

UNC Request Workgroup Report

At what stage is this document in the process?

UNC 0783R: Review of AQ Correction Processes

- 01 Request
- 02 Workgroup Report
- 03 Final Modification Report

Purpose of Request:

A review of the Annual Quantity (AQ) correction processes which are set out within the Uniform Network Code (UNC). This review should assess whether the current arrangements meet the objectives for the setting of the AQ and identify and consider possible amendments that are required to UNC.

 The Workgroup recommends to the Panel that this Request required further assessment and should be returned to Workgroup.
 The Workgroup recommends that this Request should be closed.
 The Panel will consider this Workgroup Report on **18 August** 2022.
 The Panel will consider the recommendations and determine the appropriate next steps.

 High Impact:
None

 Medium Impact:
Shippers, Transporters, IGTs and CDSP

 Low Impact:
None

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About this document:		
This report will be presented to the panel on 18 August 2022 .		Gurvinder.Dosanjh@cadentgas.com
The panel will consider whether the Request should be returned to the Workgroup for further assessment.		
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1 Request

Why is the Request being made?

As part of the implementation of Project Nexus in June 2017, there were fundamental changes introduced to AQ processes.

With these changes now having been in place for 4 years, and following approval of Modification 0736S - *Clarificatory change to the AQ amendment process within TPD G2.3*, it seems timely to undertake a review of the wider AQ correction arrangements to ensure they are still fit for purpose and are working as intended and required by the industry.

The AQ corrections process was defined by Modification 0432 - *Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform* and refined by Modification 0610 - *Project Nexus - Miscellaneous Requirements*. This process was intended to be for exceptions only and not designed to facilitate mass AQ correction changes.

The arrangements for AQ corrections are set out within Uniform Network Code (UNC) Transportation Principal Document (TPD) Section G.2.3 and detail the eligible causes (the 'reason codes') which allow the AQ to be changed. Currently there are four eligible causes which allow a Registered User to request an AQ change. These are detailed within TPD G.2.3.21 and G.2.3.22.

The use of the eligible causes to correct AQs has been subject to some scrutiny recently. Indeed, Modification 0736S, which clarifies within UNC the circumstances where certain AQ corrections can be made under reason code 3, was approved on 17 December 2020 and implemented on 14 January 2021. Whilst Modification 0736S addressed one particular area of the AQ correction process which required urgent action to amend, a full review of the wider AQ corrections process is now recommended.

It has been highlighted by the Central Data Service Provider (CDSP) that the main example of the AQ correction reason codes not being utilised as initially intended or stipulated in the UNC, is where the Registered User believes the AQ is not reflective of what the site is consuming and the only viable route to update the AQ is via an AQ correction.

The intention of this review is to assess the wider AQ correction process and understand whether the current arrangements meet the objectives for the setting of the Annual Quantity and identify and consider possible amendments that may be required to UNC.

It is worth noting that this UNC Request is separate to the work that the Xoserve AQ Taskforce have undertaken. The AQ Task Force was established to investigate and make recommendations on how to reduce AQ related issues; reduce the volume of AQ defects; identify root cause and successfully deliver on agreed improvements. The AQ Task Force tackled live defects by providing enduring fixes as well continued engagement with impacted customers on AQ positions and any financial adjustments required.

As detailed above, the AQ Task Force focuses on the functional defects causing AQ issues. However, this Request looks to focus on reviewing the current AQ corrections process and assessing whether it is still fit for purpose or if changes to the UNC are required.

Scope

The scope of the review should focus on the AQ corrections process outlined within TPD G2.3. This should include (but not be limited to):

- A full review of the AQ corrections process:
 - Visibility of the current AQ corrections processes
 - Assess the existing eligible causes (reason codes) set out within TPD G2.3.21 and G2.3.22 and whether these are still valid
 - Assess the validation currently set out within TPD G2.3 for each eligible cause
 - Assess whether there are further eligible causes that should be defined within TPD G2.3
 - Assess the backstop date which an AQ correction currently introduces for system AQ calculations (UK Link will not currently calculate a new AQ for 9 months after an AQ correction goes live, although further AQ Corrections can be submitted)
 - Clarify the role of the CDSP in validating AQ corrections
 - Assess the role of the Performance Assurance Committee (PAC) in monitoring and or potentially validating AQ corrections
 - Consider the need for remedies or resolution where there has been incorrect use of AQ corrections process.

Impacts & Costs

Should this Review identify any changes which need to be made to AQ correction processes, it would be expected that there will be impacts to central systems and associated costs to make these changes. These changes would be subject to a separate UNC Modification and/or Xoserve Change Proposal.

Recommendations

Panel is requested to put in place a review of the current AQ correction processes to ensure they remain fit for purpose since the arrangements were introduced as part of Project Nexus in June 2017.

2 Impacts and Costs

Consideration of Wider Industry Impacts

Possible wider industry impacts and costs of the output of the Request are highlighted below. However, until more detail is worked through, specific impacts cannot be identified. Those changes would be subject to a separate UNC Modification and/or Xoserve Change Proposal and would not be direct outcomes of this Review.

Consumer Impacts

By ensuring the AQ reflects the consumption of gas on site, the shipper should be able to target UNC and energy costs more accurately towards individual consumers. While AQ accuracy does not implicitly result in lower charges, it does imply fairer, more cost reflective charges.

Cross-Code Impacts

Regarding the AQ Amendment provisions, the IGT does not contain similar paragraphs, it simply points to and adopts the rules contained in the UNC. Therefore, to implement the changes currently under discussion in this Workgroup, a modification to the IGT UNC would not be required.

Central Systems Impacts

As this is Request Workgroup, no ROMs have yet been commissioned but it is generally accepted that the system would need to be modified to accommodate new RCs / supporting information should a UNC Modification be implemented.

Panel Questions

No Panel Questions raised.

Workgroup Impact Assessment

The key points noted at the Workgroup were as follows:

All four Reason Codes (RC) are currently utilised by shippers to a varying extent.

- RC1 manages AQ variations resulting from discovered theft and the associated processes appear to be operating satisfactorily.
- RC2 relates to change of plant and is the most widely used RC. RC2 requires supporting information, which is included in the AQ amendment record, (C41), as free text. However, analysis of the supporting information appears to suggest that this RC is being used for a number of supplementary purposes. One purpose relates to change of use, which is similar in nature to change of plant, (i.e. something about the site parameters has changed). While this change would be picked up as part of the annual review, by doing an AQ amendment the revised consumption is more rapidly incorporated in the site parameters. The other purpose seemingly evident is that the mechanism appears to be being used to set an AQ which would be unaffected by historic data, be that reads or asset related issues. In effect, the AQ amendment process is being used to set an AQ with a "clean slate".
- RC3 is used when a shipper acquires a site and is made aware of a new business activity occurring at that premises. Traditionally use of this RC sees relatively low volumes although there was an anomalous period when a particular shipper carried out a number of intra-group transfers and, correspondingly caused a spike in volumes. When it was discovered, it was agreed that this was not what RC3 was intended for and Modification 0736S was implemented to prevent intra-group transfers from opening a window for amending an AQ. Other than this outlying event, the use of RC3 remains relatively low.
- RC4 is used to allow an amendment of the AQ to help prevent Meter Reads failing Tolerance Checks and appears to be operating as anticipated.

The Workgroup then took a deeper-dive into the use of RC2 for AQ amendments for uses other than that for which it was originally devised. It was noted that the relatively accommodating nature of the C41 file with its free text validation allows a shipper to propose an AQ amendment for wider operational reasons, rather than the narrow, contractually permitted reason it was original devised.

Accordingly, it was decided to look at the possibility of developing separate RCs to:

- Allow for change of (hours of) use; and;
- Provide a method of fixing an AQ for a period of time while incorrect read / asset information time-expires and becomes irrelevant to the Rolling AQ processing.

Also as part of Workgroup discussion, it was noted that some AQ Amendments result in no-change, or very low-change, to the AQ. While the initial assumption is that these AQ Amendments may be a sub-set of sites that are seeking to temporarily fix their AQ until the next annual review, the subsequent general view was that zero / de-minimis AQ variations should not be permitted and a corresponding Business Rules has been proposed.

It was also noted that a Review Group looking into "Vacant Sites" is being discussed in parallel with the group. As part of those discussions there was a suggestion that after a period of vacancy a site should be permitted to reduce its AQ. If this rule is proposed as part of any Modification arising from that group, it was acknowledged that this would need to be a new RC, but the introduction of such a RC would need to be as a result of Vacant Site modification being implemented.

As with any change in this area, it was noted that as PAC already have visibility of the metrics for the AQ amendment process it could be reasonably assumed that any changes to the arrangements would need additional / amended reporting. It was also noted by the Workgroup, that should any anomalous behaviours be discovered by PAC / PAFA or the CDSP, there may be some merit in examining a shipper's supporting information in more detail to ensure it was truly supportive of the AQ change effected.

In terms of detailed analysis, all information regarding data gathering and assessment of the current arrangements can be found in Workgroup paper: [UNC 0783R – Review of AQ Correction Processes \(MI Pack\)](#)

Impacts

Impact on Central Systems and Process	
Central System/Process	Potential Impact
UK Link	<ul style="list-style-type: none"> Given discussion to date, it is anticipated that the UK Link system would need to be modified to: <ul style="list-style-type: none"> a) accept new Reason Code values, b) prevent no-change or low-change AQ Amendments.
Operational Processes	<ul style="list-style-type: none"> These may need to be amended depending on the level of supporting information processing required.

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> Corresponding shipper processes would be anticipated if the AQ Amendment process are revised.
Development, capital and operating costs	<ul style="list-style-type: none"> If a modification in these areas was required, it is likely that costs would be incurred but as this Request Workgroup, these have not been quantified at this stage.
Contractual risks	<ul style="list-style-type: none"> None
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> Changes to UNC, (see Section 4), are expected to be proposed as a result of this review

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> • None anticipated
Development, capital and operating costs	<ul style="list-style-type: none"> • None anticipated
Recovery of costs	<ul style="list-style-type: none"> • Changes to current AQ correction processes are expected which could impact recovery of costs.
Price regulation	<ul style="list-style-type: none"> • None anticipated
Contractual risks	<ul style="list-style-type: none"> • None anticipated
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> • Changes to UNC are expected to be proposed as a result of this review.
Standards of service	<ul style="list-style-type: none"> • None anticipated

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> • None anticipated
UNC Committees	<ul style="list-style-type: none"> • Discussions to date have suggested that PAC would be interested in these developments and it's anticipated that new / revised PARR reports would be required.
General administration	<ul style="list-style-type: none"> • None anticipated
DSC Committees	<ul style="list-style-type: none"> • DSC Change Committee would be involved in implementing and scheduling any system change – no ongoing input required.

Impact on Code	
Code section	Potential impact
	<ul style="list-style-type: none"> • TPD Section G2.3 (Annual Quantity)

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none"> • None anticipated
General	Potential Impact
Legal Text Guidance Document	<ul style="list-style-type: none"> • None anticipated
UNC Modification Proposals – Guidance for Proposers	<ul style="list-style-type: none"> • None anticipated

Impact on UNC Related Documents and Other Referenced Documents	
Self-Governance Guidance	<ul style="list-style-type: none"> • None anticipated
TPD	Potential Impact
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none"> • None anticipated
UNC Data Dictionary	<ul style="list-style-type: none"> • None anticipated
AQ Validation Rules (TPD V12)	<ul style="list-style-type: none"> • None anticipated
AUGE Framework Document	<ul style="list-style-type: none"> • None anticipated
Customer Settlement Error Claims Process	<ul style="list-style-type: none"> • None anticipated
Demand Estimation Methodology	<ul style="list-style-type: none"> • None anticipated
Energy Balancing Credit Rules (TPD X2.1)	<ul style="list-style-type: none"> • None anticipated
Energy Settlement Performance Assurance Regime	<ul style="list-style-type: none"> • None anticipated
Guidelines for Sub-Deduct Arrangements (Prime and Sub-deduct Meter Points)	<ul style="list-style-type: none"> • None anticipated
LDZ Shrinkage Adjustment Methodology	<ul style="list-style-type: none"> • None anticipated
Performance Assurance Report Register	<ul style="list-style-type: none"> • Amendments to AQ correction processes are likely to be recommended by this review but impacts are dependent on proposed solutions. This could involve new reports within the PARR.
Shares Supply Meter Points Guide and Procedures	<ul style="list-style-type: none"> • None anticipated
Shipper Communications in Incidents of CO Poisoning, Gas Fire/Explosions and Local Gas Supply Emergency	<ul style="list-style-type: none"> • None anticipated
Standards of Service Query Management Operational Guidelines	<ul style="list-style-type: none"> • None anticipated
Network Code Validation Rules	<ul style="list-style-type: none"> • None anticipated
OAD	No Impact
Measurement Error Notification Guidelines (TPD V12)	<ul style="list-style-type: none"> • None anticipated
EID	No Impact
Moffat Designated Arrangements	<ul style="list-style-type: none"> • None

Impact on UNC Related Documents and Other Referenced Documents	
IGTAD	No Impact
	<ul style="list-style-type: none"> None
DSC / CDSP	Potential Impact
Change Management Procedures	<ul style="list-style-type: none"> None
Contract Management Procedures	<ul style="list-style-type: none"> None
Credit Policy	<ul style="list-style-type: none"> None
Credit Rules	<ul style="list-style-type: none"> None
UK Link Manual	<ul style="list-style-type: none"> As amendments to AQ correction processes are likely to be recommended by this review, changes to the UK Link Manual are possible but the exact impacts and scale of impact is dependent on the solutions proposed.

Impact on Core Industry Documents and other documents	
Document	No impact
Safety Case or other document under Gas Safety (Management) Regulations	<ul style="list-style-type: none"> None
Gas Transporter Licence	<ul style="list-style-type: none"> None

Other Impacts	
Item impacted	Potential impact
Security of Supply	<ul style="list-style-type: none"> None
Operation of the Total System	<ul style="list-style-type: none"> None
Industry fragmentation	<ul style="list-style-type: none"> None
Terminal operators, consumers, connected system operators, suppliers, producers and other <u>non-code</u> parties	<ul style="list-style-type: none"> <u>Interactions between consumers and suppliers may need to be enhanced to allow shippers to take full advantage of the new Reason Codes being proposed.</u>

3 Terms of Reference

Background

As part of the implementation of Project Nexus in June 2017, there were fundamental changes introduced to AQ processes.

With these changes now having been in place for 4 years, and following approval and implementation of Modification 0736S, it is timely to undertake a review of the AQ correction arrangements to ensure they are still fit for purpose and are working as intended and required by the industry.

The AQ correction process was defined by Modification 0432 - Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform and refined by Modification 0610 - Project Nexus - Miscellaneous Requirements. This process was intended to be for exceptions only and not designed to facilitate mass AQ correction changes.

The arrangements for AQ corrections are set out within UNC TPD Section G.2.3 and details the eligible causes (the 'reason codes') which allow the AQ to be changed. Currently there are four eligible causes which allow a Registered User to request an AQ change. These are detailed within TPD G.2.3.21 and G.2.3.22.

The intention of this review is to assess the AQ correction process, plus any other processes which could be contributing to an increase in the use of AQ corrections and understand whether the current arrangements meet the objectives for the setting of the Annual Quantity and identify and consider possible amendments that are required to UNC.

Topics for Discussion

- Understanding the existing AQ correction processes, the valid eligible causes and whether these meet the objectives of the UNC
- Assessment of options to achieve the objectives of the UNC in terms of the AQ corrections process
- Development of high-level solution options (including business rules if appropriate)
- Assessment of potential impacts of the Request
- Assessment of high-level implementation costs of any solution identified during the Request

Outputs

Produce a Workgroup Report for submission to the Modification Panel, containing the assessment and recommendations of the Workgroup.

Composition of Workgroup

The Workgroup is open to any party that wishes to attend or participate.

A Workgroup meeting will be quorate provided at least two Transporter and two User representatives are present.

Meeting Arrangements

Meetings will be administered by the Joint Office and conducted in accordance with the Code Administration Code of Practice.

4 Potential Modification

Areas for Consideration

Following discussions at the Workgroup meeting, 3 areas of potential change are being considered:

1. A new Reason Code that reflects that a property may undergo a “change of use” (of the existing equipment), for instance an increase from single shift working to double shift working, thereby affecting the hours of operation.

It was noted that as part of the review of this area, the eligible cause for the existing RC3 may need to be reviewed / revised to ensure it remains distinct from any new eligible cause / RC being proposed.

2. A new Reason Code that would allow a shipper to request an AQ where previous asset / read history is preventing the system calculating a consumption-reflective value. The advantage here is that the AQ would be stable for a period of time while a new “clean history” is collected.

3. An overarching new provision that would prevent no-change, or low-change, AQ amendments would be added into the Business Rules for amending an AQ.

Additionally, it was also noted that modified PARR reporting would need to be developed.

Commented [AR1]: Decided to leave this in this section for completeness and clarity

5 Recommendations

Workgroup’s Recommendation to Panel

The Workgroup asks Panel to agree that this Request should be closed.

The Workgroup requests that the Panel note that the likely upshot of this Review is that a Modification will be raised to create more Reason Codes although no time-line can be provided at present.

Appendix: Draft Business Rules

As presented and discussed at the Workgroup Meeting on 29 June 2022 and may not be the same as those found in any subsequent modification.

High-level Business Rules

Required change – To ensure that the AQ Corrections Process is fit for purpose.

BR1: A change is required to UNC TPD G2.3.20 to add two further eligible causes, [Erroneous AQ based on Read History] and [Change in Operation/Consumption], and to prevent AQ Corrections where there is [no change/de-minimis change] in value for AQ for all eligible causes.

BR2: [Erroneous AQ based on Read History] - Where a Supply Meter Point (SMP) has a read history outside of the current Registered User's ownership which is not representative of the current usage of the SMP, the User may utilise an [Erroneous AQ based on Read History] AQ Correction.

BR2 a): As a mandatory requirement of submitting an [Erroneous AQ based on Read History] AQ Correction, the User must submit Supporting Information highlighting the erroneous read(s) and date(s) within the SMP read history which is outside of the Registered User's ownership.

Guidance note: The erroneous read(s) highlighted within the Supporting Information will be preventing an accurate rolling AQ being calculated.

Utilisation of AQ Correction [Erroneous AQ based on Read History] has no adverse impact on the previous Shipper as it is used only as a corrective action for the current User.

BR3: [Change in Operation/Consumption] - Where a SMP has changed in use resulting in a need for an increase or decrease in AQ, where there is no physical change of equipment.

Guidance note – To be utilised where there is not commencement of new business/discontinuance of business already covered within Eligible Causes (TPD G2.3.21 b) and c)).

BR3 a): As a mandatory requirement of submitting a [Change in Operation/Consumption], AQ Correction, the User must submit Supporting Information stating the nature of the change of use to the SMP.

Guidance note – As an example, the User will state within the Supporting Information that the SMP has undergone a material change in operation or is changing in use resulting in 24/7 usage, therefore impacting on the AQ at the SMP.

BR4: Utilising any AQ Correction to submit a value which has [either no change to the current AQ of and SMP or de-minimis change] will not be allowed and the User will receive a rejection response.

For the avoidance of doubt, an AQ Correction Eligible Cause relating to vacancy (zero consumption over a prescribed period) would be covered within UNC Modification for processing Vacant Sites.