

















UNC Final Modification Report		At what stage is this document in the process?
<h1>UNC 0648S:</h1> <h2>End dating the revised DM Read estimation process introduced by Modification 0634</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>Purpose of Modification:</p> <p>This modification seeks to end date the revised estimation process introduced through the implementation of Modification 0634 (Urgent) - Revised estimation process for DM sites with D-7 zero consumption.</p>		
	Panel consideration is due on 17 May 2018 <i>(at short notice by prior agreement)</i>	
	High Impact: None	
	Medium Impact: None	
	Low Impact: Shipper Users, CDSP and Transporters (specifically Daily Metered Service Providers(DMSP))	

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Timetable		 Any questions?
Modification timetable:		 Any questions?
Initial consideration by Workgroup	22 February 2018	Contact:
Workgroup Report presented to Panel	15 March 2018	Joint Office of Gas Transporters
Draft Modification Report issued for consultation	15 March 2018	 enquiries@gasgovernance.co.uk
Consultation Close-out for representations	27 April 2018	 0121 288 2107
Final Modification Report available for Panel	02 May 2018	Proposer:
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1 Summary

What

Modification 0634 - Revised estimation process for DM sites with D-7 zero consumption introduced the requirement for the CDSP to intervene when the estimated consumption of a Daily Metered (DM) Supply Meter Point was zero and had been derived using the consumption from that day of the preceding week (D-7 methodology). The use of the CDSP discretion in such circumstances is contrary to the principles established by the implementation of the Xoserve Funding and Governance Ownership (FGO) review and usual business processes. This modification seeks to introduce an end date to this obligation.

Why

Modification 0634 was introduced at short notice and with little analysis to target the high number of DM Supply Meter Points that were not recording Actual Meter Readings following the Project Nexus Implementation Date. The modification sought to eliminate alleged spurious zero consumptions adversely impacting allocations at DM Supply Meter Points, with the consequential impacts to the NDM market. The CDSP is only able to intervene in specific circumstances (i.e. an estimate of zero derived from a D-7) and has a heavy reliance on the Transporter Daily Metered Service Provider (DMSP) and Shipper in order to successfully resolve such instances.

This modification has been raised as Modification 0634 was largely ineffective and relied on Xoserve operating in a pragmatic fashion and not explicitly in line with the business rules in Code.

The industry is now in a business as usual position it is proposed that the obligation to intervene by the CDSP is removed.

For the avoidance of doubt this would include removing the CDSPs discretion which is in line with the establishment of the FGO programme implemented by Modification 0565A - Central Data Service Provider: General framework and obligations.

How

It is proposed that the Legal Text inserted by the implementation of Modification 0634 is removed and the rules in place prior to Modification 0634 reinserted. Currently Transporters have, via their (DMSP), the ability to amend estimated consumptions and do so when it is, in conjunction with the Shipper User, deemed appropriate to do so.

2 Governance

Justification for Self-Governance, Authority Direction or Urgency

This modification is proposed as Self-Governance as it is not considered to have a material effect or discriminatory impact on any party. This modification is unlikely to have a material impact competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes, or matters relating to safety or security of supply.

It was noted that although Modification 0634 was implemented under Urgent Procedures, the impact of implementing this modification is not material or time constrained to require a decision by Ofgem.

Requested Next Steps

This modification should:

- be considered a non-material change and subject to self-governance
- proceed to consultation

This Workgroup agrees with the Panel determination on Self-Governance for the reasons set out above and consider the modification is sufficiently developed to be issued to consultation.

3 Why Change?

Modification 0634 (Urgent) was introduced at short notice and with little analysis to target the high number of DM Supply Meter Points that were not recording Actual Meter Readings following the Project Nexus Implementation Date. The modification sought to eliminate alleged spurious zero consumptions adversely impacting allocations at DM Supply Meter Points, with the consequential impacts to the NDM market.

The CDSP is only able to intervene in specific circumstances (i.e. an estimate of zero derived from a D-7) and has a heavy reliance on the Transporter Daily Metered Service Provider (DMSP) and Shipper in order to successfully resolve such instances.

This modification has been raised as it was felt that Modification 0634 (Urgent) was largely ineffective and relied on Xoserve operating in a pragmatic fashion and not explicitly in line with the business rules in Code.

The industry is now in a business as usual position, it is proposed that the obligation to intervene by the CDSP is removed.

For the avoidance of doubt this would include removing the CDSPs discretion which is in line with the establishment of the FGO programme implemented by Modification 0565A - Central Data Service Provider: General framework and obligations.

It is perfectly plausible that a Supply Meter Point has a zero consumption. Under Modification 0634 (Urgent) the CDSP has been required to assess a large number of zero estimates that following consultation with the DMSP and the Shipper User have been retained.

For example, in the period from Modification 0634 (Urgent) implementation (20th November 2017) to 18th December 2017 the **CDSP assessed 73 zero consumptions** on DM Supply Meter Points that had not recorded an actual reading since the Project Nexus Implementation Date – of these **68 were retained as a zero value** (of this figure 4 instances were retained at zero at the Shipper's request following an alternative recommendation by the CDSP).

Of these consumptions, the CDSP entered 1 actual consumption that had been obtained from the DMSP, and the DMSP acted on 4 occasions to enter an alternative (non nil) consumption. In the following month for this same set of DM Supply Meter Points the CDSP assessed 14 consumptions which were retained either as zero or the DMSP provided an actual consumption, or inserted an alternative consumption in conjunction with the Shipper User.

Modification 0634 (Urgent) requires that any such zero consumption needs to be assessed by the CDSP. Within the first two months following implementation there were a further 138 nil consumptions reviewed. These were on meter points that had recorded an actual consumption since the Project Nexus Implementation Date, or were commissioning DM Supply Meter Points – i.e. the 'business as usual' population. Of these 138, 87 zeros were retained, the CDSP inserted 12 actual consumptions and were

instructed to use an AQ/365 on 7 instances. In the remaining 32 instances, the DMSP provided an actual consumption, or inserted an alternative consumption in conjunction with the Shipper User.

With such 'business as usual' sites it is evident that the DMSP is more likely to be in a position to provide an actual reading or is able to engage with the Shipper User to determine an alternative consumption.

Therefore, the process introduced by Modification 0634 (Urgent) can now be considered to be surplus to requirements and should be removed as a Code process.

4 Code Specific Matters

Reference Documents

No Code Related Documents are impacted by this modification.

Knowledge/Skills

None.

5 Solution

It is proposed to delete the text introduced by *UNC Modification 0634 (Urgent): Revised estimation process for DM sites with D-7 zero consumption*, by removing the new Legal Text introduced and reinstating the existing Legal Text amended by Modification 0634 (Urgent) immediately on implementation.

6 Impacts & Other Considerations

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

None.

Consumer Impacts

No direct additional benefits identified. However, implementation of this modification would return the DM reads process back to the arrangements that were in place prior to the implementation of Modification 0643 (Urgent), which consumers are familiar with and would remove any potential contractual risk created by the insertion of spurious reads.

Cross Code Impacts

Although considered to be unlikely, there may be an iGT UNC cross code impact due to the joint agency agreement and this is currently being reviewed by the IGT UNC Code Administrator.

EU Code Impacts

None identified.

Central Systems Impacts

None identified as this modification proposes to remove an offline process.

Workgroup Impact Assessment

The Workgroup noted the intentions of Modification 0634 (Urgent) - Revised estimation process for DM sites with D-7 zero consumption aimed to create a process for amending daily metered consumption to prevent D-7 zero estimates from being used where inappropriate to do so. However, analysis appears to indicate that the process has not been overly influential and that business as usual processes have superseded the new process.

Some consider this modification should remove an inefficient process introduced at a time when the impacts on Unidentified Gas were less certain than currently understood. However, others felt that Modification 0634 (Urgent) may have been influential in changing behaviours with parties being more proactive in addressing DM read issues, which resulted in the process looking less successful.

The Workgroup notes and agrees with the views contained in the Report requested by Panel “Consideration of the implementation of UNC 0634 (Urgent) - Revised estimation process for DM sites with D-7 zero consumption” which advises:

“The Workgroup felt that there appeared to have been a transitional benefit supporting the implementation of Modification 0634 (Urgent). However, the industry has moved into a business as usual mode and that further benefits appear to be unlikely which would support the removal of the process from Code.

The Workgroup believe it would be beneficial to remove the obligations on the CDSP to manage this process as it is inconsistent with the principles adopted on the implementation of Modification 0565A - Central Data Service Provider: General framework and obligations and the removal of the use of the CDSP discretion in the provision of services.”

Rough Order of Magnitude (ROM) Assessment

Not required as there are no system impacts.

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	None

shippers.	
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.	Positive
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

This modification should remove the inherent inefficiency of the obligation on the CDSP to assess such consumptions, and allow the Shipper Users and the DMSP (on the Transporter's behalf) to engage with each other directly and determine the most appropriate course of action. In addition, by removing the process introduced by Modification 0634 (Urgent), it will also remove the ambiguity between the business rules set out in Code and those actually operated by the CDSP, therefore furthering Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code.

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.

9 Legal Text

The Workgroup notes that Legal Text is to be provided by SGN and is to be published alongside this report.

10 Consultation

Panel invited representations from interested parties on 15 March 2018. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Implementation was unanimously supported in the 5 representations received.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Cadent	Support	f - positive	<ul style="list-style-type: none"> Whilst Cadent did not support Modification 0634, as they believed that it did not facilitate the Relevant Objectives, they did see merit in the Modification on a 'time limited' basis only. Therefore, they agree that 'end dating' the requirements of Modification 0634 is appropriate and furthers the Relevant Objectives.

			<ul style="list-style-type: none"> • Agrees that this is a non-material change to the UNC and can be subject to Self-Governance. • Satisfied that the Legal Text provided meets the intent of the solution.
ENGIE	Support	f - positive	<ul style="list-style-type: none"> • The current process (put in place by Modification 0634) doesn't appear that effective based on historical data to date. The clear majority of the zero estimate readings were either left unchanged or updated with a value nominated by the shipper. (Rather than a default AQ/365 being imposed.) Therefore, the overall positive impact of the new process seems to be minimal. • The new process is more complex with subjective interventions by third parties who don't have a direct financial exposure to inaccurate DM readings.
E.ON	Support	f - positive	<ul style="list-style-type: none"> • This Modification will remove the current process inconsistencies which came with the implementation of Modification 0634. • Supports knowing a D-7 estimate is the default rather than a CDSP value. • Agrees self-governance is appropriate
Gazprom	Support	f - positive	<ul style="list-style-type: none"> • Operational experience of Modification 0634 clearly demonstrated that the proposal was largely ineffective and indeed to avoid detriment relied on Xoserve operating in a pragmatic fashion and not explicitly in line with the business rules in Code. • Agrees self-governance is appropriate • This modification should remove the inherent inefficiency of the obligation on the CDSP to assess such consumptions, and allow the Shipper Users and the DMSP (on the Transporter's behalf) to engage with each other directly and determine the most appropriate course of action.
Wales & West Utilities	Support	f - positive	<ul style="list-style-type: none"> • Supports this Modification because it removes a process that gave discretion to the CDSP which was contrary to the one of the principles of FGO arrangements introduced in April 2017. • Agrees that this modification meets the self-governance criteria.

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

12 Recommendations

Panel Determination

Members agreed that Modification 0648S should **[not]** be implemented