

Workgroup Report	At what stage is this document in the process?
<h1>0600S:</h1> <h2>Amend obligation for the acceptance of EPDQD revisions made after D+5</h2>	
<p><b>Purpose of Modification:</b></p> <p>This proposal seeks to amend the requirement in UNC that no revisions can be made to the Entry Point Daily Quantity Delivered (EPDQD) after D+5. The amended text will allow revisions to be made after this date, but any revisions submitted after D+5 will be subject to a reporting obligation.</p>	
	<p>The Workgroup recommends that this modification should be returned to workgroup for further assessment.</p> <p>The Panel will consider this Workgroup Report on 17 November 2016. The Panel will consider the recommendations and determine the appropriate next steps.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: All parties</p>

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<b>The Proposer recommends the following timetable:</b>		
Initial consideration by Workgroup	03 November 2016	
Workgroup Report presented to Panel	16 February 2017	
Draft Modification Report issued for consultation	16 February 2017	
Consultation Close-out for representations	9 March 2017	
Final Modification Report available for Panel	10 March 2017	
Modification Panel decision	16 March 2017	

# 1 Summary

## What

UNC TPD Section E 1.4.2 states that no revisions to the Entry Point Daily Quantity Delivered (EPDQD) will be made after the 5<sup>th</sup> day after the gas flow day. National Grid NTS proposes the removal of this obligation, so that EPDQD amendments can be accepted after this timescale, but the inclusion of a new reporting obligation for these late amendments.

## Why

National Grid NTS has been accepting late revisions to the EPDQD to ensure shippers are accurately allocated. If National Grid NTS continues to accept these late revisions without amending code, we risk enforcement action from the regulator. If National Grid no longer accepts these late revisions and enforces the D+5 timescale, this will have an adverse impact on the market because shippers will not receive accurate allocations. National Grid believes it is in the best interest of the market to continue accepting these late revisions; therefore UNC needs to be aligned to reflect current practices.

## How

This modification proposes to amend paragraph E 1.4.2 of UNC, so the obligation in code for amendments after D+5 to not be accepted will be removed, and will be replaced with a requirement for amendments submitted after this timescale to be subject to a reporting obligation.

# 2 Governance

## Justification for Self-Governance

This modification is proposed as self-governance as it is unlikely to have a material effect on competition in the shipping, transportation or supply of gas conveyed through pipes because it is likely to formally enable only a small subset of the overall EPDQD revisions received.

## Requested Next Steps

This modification should be:

- subject to self-governance
- assessed by a Workgroup

Although this modification proposes a UNC change which is simple – a line of text is removed – and exception-based reporting is introduced, the pre-modification discussion concluded that the modification should be assessed by a Workgroup. Questions were raised regarding the frequency of late amendments to understand the scale of the issue, how we are managing the issue outside of UNC with parties who are not signatories to code, and the impact that this proposal may have on the shipper community.

Only one Workgroup meeting should be required because the main parties impacted by this change are sub-terminals and other entry-points submitting late amendments, who are not party to the UNC, and who have already been offered the opportunity to provide feedback through a questionnaire or telephone interview, with responses received from 11 sites (see Appendix 1).

This modification has also been discussed at Transmission Workgroup over several months and these views have been taken on board.

## 3 Why Change?

UNC TPD Section E 1.4.2 states that the EPDQD shall not be revised after the 5<sup>th</sup> Day after the Gas Flow Day. Through National Grid's involvement in the DECC Gas Day Industry Workgroup, the entry allocation process was scrutinised which uncovered that National Grid have been making revisions to the EPDQD after D+5.

National Grid NTS has been making these late revisions for the benefit of the wider shipping community, to ensure Shippers are allocated accurately at entry points by the CVA. Initial investigations indicated that the majority of the changes occur due to late amendments sent to National Grid by sub-terminals. Therefore, the UNC is not consistent with current industry practise.

Feedback on this issue has been received from a number of sub-terminals and entry points, their feedback supports the D+5 timescale and the acceptance of late revisions. Shippers have provided feedback through Transmission Workgroup that they do not want to be exposed to inaccurate EPDQD data. Currently the wording of UNC exposes shippers to this inaccurate data, and by extension also exposes consumers to inaccurate costs, if National Grid were to implement the process of accepting these revisions as set out in code. Therefore we recognised that we should codify current industry practice to ensure National Grid NTS could continue to provide this service that is valued by industry participants.

## 4 Code Specific Matters

### Reference Documents

None

### Knowledge/Skills

None

## 5 Solution

The following changes are proposed to UNC TPD Section E 1.4.2:

- Retain the D+5 deadline for EPDQD amendments
- Amendments submitted after D+5 will now be permitted up to M+15, at month end close out
- However, any amendments submitted between D+5 and M+15 will only be accepted if they are accompanied by the following information:
  - Identity of the System Entry Point where the late revision is being made
  - The gas day for which the revision is being made
  - The reason that the revision has been submitted after D+5
  - Any additional information in connection with the revision that National Grid NTS may reasonably require
- This information will then be used to create a monthly report which will be published on National Grid's website (see Appendix 2).

The main parties impacted by this code change are sub-terminals, and other system entry points, which are not signatories to UNC. For this reason we are also making changes beyond UNC to ensure the ambitions outlined in this modification are successful.

National Grid NTS holds 'Network Entry Agreements' (NEAs) with these parties, so we will be taking the following steps to support this modification:

- Updating the generic NEA template to ensure any new system entry point contract includes the D+5 timescale, and the reporting obligation for late amendments
- When existing contracts are opened for amendments, we will include the D+5 timescale and the reporting obligation along with any other revisions
- We will write to all system entry points to inform them of the change to code, and the requirements upon them which will ensure the acceptance of their late revisions.

## 6 Impacts & Other Considerations

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

There is no impact on any other industry change.

### Workgroup Impact Assessment

#### Consumer Impacts

There will be a positive consumer impact because this change will incentivise sub-terminals to submit accurate data in a timely manner. Accurate and timely data submission will ensure accurate shipper allocations, which will ensure accurate costs, and this will ultimately lead to a more competitive environment to the benefit of consumers.

#### Cross Code Impacts

There is no impact on any other energy code.

#### EU Code Impacts

There is no impact on any EU energy code.

#### Central Systems Impacts

There is no impact on any central systems because the functionality to implement this process is already available.

#### User Pays

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	n/a
Proposed charge(s) for application of User Pays charges to Shippers.	n/a
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	n/a

## 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

## d) Securing of effective competition:

This objective is furthered by the modification because will incentivise the provision of accurate data in a timely manner, this will ensure accurate cost allocations, which will lead to more effective competition.

## 8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

By way of example, in the event that implementation is approved under self governance procedures at the December UNC Modification Panel, this change would be implemented on 1<sup>st</sup> January 2017 and the first report would be published on 16<sup>th</sup> February 2017 after January month end close out completes at M+15.

## 9 Legal Text

### Text Commentary

The existing UNC TDP Section E 1.4.2 requires that any revision of details of the aggregate quantity of gas delivered at a System Entry Point is required to be made before D+5 i.e. “no revision will be made...after the 5th Day after the Gas Flow Day”.

The proposed modification in Section E 1.4.2(a) maintains the requirement that revisions are made up to and including the 5th Day following the Gas Flow Day. The new Section E 1.4.2 (b) will, however, allow the revision of the aggregate quantity of gas delivered at a System Entry Point to be made after D+5 but before midnight on the 15th Business Day of the following calendar month. The person providing the late revision will be required to give the reason for the delay beyond D+5 and consent to its publication. Consent will be effective both if given once for any future late revisions and if given at the time of each late revision.

### Text

#### UNC TPD Section E

*Amend paragraph 1.4.2 to read as follows:*

#### 1.4 System Daily Quantities: Entry

[...]

1.4.2 The amount determined to be the Entry Point Daily Quantity Delivered in respect of any System Entry Point for the Gas Flow Day may be revised at any time ~~up to and including the 5<sup>th</sup> following Day:~~

(a) up to and including the 5<sup>th</sup> Day following the Gas Flow Day;

(b) after the 5<sup>th</sup> Day following the Gas Flow Day and up to (but not after) the Entry Close-out Date if the Transporter is provided with:

(i) the identity of the System Entry Point;

(ii) the Gas Flow Day in question;

- (iii) a reasonably detailed explanation of why such revision was not made in accordance with (a) above;
- (iv) any other information in connection with the revision as the Transporter may reasonably require; and
- (v) the consent of the person providing information under this paragraph (b) to the publication of that information by the Transporter.

~~, but no revision will be made to such quantity after the 5th Day after the Gas Flow Day.~~

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup invites the Panel to:

- Agree that this modification should be returned to workgroup for further assessment.

The workgroup concluded that an additional 3 months assessment is required to undertake further analysis to determine the exact number of late revisions made by Terminal Operators and NTS, their timing, and the reasons for such revisions. To understand the viability of the proposed solution, Terminal Operators will also be contacted for feedback on the current proposal. It is expected that this work will inform the final solution and the impacts of it on parties.

## 11 Appendix 1: Analysis Undertaken

Previous analysis of EPDQD submissions received by National Grid after D+5 highlighted that late revisions are largely submitted by sub-terminals.

We gathered feedback from sub-terminals to understand whether they felt the D+5 timescale was challenging, and the reasons that they may need to submit a late revision.

### Process

All sites that had submitted a revision after D+5 from 1<sup>st</sup> January 2016 to 31<sup>st</sup> March 2016 were contacted to inform them of a potential change to the EPDQD data submission process, and asked if they would be willing to provide feedback on the timescale and the reasons that they had made late revisions. For those sites which responded to this request, we organised a number of telephone interviews, and a few sites also provided feedback by email.

At the request of Transmission Workgroup we then contacted all other sub-terminals for their feedback, but we also included all other NTS entry points (i.e. storage, interconnectors). We provided them with a survey so they could give feedback on the D+5 timescale, and any hypothetical reason they may need to make a late revision.

### Feedback

11 sites in total provided feedback on the EPDQD D+5 timescale, of these sites:

- 7 felt that D+5 is not a challenging timescale
- 1 was undecided
- 3 felt that it was challenging

The sites stated the following reasons a revision may be made after D+5:

- Human Error
  - One of the most common reasons for amendments
  - Related mostly to manual transposition issues
  - Also one error caused by individuals being on leave
- Complex mis-measurements
  - Could be due to something like an orifice plate being the wrong way round
- Meter errors
  - Sometimes not identified until a few weeks after the fact
  - Could result in many days or weeks of data being incorrect
  - Difficult to foresee or mitigate against
- System errors
  - Some sites had invested in software and systems to manage the calculation and submission of this data
  - There were rare occasions where there had been errors with these systems
- National Grid NTS error
  - Related to manual transposition

- National Grid NTS have proposed system changes to be implemented in 2017 – these changes will ensure our processes are more robust

We also received further feedback from the Claims Validation Agent (CVA) regarding any proposed changes to the D+5 timescale.

They choose to accept all late EPDQD revisions up to M+15 to ensure that shippers are allocated accurately. However, they run their first shipper allocation process at D+7, so they must have the EPDQD data by this timescale. If data was not submitted before D+7, shipper allocations would be zero.

The CVA also stated that if any changes were made to the timescales in their process, they would need to invest in a new system to manage their data processes, and this new system would inflict a significant cost upon industry participants.

## Conclusions

Based upon the feedback received from sites and the CVA we arrived at the following conclusions:

- With no clear opposition to the D+5 timescale, this should endure.
- Sub-terminals need to be incentivised to submit their EPDQD data by D+5 to ensure the first shipper allocation process is accurate
- Amendments submitted after D+5 should still be accepted to ensure shippers are not unnecessarily exposed to inaccurate allocations

## Analysis of Options

We have applied the feedback received and our subsequent conclusions to clarify how we reached our final proposal.

### 1. Amending the D+5 timescale

We initially considered an extension to the D+5 timescale to one which might be more achievable for sub-terminals and other entry points.

However, this would have impacted the CVAs processes and was not supported by the majority of sub-terminals. During engagement with Ofgem, they also stated that they would not support a change to the timescale for EPDQD submissions in UNC, unless there was clear evidence to show that it was required.

Analysis of the late amendments has shown that in some instances revisions are not submitted until a few weeks after the original gas flow day. These appear to be rare occurrences caused by unforeseeable circumstances, but it is important to accept them to ensure shippers are allocated accurately.

For these reasons we concluded that there was not adequate support for amending the D+5 timescale.

### 2. Enforcing the D+5 timescale

Due to feedback from sub-terminals and other entry points that the majority do not find the D+5 timescale challenging, we assessed the option to no longer accept amendments submitted after D+5.

This option is not appropriate because a number of late amendments would be very difficult to mitigate against, and not accepting these revisions would impact the accuracy of shipper allocations, which would go on to impact the accuracy of costs for consumers.

We therefore concluded that enforcing the D+5 timescale would be unfair on shippers and consumers.

### 3. Retain D+5, but allow revisions after this timescale

Due to the CVA milestone at D+7 for the first shipper allocation process, we need to incentivise sub-terminals and other entry points to submit data which is as accurate as possible by D+5. However, as already described, we also need to allow revisions after this timescale.

We therefore considered options for how we could incentivise sub-terminals and other entry points to submit their data by D+5, and discussed the following sub-options:

*a) Retain D+5, but add a secondary deadline for revisions up until M+15*

This would reflect current practices, but would provide no incentive to submit EPDQD data by D+5. Therefore it is likely that the data submitted by D+5 would become increasingly inaccurate. This would impact shipper allocations and costs for consumers.

*b) Retain D+5, but add a financial incentive for revisions submitted after this timescale*

We felt that this option was not proportionate to the issue, because it would require changes to neutrality. We would also need to include this financial incentive in our contracts with sub-terminals, and the process of negotiating this change would be likely be protracted and costly.

*c) Retain D+5, but add a reporting obligation for revisions submitted after this timescale*

This is the option we are taking forward.

This incentive is proportionate to the issue, and will allow current practices to continue with minimal changes to processes.

## 12 Appendix 2: Reporting Template

The following reporting would be provided (example data shown):

Date Amendment Received	Gas Day	Site	Original Values (kWh)	Amended Values (kWh)	Reason For Amendment
01-Apr-16	26-Mar-16	Theddlethorpe Conoco	74752778	77816667	Late Terminal Amendment