Inflated AQs on iGT networks

Mod 157 discussion paper

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iGTs have identified a significant number of what are believed to be over-inflated AQ values on their portfolios. IPL, GTC and ESP have collated figures for all domestic properties on their networks whose AQs are recorded as being over 73,200 kWh.

Headline figures

- **1,078** domestic supply points with AQ above 73,200

- **283,919,878** kWh of gas attributable to these supply points

- **263,377** average AQ across these supply points (120,289 median) (15 X average domestic NExA AQ of **17,985**)

- 56 domestic supply points with AQ over 1,000,000 kWh

- ~150 properties with AQ larger than the nominated CSEP AQ

- Highest domestic AQ 7,467,687 kWh (equivalent to a network of roughly 400 houses)

Why are there so many inflated AQs?

iGTs agree that the vast majority of these inflated AQs came about as a result of the removal of tolerance thresholds before the 2006 AQ review. Before their removal, changes of 100% upwards or 50% downwards in an AQ would be rejected as part of the AQ review, and AQ would have remained unchanged from the previous year. The removal of tolerances allowed erroneous meter reads to distort AQ values, which were not subsequently challenged by shippers.

What effect could these inflated AQs have…

Assumptions:

- Some of these AQs could be genuine, but it is reasonable to consider the vast majority as incorrect

- Not all inflated AQs will result in breach of maximum AQ: a site may still be in its early stages, or the iGT may have applied up front for a future anticipated load

- Some inflated AQs may not be reflected in CSEP invoices, but the vast majority of these MPRNs have LMNs assigned

- The figures were collated at supply point level – each network may have multiple inflated supply points.

… on iGTs?

An inflated AQ would be likely to cause a breach in the maximum AQ permitted for a CSEP. This will result in a file-level rejection to the iGT when reporting movements to xoserve. If we assume that a single domestic property with an AQ of 250,000 will definitely lead to an AQ04 rejection, we find 223 potential instances of this. (Setting the threshold at 100,000 kWh gives 681 cases.)

December 2007 figures show 1600 project level AQ04 rejections. A proportion of these could be attributed to inflated AQs.

… on DNs?

DNs have been provided with figures showing CSEPs where the maximum AQ +10% has been breached. Some of these breach maximum by a considerable margin. If iGTs were to renominate each CSEP based on the information currently to hand, further capacity would be made available (potentially incurring reinforcement costs) when it isn't actually required.

… on shippers?

We estimate that LMNs exist for 97% of the supply points with inflated AQ values. For those LMNs where an inflated AQ value appeared on the network at a relatively early stage, the affected supply point will be included in the CSEP invoice, and so the shipper will be overpaying for a potentially very small number of supply points. All LMN changes that have occurred since the max AQ was breached (potentially by a new supply point with legitimate AQ value) will not be reflected on the CSEP invoice.

The AQ04 rejection will not only affect the shipper with the inflated AQ, but all other shippers on that network. Movements to and from all shipper portfolios are not being updated on xoserve systems. Shippers will continue to be billed at the CSEP for sites they have lost and vice versa, and so the network essentially becomes 'frozen' in time.

Next steps

Some iGTs have contacted shippers directly to agree to revert to previous AQs. There has so far been limited success, but iGTs will continue to contact shippers.

A mod to iGT UNC is being raised whereby the GT may 'challenge' the prevailing AQ of a supply point, outside of AQ review (perhaps if it varies by x per cent from NExA value). If the shipper is unable to substantiate the prevailing AQ, the AQ would revert to the NExA value/original value, and would be adjusted at next AQ review in the normal way.