

Workstream Report
"AQ Review Process - publication of information "
Modification Reference Number 0081

Version: 0.1

This Workstream Report is presented for the UNC Modification Panel's consideration . The consensus of attendees at the Distribution Workstream is that the Proposal should now proceed to the Consultation Phase.

1. Modification Proposal

The Annual AQ revision process is key to a number of industry processes. The supply point Annual Quantity is used to determine the allocation of energy each day to that supply point and hence to the Shipper and Supplier responsible. The quantities assessed under this process not only drive the allocation of energy for consumption billing purposes but underpin the calculation of daily consumption of Non-Daily metered supply points for energy balancing purposes.

Because so many commercial practices are reliant upon the accuracy of the Annual Quantity, this review process should be subject to more rigorous scrutiny and audit. Implementation of this Modification Proposal would deliver greater transparency of the process by providing publication of more detail of the changes to AQs by the annual review process and the amendments and appeals which would arise from the review.

The UNC (Section G, para 1.6.4) describes the manner in which AQs may be amended by Users and their obligations in approaching this exercise in a consistent and balanced way. The proposed form of reporting would evidence that obligation and provide greater confidence to all Users that the accuracy and reliability of AQs was maximised.

The UNC (Section G, para 1.9.10) contains an obligation upon Transporters to publish information regarding the manner in which the AQ review is conducted. This Proposal seeks to enhance this requirement.

It is recognised that there are potential limitations to the publication of data due to the confidential nature of specific supply point consumptions within an individual Shipper portfolio. However, for other purposes data of this nature has been published in an anonymous format, thereby providing an overview of Users' performance in these processes without directly identifying specific Users.

Format of information to be published

In keeping with a practice adopted for publication of potentially commercially sensitive data across the industry in the past, it is proposed that a "Shipper A, Shipper B Shipper Z" format be adopted. The identity of each Shipper would not be available to parties other than the Transporters and the Regulator, but each User would have greater assurance that all other Users were

conforming to their obligations under Licence and UNC. The Regulator would, as now, have access to the identity of each individual User in order to provide continued regulatory scrutiny of the process.

Information to be published

It is proposed that data be made available to all Users:-

- ~~1.~~ 1. Initial Effect of AQ recalculation (By Shipper and by LDZ) – the recalculation process applied each year will amend a number of AQs. Information should be published to indicate the overall impact of the process, including any bias toward increasing or decreasing AQs. This would be published ~~within~~ [by 01 November] Business Days of the issue of the re-calculated AQs.
- ~~2.~~ 2. Number of amendments raised (by Shipper by aggregate) – this would also be shown by direction, i.e. those amended upward and downward in order to show both the effect and any bias. This information would be published ~~ex post following issue of the final, amended AQs.~~ on 01 July and 01 August, with the final figures to be published by 01 November.
- ~~3.~~ 3. Number of amendments successful (by Shipper by aggregate) – also shown by direction, i.e. those amended upward and downward in order to show both the effect and any bias. This information would be published ~~ex post following issue of the final, amended AQs.~~ on 01 July and 01 August, with the final figures to be published by 01 November.
- ~~4.~~ 4. The number of speculative calculations by Shipper by aggregate during the AQ review process – to be published by 01 July and 01 August, with the final figures to be published by 01 November.

For ~~each~~ categories 1,2 and 3 ~~y~~-above the data published would show:-

- ~~□ The absolute number of changes by User, separately for increases and decreases.~~
- The scale of such changes, separately for increases and decreases. We propose that this be demonstrated by numbers of AQs changing by AQ bands percentages [>10%, >20% and >50%]. ~~This information would be displayed by EUC bands thus making it possible for assessment of the materiality of the changes achieved by amendment.~~
- The absolute change in energy terms, i.e. the aggregate kWh of all increases and the aggregate kWh of all decreases in AQ. This information would be displayed by EUC bands thus making it possible for assessment of the mean increases and decreases achieved by amendment.
- The net impact of number of changes where supply points have moved between EUC bands. For each EUC band the data would show the number added to each EUC band and the number removed from each EUC band.

~~The report format would publish this information by each User within each LDZ.~~

Consequences of not making the change. What would happen if the status quo remains?

~~Without this change there is a possibility that any bias to the AQ recalculation and amendment process would not be apparent.~~

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

The Proposer believes that implementation of this Modification Proposal will further the relevant objectives, as specified in SSC A11 of the Gas Transporters licence, by:-

- Efficient and economic operation of the pipe-line system (para (a))
- Securing effective competition between relevant suppliers and shippers (para (d) and (ii))

More accurate AQs and the enhanced scrutiny and governance of the AQ process provided by this Modification Proposal would facilitate both of these objectives.

More accurate AQs will deliver better information of the likely demands upon the networks that will in turn enable better planning and operation. Greater transparency of the process will eliminate, or at least reduce, the potential for Users to gain competitive advantage from any biased approach to the amendment process.

The Workstream was in agreement with the above statements.

3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

The implementation of this proposal should not have any effect on security of supply, operation of the Total System, or industry fragmentation.

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including

a) implications for operation of the System:

No implications for operation of the system have been identified.

b) development and capital cost and operating cost implications:

~~No implications for operation of the system have been identified.~~ Some development and operating costs are envisaged.

c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

No cost recovery mechanism is proposed.

d) analysis of the consequences (if any) this proposal would have on price regulation:

No such consequences on price regulation have been identified.

5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

No such consequences have been identified.

6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

No systems implications have been identified.

7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

~~No such implications have been identified.~~ Users at the Workstream believe that this Proposal would reduce their level of contractual risk.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

~~No such implications have been identified.~~ Potential greater consumer billing accuracy by Suppliers.

9. Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No such consequences have been identified.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

- greater transparency
- greater confidence in the accuracy and reliability of Aqs
- enhanced scrutiny of the use of the AQ Review process

Disadvantages

- some costs may be incurred in the extraction of the data from existing systems and reporting in a form accessible to Users.

11. Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

No written representations have been received in respect of this Workstream Report.

12. The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

14. Program for works required as a consequence of implementing the Modification Proposal

~~No programme of works would be required as a consequence of implementing the Modification Proposal.~~ A period of development will be required to fulfil the full objectives of the modification proposal.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

Implementation of the Modification Proposal is sought as soon as possible. It is thought that publication of the effect of the initial review may be possible as an extension of the existing non obligated process undertaken by xoserve. In order to facilitate the ex post publication of the effect of appeals and amendments it would be necessary to incorporate this into UNC shortly after the issue of the final Aqs for 2006/07. For this reason a date of 1 October 2006 has been specified.

16. Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

17. Workstream recommendation regarding implementation of this Modification Proposal

The Distribution Workstream recommends that the Panel should agree to send this Proposal to consultation subject to satisfactory legal text being available ~~for the Panel meeting.~~

19. Text