

CODE MODIFICATION PROPOSAL No. 0081
"AQ Review Process - publication of information "
Version 3.0

Date: 10/05/2006

Proposed Implementation Date:

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

Urgent procedures are not sought for this Proposal.

This issue has been initially discussed at the Distribution Workstream in March. The Modification Proposal has subsequently been developed by the Workstream in April and revised in light of that discussion. The proposer, with the support of the Workstream, now considers that Modification Proposal in this revised form is in a suitable state to be issued for consultation.

Nature and Purpose of Proposal (including consequence of non implementation)

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 (text taken from workstream report)

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

- Effect of AQ recalculation (by User 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 by 1 November each year.
- Number of amendments raised (by User and in 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 interim information would be published on 1 July and 1 August with final figures to be published on 1 November.
- Number of amendments successful (by User and in aggregate) - also shown by direction, i.e. those amended upward and downward in order to show both the effect and any bias. This interim information would be published on 1 July and 1 August with final figures to be published on 1 November.
- The number of speculative calculations by Shipper by aggregate during the AQ review process. This interim information would be published on 1 July and 1 August with final figures to be published on 1 November.

(NB - dependent upon the date of implementation of this proposal, it is recognised that these dates may not all be achievable in the first year, in which case publication would be as soon as possible thereafter)

For categories 1,2 & 3 the above the data published would show:-

- The scale of such changes, separately for increases and decreases. We propose that this be demonstrated by numbers of AQs changing by percentages by AQ bands.
- 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 the 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 ideally publish this information by each User within each LDZ but it is recognised that this may require significant system change. Therefore it is proposed that information is published by User across all LDZs. The division by LDZ is not included within this Proposal at this time. The proposer may consider this as the subject of further development in a subsequent proposal.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

We believe 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) (i) 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.

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.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

We believe that this information is readily available within existing processes carried out by the Transporters and xoserve. The preparation and publication of reports for this purpose, including the preservation of anonymity, would not require any major systems implications. However, it is recognised that some costs would be incurred in the extraction of the data from existing systems and reporting in a form accessible to Users. It is suggested that the reports be made available by means of a restricted access internet facility via the agencies common to all Transporters e.g. xoserve or Joint Office.

Code Concerned, sections and paragraphs

UNC Section G, paragraph 1.9

Proposer's Representative

Mike Young (British Gas Trading Ltd)

Proposer

Mike Young (British Gas Trading Ltd)

Signature

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