














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>• Should follow Self Governance</li> <li>• Issued to consultation.</li> </ul> <p>The Panel will consider this Workgroup Report on 20 December 2018. 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>

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8	Implementation	8	<b>John Welch</b>
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			<a href="mailto:john.welch@npower.com">john.welch@npower.com</a>
Timetable			07557 170816
			Transporter:
			<b>Tracey Saunders</b>
			<b>Northern Gas Networks</b>
			<a href="mailto:trsaunders@northerngas.co.uk">trsaunders@northerngas.co.uk</a>
			07580 215743
			Systems Provider:
			<b>Xoserve</b>
			<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

**The Workgroup recommends the following timetable:**

Initial consideration by Workgroup	22 March 2018
Amended Modification consider by Workgroup	07 November 2018
Workgroup Report presented to Panel	20 December 2018
Draft Modification Report issued for consultation	20 December 2018
Consultation Close-out for representations	10 January 2019
Final Modification Report available for Panel	14 January 2019
Modification Panel decision	17 January 2019

# 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 November – December, and a second in March – April). 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 new definitions of winter consumption and winter consumption data to the Uniform Network Code (UNC), as well as a new obligation to send winter consumption data retrospectively when reads are not available. In addition, Performance Assurance reports will be introduced to monitor performance, and these additional reports will be sent to the industry, created through a linked Data Services Contract (DSC) change proposal.

These reports would support the process and 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.

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.

The Workgroup agrees with the Panel determination on Authority Direction for the reasons set out above and see Section 6 Workgroup response to Panels question regarding Self-Governance. [test if suitable for Self Governance]

### Requested Next Steps

This modification should:

- Should follow Self Governance Procedures
- Be issued to consultation.

## 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 without an assigned WAR band (approx. 25% of all eligible sites). 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 not had wide visibility in the past. 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

### Obligation and definitions

The solution will add a new definition to the UNC, defining winter consumption as the quantity of gas offtaken for the supply point between December and March. A definition of winter consumption data will also be added, as the data needed by CDSP to calculate the winter consumption.

A new obligation will also be added to the UNC. Currently, the results of winter consumption calculation are sent to users with eligible supply points (AQs greater than 293,000 kWh) once a year, identifying which supply points have had a successful winter consumption calculation, and which have not. UNC will refer to this data which is sent to users, and add an obligation that where applicable (i.e. where a calculation has not taken place), users should send a winter consumption energy value to the CDSP through the appropriate file flow. The winter consumption update for the gas year ahead is to be sent no earlier than M-15 business days in August and no later than M-15 business days in September, to become effective 1<sup>st</sup> October. The information sent by CDSP to users highlighting winter consumption calculations (which this obligation is linked to) will also be described in the UNC in reference to the obligation.

### Reports and timeline

Reports for the PAC will also be introduced through this modification, and additional user reports to support the process will be introduced through a linked DSC change proposal. Further details of these reports can be found in the embedded document below. The timeline of milestones, obligations and reports is outlined in a table below, with new obligations or reports highlighted in bold.

Gas Year Month	Milestone	User Report	PAC Report	Obligation
November	Winter Read 1 window opens			Yes - Monthly Read Submission Requirement
December	Winter Read 1 window closes	<b>Yes 1) - highlighting reads not obtained in November, allowing read to be submitted in December</b>		Yes - Monthly Read Submission Requirement
January				
February			<b>Yes 1) - highlighting where reads not submitted in November or December</b>	
March	Winter Read 2 window opens			Yes - Monthly Read Submission Requirement
April	Winter Read 2 window closes	<b>Yes 2) - highlighting reads not obtained in November, allowing read to be submitted in December</b>		Yes - Monthly Read Submission Requirement
May	Winter consumption calculations take place	3) T50/T51 sent to users showing successful and unsuccessful winter calculations	<b>Yes 2) - highlighting where reads not submitted in March or April</b>	
June			<b>Yes 3) - highlighting where winter consumption not calculated</b>	
July				
August				
September	Winter consumption updates can be made			<b>Yes - to action data updates when winter</b>

	prior to Oct 1st			consumption not calculated
October	WAR Bands go-live	4) Yes – highlighting where updates should have occurred but haven't	Yes – 4) highlighting where updates should have occurred by users but did not	

See Appendix 1 – Winter Consumption Process Timeline

## 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

No direct consumer impacts identified.

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none"> <li>None identified</li> </ul>
What costs or benefits will pass through to them?	Not applicable
When will these costs/benefits impact upon consumers?	Not applicable
Are there any other Consumer Impacts?	Improvements to allocation should support accurate cost target and provide an indirect benefit to competition and choice for consumers.

### 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 identified, however there is a requirement for additional reporting and a DSC Change Proposal has been raised to complete this process.

## Workgroup Impact Assessment

The Panel raised two questions for the Workgroup to consider.

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

Workgroup noted that UIG in total is significant.

Workgroup discussed looking at the bias attributable to sites being in the 'bucket' category (without a WAR profile) compared to the assumed profile used to derive the WAR bands and using that bias to assess the impact on UIG and therefore costs to participants. Workgroup also noted that no sites should be in the bucket category except for new sites and those with recently increased AQs from EUC 1 or 2.

The UIG Task Force has estimated that the sites in the Bucket could be contributing UIG of 0.15% of annual throughput, based on the assumption that the national take up of the WAR band EUCs matches the ideal profile. It was also estimated that on Peak Winter days the UIG level associated with these sites would be 0.7% of throughput.

### Self-Governance

The Workgroup considered whether the Modification should be Self-Governance. The Workgroup agreed with Panel that the Modification is likely to result in better nominations and allocation, which will in turn mean fewer unknowns left to be shared across the market which will result in lower UIG. This will also mean the amount needing to be bought by a Shipper on the wholesale market will change and could therefore have a material impact on competition.

## Rough Order of Magnitude (ROM) Assessment

A summary of the ROM response (XRN4728) indicates that an enduring solution will cost at least **£19,000**, but probably not more than **£36,000** to implement and there are no ongoing costs.

The change congestion and priorities at the time of Change Proposal submission will determine when the reports can be delivered. The delivery mechanism and timeframes within the month will be issued within a change pack once detailed design has been approved by the Change Management Committee.

## 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 <ul style="list-style-type: none"> <li>(i) the combined pipe-line system, and/ or</li> <li>(ii) the pipe-line system of one or more other relevant gas transporters.</li> </ul>	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: <ul style="list-style-type: none"> <li>(i) between relevant shippers;</li> </ul>	Positive

(ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	
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

The Workgroup concluded that by improving the calculation of NDM nominations and allocations, these proposals should enhance accurate apportioning of energy, therefore increasing the accuracy of cost targeting, furthering relevant objective d) competition between Shippers and Suppliers.

## 8 Implementation

No implementation timescales are proposed. However, implementation should be as soon as possible to allow time for the CDSP to create the user reports prior to the next available process cycle.

Workgroup consider this Modification could be implemented for Winter 2019/20. However, there would be advantages in implementation prior to March 2019 as this would allow a degree of performance reporting against Winter 2018/19 for bench marking purposes.

## 9 Legal Text

### Legal Text

Legal Text is to be provided by Northern Gas Networks.

### Text Commentary

Insert text here

### Text

Insert text here

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This Modification should be considered as suitable for Self Governance; and



- be issued to consultation.