

0497: Removal of the CSEP NExA table held within Annex A part 8

At what stage is this document in the process?

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

To remove the CSEP NExA table held within Annex A part 8 and refer to the AQ table contained within the relevant Ancillary Document set out in the iGT UNC



The Workgroup recommends that this modification should now proceed to consultation.



High Impact: -



Medium Impact: Users (Shippers) and iGTs



Low Impact: Large Transporters

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About this document:

This report will be presented to the Panel on 21 August 2014.

The Panel will consider whether the modification should proceed to consultation or be returned to the Workgroup for further assessment.



3 Any questions?

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Workgroup Report

08 August 2014

Version 0.4

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification because it is likely to have material effect on 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.

Why Change?

Currently, AQ values contained within the CSEP NExA table are fixed and as such do not get updated on a yearly basis in line with the AQ review, therefore AQ values can quickly become outdated. With the continued energy efficiency measures the domestic market has undertaken and the general demand reduction measures consumers are applying, it is now appropriate that not only should the CSEP NExA table be reviewed in accordance with iGT 051 ANC - amendment of iGT AQ Review Procedures Document, but also updated annually. This modification will allow transporters to accurately plan their network capacity and shippers to accurately price domestic new connection customers based on the most up to date AQ values available.

Implementation of iGT 053 allows for an annual update of the CSEP NExA. It now seems appropriate to introduce a process whereby the amended values provided in this process are reflected in the CSEP NExA as soon as they are published by the iGTs

Solution

Following on from the work carried out at the iGT 053 development workgroup, the general consensus between iGTs and Shippers is that Annex A, Part 8 of the CSEP NExA should be amended on an annual basis to reflect the latest values of the AQ table published by the iGT's.

The purpose of this modification point the CSEP NExA to the most up to date version of the AQ table published by the iGT's, and delete the AQ table published in the Annex A Part 8 of the CSEP.

Relevant Objectives

d) Securing of effective competition

Implementation of the change identified within this modification proposal is expected to facilitate the achievement of securing of effective competition

f) Promotion of efficiency in the implementation and administration of the code

Implementation of this change will improve the efficiency of the implementation and administration of the code

Implementation

It is expected that there will be minimal (if any) costs to large transporters, shippers/suppliers and only minimal costs to the iGT's as they will have already mitigated this eventuality from the previous workgroups held for modification proposal UNC 0392, iGT 040V and more recently, iGT 053.

Although no Implementation timescales are proposed, it is anticipated any decisions made regarding an implementation date, will need to be in line with iGT053 but no later than 26th June 2015.

2 Why Change?

The AQ values used in the CSEP NExA table are fixed and although they are reviewed they are not updated on a yearly basis in line with the yearly AQ review, therefore the AQ values can quickly become outdated and out of step with those published by iGTs. On January 20th 2012, the Authority decided that Modifications UNC392 and iGT040V to amend the AQ values in the CSEP NExA table be implemented, this resulted in a downward revision of the AQ values, calculated based on included data from the 2010 AQ Review.

With the continued energy efficiency measures the domestic market has undertaken and the general demand reduction measures consumers are applying, It is now appropriate that, not only should the CSEP NExA table to be reviewed in accordance with iGT 051 ANC - amendment of iGT AQ Review Procedures Document, but also updated annually when the iGT table is, in line with iGT 053. This will allow the transporters to accurately plan their network capacity and pipeline users to accurately price domestic new connection customers based on the most up to date AQ values available.

With the implementation of the SMART metering rollout over the next 6/7 years, consumers will become savvier in the way they consume energy and usage patterns are expected to alter as a result. By reflecting the view of the latest tables the AQ values will be more accurate, taking into account customer behaviour whilst they adapt to SMART, and other incentives.

3 Solution

Following on from the work carried out at the iGT 053 development workgroup, the general consensus between iGTs and Shippers is that Annex A, Part 8 of the CSEP NExA should be amended on an annual basis to reflect the latest values of the AQ table published by the iGT's.

The purpose of this modification is to point the CSEP NExA to the most up to date version of the AQ table published by the iGT's, and delete the AQ table published in the Annex A Part 8 of the CSEP.

Amendment is required to Annex A Part 8 of the LDZ CSEP NExA remove the existing AQ table and introduce relevant terms to Part 1 which have the effect of applying the AQ table contained within the relevant Ancillary Document set out in the iGT UNC.

Costs

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

This Proposal is not User Pays because no user pays service is created or amended, and no Transporter Agency costs are anticipated as a result of implementation.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.

N/A
Proposed charge(s) for application of User Pays charges to Shippers.
N/A
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
N/A

4 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 shippers.	Positive
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.	None
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

The allocation of energy and transportation costs between Shippers will change as a result of:

1. Increased accuracy of AQ values as a result of bringing them up to date
2. The continued energy efficiency measures the domestic market has undertaken and
3. The general demand reduction measures consumers are applying.

More appropriately, targeting of costs is consistent with facilitating the securing of effective competition between Shippers. It will reduce costs for the pipeline operators, improve the overall customer experience and keep costs down for them.

The reduction in energy allocation will allow for better pricing structures and make tariffs more reflective year on year and in turn improve the customer service experience as suppliers will be able to offer cost reflective prices.

f) Promotion of efficiency in the implementation and administration of the Code

Removing the need to review and update the AQ table published in Part 8, Annex A of the CSEP NExA and UNC TPD Section G Annex G-3 to reflect the most current values, will remove the need to raise a modification to change the table as the as the CSEP NExA will point to the most current version published by iGT's and therefore further the relevant objective f) Promotion of the efficiency in the implementation and administration of the Code.

5 Implementation

Although no Implementation timescales are proposed, it is anticipated any decisions made regarding an implementation date, will need to be in line with iGT053 but no later than 26th June 2015.

It is expected that there will be minimal (if any) costs to large transporters, shippers/suppliers and only minimal costs to the iGT's s they will have already mitigated this eventuality from the previous workgroups held for modification proposal UNC 0392, iGT 040V and more recently iGT 053

6 Legal Text

The following Text has been prepared by National Grid Distribution, and no issues were raised by the Workgroup regarding its content.

7 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.

8 Appendix 1

Method of AQ Calculation as Specified under Modification iGT 030 and iGT053

Previously, the methodology used by all iGTs in the calculation of the revised AQ is detailed as follows: IGTs individually collated AQ data using a standard template (C1) using the following rules. This is a format that they have utilised on other forms of data collation for Ofgem and is consistent with the approach also being used for UNC Modification 0481 and iGT 060.

One tab was used per licence held, inputting the average AQ per property type for each of the three geographic areas and the number of individual supply points used to derive that average.

IGTs reported from the AQ review output files, not from the overall portfolio. If an AQ had not been reviewed, it was not included in the dataset. The AQ used was the final AQ that was taken as the revised AQ value. Where an iGT has no values for a type of property the cell AQ and number were left blank.

The following were excluded from the AQ data:

- * Infill domestic property AQs.
- * Non-domestic property AQs.
- * Where an installation read was used in the AQ calculation.
- * There was no AQ change because the site became live less than 26 weeks prior to the cut off read date.
- * There were no reads with which to calculate the AQ.
- * The AQ changed outside the +100% / -50% tolerance and the Calculated AQ is used as it was not challenged, or challenged unsuccessfully.
- * AQs changed using the Large Transporter's agent adjustment factors based on the change from the old to new weather correction data.

The following were included in the AQ data:

- * Only properties deemed to be new housing when first connected to a gas connection.

* The AQ changed outside the +100% / -50% tolerance, but the new AQ is used as the shipper successfully challenged the old AQ being used.

* All other AQ values calculated as part of the most recently completed AQ Review using meter reads (for clarity it also includes those above the 2,500 therm threshold).

* Only house types that are listed in Table 1 in Appendix CI-1 of the Code. In terms of the volume of mprns included in the calculation, this is included in the table below

The intention is that the same methodology is used to derive any new values to be used to update the table accordingly.