

CODE MODIFICATION PROPOSAL No 0209

Rolling AQ
Version 3.0

Date: 12/03/2009

Proposed Implementation Date: As directed by Ofgem

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/11700_Urgency_Criteria.pdf)

This modification is the output from review group 177. The review group concluded that although there was general agreement on the principle more work was needed on details prior to implementation. As such we request this modification progress through a specific development workgroup to enable focused work on the detailed implementation requirements of all issues before proceeding to consultation. As this is aimed at UKLink replacement there is no requirement for Urgency although earlier implementation could be considered.

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

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.

Output from review group 177 provided a straw man model for rolling AQ. This modification seeks to provide the detail required to support this straw man for implementation.

E.ON and xoserve developed a strawman that outlined how the AQ process would function on a rolling basis. This proposal has been amended and developed through the review group process as follows:

• **Meter Reads**

Submit meter reads.

Reject or accept meter read.

If accepted MPRN will be put forward for AQ Review.

USRVs will be put forward for review as per current process.

All meter read types will be put forward for review (Exception will be opening read estimate which will only be used as an opening read for any variance period).

- Validation

UK Link will look back at any earlier read for the MPRN targeting

42 Weeks for non-monthly read sites.

50 weeks for monthly read sites.

The system will however consider all reads between 9 months +1 day and 3 years apart.

Current Back Stop functionality will no longer apply.

xoserve will carry out a series of systematised validations to ensure AQ is correct.

These validations are set out in a proposed UNC Related Document “**AQ Validation Rules**” a copy of which will be appended to the Detailed Business Rules.

Where validations fail then a rejection file will be returned to the shipper with a reason code and the current AQ will apply to the next month (m+1)

For the next month following (ie month + 2):

If the calculated AQ is an increase on the current AQ, this calculated AQ will apply unless the User confirms that this AQ is incorrect.

If the calculated AQ is a decrease on the current AQ, this calculated AQ will only apply if the User confirms this AQ is correct..

A User that anticipates the rejection of a calculated AQ, may flag acceptance of this if it reasonably considers that the calculated AQ is correct.

- Timescales

All meter readings will be processed once per month.

New AQ values go live on 1st of the following month.

There will be no amendment process or T04 file submission.

- Appealing AQ Values

Users can submit a new meter reading to bring the AQ up to date.

Users can change meter readings using a read replacement where no subsequent read has been loaded.

Users can correct erroneous asset data using RGMA flows.

A User may submit an AQ appeal where:

Historically incorrect data is adversely affecting the AQ on a site.

There is a manifest change in usage.

The process means AQs may be incorrect for as little as one month whereas under the current process AQs can be incorrect for up to a year.

- Monitoring

Currently the AQ Review is monitored by:

UNC Modification 081 stats.

Reporting stats for AQ Ops Forum.

Reporting pack specifically for Ofgem.

Shipper appeal activity.

Appeals and meter read submissions increasing and decreasing AQs

Much of this will become redundant but monitoring requirements will need to be maintained.

- Implementation

E.ON sees this as a Nexus related change. Although there is benefit in this change being implemented as soon as possible, given current timings we anticipate that a scheduled release

as part of Nexus would be of benefit to xoserve for management of Nexus and would help minimise costs for the industry. We see a benefit from a phased implementation with LSPs implemented first but we would like to see SSP implemented as soon as possible after this and no more than one year later.

- **Thresholds**

Unless confirmed as DM by the User, the AQ of a Supply Meter Point Component will remain above the DM threshold for three months before becoming mandatory DM.

Where the AQ of a Supply Meter Point Component rises and remains above the site specific correction threshold (ie 732,000 kWh) for three months a convertor will be installed.

Where the AQ of a Supply Meter Point Component falls below the site specific correction threshold (ie 732,000 kWh) the converted reading will continue to apply.

- **Consequential Adjustments**

Supply Point Offtake Quantities will be revised when Annual Quantities are revised using the applicable load factor.

Annual Quantities and Supply Point Offtake Quantities will reflect any changes in Winter Annual Ratios and Seasonal Composite Weather Variables whenever the Annual Quantity is revised. At the time the Seasonal Normal Composite Weather Variable is revised all AQs will be corrected by a calculated factor on a given date.

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

A11.1 (a) the efficient and economic operation of the pipe-line system to which this licence relates:

Annual Quantities form the building block of many of the planning and system security activities of Transporters. As such, improving the accuracy of Annual Quantities will fundamentally improve the ability of Transporters to operate the pipeline system in an efficient and economic manner.

Standard Special Condition A11.1 (c): *so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

Increased accuracy of Annual Quantities, as a result of implementation, would increase certainty of the derived peak load forecasts. This would enable improved capacity and storage planning as required under the licence and improved cost targeting.

Standard Special Condition A11.1 (d): the securing of effective competition

(i) between relevant shippers;

(ii) between relevant suppliers;

(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers:

Improvement in accuracy of Annual Quantities will ensure that energy is allocated more accurately on the original commodity invoice and minimise movement of energy between market sectors through reconciliation. This would be expected to minimise risk for RbD Shippers and

reduce costs associated with reconciliation for all Shippers. It is expected that this would facilitate competition between relevant Shippers, minimise uncertainty for new entrants and increase revenue certainty for DNs. Improved accuracy of AQ and SOQ will improve cost targeting.

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

There will be system impacts for Transporters and Shippers. It was the view of Shippers on the review group that benefits will outweigh costs. As a Shipper we are prepared to share our view of benefits with Ofgem and believe they outweigh the system costs associated with this change.

It is anticipated that system development could be in line with UKLink replacement, and may provide xoserve with a mechanism for implementing and testing a modular based replacement. This would minimise risk for all parties from the UKLink replacement activity. Timescales are expected to be in line with UKLink replacement. xoserve ROM costs estimate the change to be in the region of £990k - £1,910k based on amending the current system. We would expect the Nexus cost to not be greater than this, as work will be taking place on the AQ system already. Running costs are expected to be £240k - £410k per annum.

There has been interest from a number of Shippers about implementation of this change as soon as possible. If the change were to be implemented ahead of Nexus we would see this as a User Pays change based on charges per AQ change, a cost in the region of 5-9p per meter point. As part of Nexus we would see this as included in the Transporters core requirements and as such would anticipate costs to be recovered through Transportation charges to the community.

We would like to see implementation by 1st October 2012 for LSP and 1st January 2013 for SSP.

Text should be developed prior to Ofgem determination, however it is our view that the business rules and validation rules are sufficiently detailed to allow consultation. Given the nature of the change it is suggested this should be extended.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) Including E, G, H

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