2018 |  07557 170816 |
| Consultation Close-out for representations | 15 January 2019 | Transporter: Cadent |
| Final Modification Report available for Panel | 28 January 2019 |  chris.warner@cadentgas.com |
| Modification Panel decision | 21 February 2019 |  01926 653541 |
| | | Systems Provider: Xoserve |
| | |  UKLink@xoserve.com |

1 Summary

What

This modification is being raised on behalf of the Performance Assurance Committee (PAC).

Post Nexus delivery Unidentified Gas (UIG) is shared out using weighting factors determined by the Allocation of Unidentified Gas Expert (AUGE), and currently less UIG is apportioned to Class 2 and Class 3 Supply Points (SPs) than to Class 4 SPs. However, poor read submission performance in these settlement classes does not improve the situation regarding temporary UIG but hinders it further. The PAC has been monitoring the situation over recent months, and it has become clear that poor read submission can continue with no incentive (beyond Uniform Network Code (UNC) breach) to rectify the situation in the short term. For this reason, the PAC is seeking to create additional incentives in this area to ensure Shippers reach and maintain a minimum level of meter read submission performance for each Class as established in the UNC.

Why

At present, while meter read submission performance targets are clearly laid out in the UNC TPD Section M, there is no further incentive to ensure meter read submission performance reaches a suitable level and is maintained. This Modification seeks to create a link between meter read submission performance and the ability to enjoy reduced levels of UIG exposure. As it stands, without additional incentives, Shippers are able to move large numbers of sites (with potentially high associated energy consumption) into Classes 2 and 3 and therefore reduce UIG exposure.

How

It is proposed that an obligation is created for Shippers to move sites with poor meter read performance in Class 2 and 3 back into Class 4 until such time as they are able to meet and maintain the minimum meter read submission targets. If action is not taken after a certain time period, then an obligation would also be placed on the CDSP to move sites back into Class 4.

In addition, as a further incentive for Shippers to enter sites into Class 2 and 3 with the ability to fulfil the meter read submission requirements, it is proposed that a charge is created that is levied on Shippers based on the period of low read submission performance.

2 Governance

Justification for Authority Direction

This Modification should follow Authority Direction procedures, as it could have a material impact on competition. The Modification proposes the introduction of obligations related to meter read submission performance for Class 2 and 3 SPs, plus a structure of charging to act as a further incentive to ensure parties that use the relevant settlement classes are able to fulfil the associated meter read submission obligations. As a result, there could be a material impact on competition and contractual obligations for Shippers and Suppliers.

Requested Next Steps

This Modification should:

- be considered a material change and not subject to self-governance

- be assessed by a Workgroup

3 Why Change?

As it stands currently, performance targets for meter read submission are clearly laid out in the UNC for all settlement classes. The current meter read submission for Class 2 and 3 sites, stated in UNC TPD Section M, stands at 97.5% of a Shipper's portfolio for Class 2, and 90% of a Shipper's portfolio per month for Class 3. However, parties can benefit from lower UIG weighting factors by moving sites into Classes 2 and 3, but with no incentive or link to minimum levels of read submission performance. Without this link, the additional reads available in these Classes will not help the temporary UIG situation, but would further hinder it potentially creating more unreconciled gas in these categories.

Since November 2017, the PAC have been monitoring levels of read submission for Classes 2 and 3 as the post Nexus settlement classes have been taken up by Shippers. While take-up of Class 2 remains relatively modest, there are some 120,000 SMPs currently in class 3. However, the post Nexus regime is now over one year old, and read submission performance remains poor, despite the CDSP offering and giving support to Shippers to improve read submission levels. Given that this educative approach has not been successful to date, the PAC feels further incentives are needed in this area to improve read submission levels for the new settlement classes.

The most recently reported (anonymous) read submission levels are below (as at March 2018), with associated AQs indicating the potential level of energy affected by the issue. These reports will be updated once available.

Class 3:

| Shipper Short Code | Class 3 Aggregate AQ as at 01/02/2018 | Number Of Class 3 SMP's as at 01/02/2018 | Number Of Class 3 Accepted Reads Submitted between 01/02/2018 and 28/02/2018 | Number Of Class 3 Rejected Reads Submitted between 01/02/2018 and 28/02/2018 | Average number of reads |
|--------------------|---------------------------------------|--|--|--|-------------------------|
| 151 | 2,103,633 | 13 | 250 | 57 | 19 |
| 242 | 43,019,500 | 1 | 25 | 26 | 25 |
| 536 | 711,168 | 1 | 0 | 0 | 0 |
| 617 | 2,285,334 | 12 | 268 | 60 | 22 |
| 212 | 2,145,742,577 | 13,638 | 6,305 | 3,431 | 0 |
| 314 | 72,478,166 | 6 | 0 | 299 | 0 |
| 121 | 15,573,626 | 2 | 0 | 0 | 0 |
| 223 | 827,866,234 | 57,417 | 307,137 | 789,322 | 5 |
| 181 | 3,124,972 | 18 | 14 | 6 | 1 |
| 526 | 806,137 | 2 | 2 | 0 | 1 |
| 272 | 435,053 | 2 | 4 | 0 | 2 |
| 920 | 912,841,858 | 6,421 | 3,601 | 2,820 | 1 |
| Totals: | 4,026,988,258 | 77,533 | 317,606 | 796,021 | 4 |

Class 2:

| Shipper Short Code | Class 2 Aggregate AQ as at 01/02/2018 | Number Of Class 2 SMP's as at 01/02/2018 | Number Of Class 2 Accepted Reads Submitted between 01/02/2018 and 28/02/2018 | Number Of Class 2 Rejected Reads Submitted between 01/02/2018 and 28/02/2018 | Average number of reads |
|--------------------|---------------------------------------|--|--|--|-------------------------|
| 829 | 317,714,234 | 26 | 979 | 33 | 38 |
| 151 | 35,397,171 | 1 | 75 | 55 | 75 |
| 303 | 55,041,415 | 1 | 178 | 2 | 178 |
| 212 | 126,926,300 | 5 | 140 | 2 | 28 |
| 132 | 43,022,657 | 1 | 28 | 0 | 28 |
| 333 | 1,381,924,334 | 70 | 4,156 | 41 | 59 |
| 272 | 100,999,345 | 8 | 196 | 0 | 25 |
| 920 | 37,278,633 | 2 | 202 | 1 | 101 |
| 343 | 82,305,816 | 3 | 196 | 0 | 65 |
| Totals: | 2,180,609,905 | 117 | 6,163 | 134 | 53 |

4 Code Specific Matters

Reference Documents

UNC TPD Section M - <https://www.gasgovernance.co.uk/TPD>

5 Solution

New obligations

It is proposed that a new obligation is created in UNC TPD Section M that is linked to meter read submission performance. This is currently set at 97.5% for Class 2 and 90% for Class 3 – if read performance was lower than these levels for longer than [2] consecutive months, then the obligation would be triggered for that Shipper to begin moving sites into Class 4. Shippers would be able to move meters out of Class 2 or 3 until such point that their portfolio was then compliant with the meter read submission obligations for the specific Class.

If sites have not been moved into Class 4 [1] months after the trigger point, then an obligation placed on the CDSP would enable them to move the affected sites into Class 4. So in essence, the Shipper is able to remove sites with poor read performance from Class 2 or Class 3, until such point that read submission performance is achieved, but if this action is not taken, the CDSP would then take on the obligation to move sites out of the settlement classes and into Class 4 until such point that the Shipper's portfolio was submitting reads at the levels laid out in the UNC (97.5% for Class 2 and 90% for Class 3). It would also enable the CDSP to generate an estimate reading to apply to the date of class change. Furthermore, the obligation would be extended so that the affected Shipper would not be able to move further (or move back) sites into Class 2 or 3 until the read submission level had been maintained for [2] consecutive months.

MPRN selection for moving supply points into class 4

Once initial read submission criteria outlined above have been breached, the decision lies with Shippers which SPs they would register to Class 4 in order for their portfolio to achieve the read submission target. However, once the timescale to achieve portfolio read submission has been breached, and the CDSP obligation to move affected SPs is triggered, the following business rules for CDSP SPs selection would apply:

Tranche 1: SPs with read submission levels lower than 50% over the relevant period would be eligible to be moved to Class 4. These would be moved in order of Rolling AQ (highest first).

Tranche 2: SPs with read submission levels of between 50% and 75% over the relevant period. These would be moved in order of Rolling AQ (highest first).

Tranche 3: SPs with individual read submission levels of between 75% and 100% over the relevant period. These would be moved in order of rolling AQ (highest first).

N.B. Individual read submission level would be measured as percentage of daily reads submitted on time across the relevant period.

Incentive Charge

In order to further incentivise target read submission levels, and a further incentive for Shippers to register SPs into Class 2 and 3 with adequate read submission capabilities, it is proposed that a charge is levied once SPs have been moved to Class 4.

This charge would be applied using the following formula:

Total AQ * (AUGE weighting factor 1 – AUGE weighting factor 2) * estimated UIG kWh.

Total AQ: the sum of the rolling AQ (at the point the obligation was breached) of the affected SPs. These would be related to the SPs that were moved by the Shipper to meet the read submission target, or the SPs moved by the CDSP (If that obligation had been triggered).

AUGE weighting factor 1: the relevant AUGE weighting factor for the EUC band and class of the affected SPs during the relevant period. This is the weighting factor that was applied to the SPs in question.

AUGE weighting factor 2: the relevant AUGE weighting factor for the EUC band and class of the affected SPs during the relevant period, but as it would have been applied if the supply point had been in Class 4 at the time.

Estimated UIG kWh: the total of UIG (at allocation) estimated for the gas days across the relevant period.

The charge would be levied on an adhoc basis following notification of the breach of the obligation, and following completion of the remedial activity (Shipper or CDSP SP changes of class).

The charges levied through this process would be used to fund the CDSP activity in this area (level of which to be determined). Any residual of collected amounts to be shared back to the industry using appropriate weightings (also to be determined).

MPRN settlement class trialling exemption

In addition, the solution would not seek to prevent Shippers trialling SPs in Class 2 and 3 in order to be able to meet the meter read submission performance targets. For this reason, the obligations above would not be applicable where a party had a population of meters in Class 2 or 3 of less than [30] SPs.

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

It should be noted that settlement products do not necessarily correlate to customer products (in that settlement read submission does not necessarily impact the type of product offered to the customer by a supplier). If this were to be the case, non-submission of meter reads could potentially be detrimental to the customer – this Modification seeks to ensure that Shippers are able to appropriately manage the expected performance levels before moving SPs into these settlement classes.

However, this will need further consideration by the workgroup as there may be links to customer contracts that the Modification may need to take this into account.

Cross Code Impacts

There may be an IGT UNC impact and this should be considered in the Workgroup.

EU Code Impacts

None identified.

Central Systems Impacts

There should be limited central systems impacts in relation to required class changes as the CDSP already has the facility to move sites in bulk across settlement classes (if needed). Some change may be needed in relation to the proposed charging mechanism and the establishment of reporting for the CDSP, PAC and PAFA.

7 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 |

This Modification proposes additional incentives to ensure timely submission of meter read data for the relevant classes to be used for settlement purposes and to increase the accuracy of UIG. As such, more accurate and frequent read submission data in central systems should lead to more accurate cost allocation, and therefore furthering competition and relevant objective d).

8 Implementation

No implementation timescales are proposed at present.

9 Legal Text

To be provided by Transporters.

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.