

**CODE REVIEW PROPOSAL No xxxx**  
**Rolling AQ Review**  
**Version x.x**

**Date:** 10/09/2007

**Nature and Purpose of Proposal**

The current AQ process has been operating in much the same form and timescales since inception of code. The review was originally for large supply points (LSP) only and extended to cover small supply points (SSP) for October 2000.

The AQ value assigned to each supply point is a fundamental piece of information. It forms the basis of much of the day to day operation of the gas industry from capacity planning, energy balancing, charging and reconciliation. The accuracy of the information is therefore of great importance to User and Transporter alike. Under the current review process the AQ being used as a proxy for future demand is, on average, 18 months old at the time it is used. Where consumption is changing this provides a significant commercial risk to shippers and transporters. This has been particularly evident over the gas years since 2005 where reductions in domestic demand as a reaction to high prices are still feeding through to SSP AQ.

Current recalculation processes are limited due in part to the UKLink system that supports the process. With the UKLink system due for replacement in 2012 this provides an opportunity to review the current process and consider alternatives that may serve the industry better into the future in a cost effective manner.

The industry is currently investigating opportunities offered by AMR technology. Moves to use AMR to its full potential, or indeed any changes to current metering patterns, should provide more information on actual consumption. It would appear sensible to configure the processes supporting transportation and balancing to make optimum use of available information.

Additional discussions on fundamental changes to the settlement process are being discussed through modification and review groups.

- **Limitation on retrospective invoicing and invoice correction (Mod 152VB/AV/V)**
- **Review of IGT Settlement and Reconciliation Arrangements (Review group 157)**
- **Review of User Suppressed Reconciliation Values' incentive arrangements (Review group 158)**
- **Individual meter point reconciliation (Review group 168)**
- **Encouraging participation in the Daily Metered regime (Review proposal)**

Each of these seeks to improve the accuracy of settlement to actual consumption or to provide certainty to Users on final settlement values in shorter timeframes. In this context a review looking to potential changes in the timeliness and accuracy of AQ values would seem logical.

**It is proposed that a review group look at the benefits and implications from instigating a rolling AQ calculation systematised to use meter reads as they are received. A review group is proposed so that industry experience on the potential problems with read quality can be considered alongside experience of similar processes that were used by British Gas in pre-Network Code regimes and by the current electricity balancing regime. The review group should also consider alternative scenarios that would allow more timely AQ updates if any can be identified.**

#### **Any further information (Optional)**

**There are benefits anticipated from a more time reflective AQ process, including but not limited to:**

- **Allows AQ to be more reflective of current consumption patterns. AQ is being used as a proxy for future demand and reflecting consumption changes reduces the commercial risk to shippers.**
- **Avoids the peak in workload for systems and resources in the industry that an annual process requires.**
- **Provides benefits in staff training and knowledge through implementing an ongoing process to replace an annual process.**
- **Reduces the opportunity for shippers to game AQ values.**
- **An industry consensus at this stage will allow the change to be included in the UKLink system changes in a timely fashion mitigating the high costs such a change would usually incur.**
- **Increased accuracy in AQ values will minimise scaling factor variation in the allocation process and could lead to lower reconciliation values. This minimises exposure to market prices for LSP shippers and reduces risk for RbD.**

#### **Disadvantages include:**

- **The need to resource AQ validation across the gas year to manage exceptions.**
- **Processes and action to deal with sites where the AQ is not recalculated over a number of years.**
- **Processes to cover identification and mitigation of AQ changes from erroneous meter reads. This may include stepped changes to the AQ at each recalculation and tolerance limits around AQ changes. In particular use of erroneous AQ in allocation would need to be prevented.**
- **Changes in UNC would need to be replicated for IGTs to allow consistent AQ provision for allocation purposes.**

#### **Code Concerned, sections and paragraphs**

Uniform Network Code

Transportation Principal Document

**Section(s)** G, H

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