



UNC Modifications 0642/0643

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Summary

- The main changes for both modifications:
 - Utilise the Pre-Nexus nomination and allocation process for NDM meters
 - Unidentified Gas fixed as a percentage of throughput for each LDZ
 - Any reconciliation volumes are only applied to NDM sites that do not undertake a reconciliation for that billing month, unless a Reconciliation Target (defined later) is reached.
 - UNC Modification 0643 also proposes:
 - Reconciliations volumes corrected back multiple months.
 - Reconciliation volumes spread over unread DM as well.
 - Backdating of process back to 1 June 2017.

Allocation and forecasting changes

- Proposal is to reinstate pre-nexus regime (top-down regime) for forecasting and allocating demand to NDM supply meter points.
- UIG will still be allocated separately but will now be a fixed proportion of throughput for each LDZ.
- DM and Shrinkage processes will remain the same.

NDM allocation and forecasting

Daily Demand for all NDM Supply Points (SPD) is determined by the following formula:

$$SPD = \frac{AQ}{365} \times ALP_t \times (1 + DAF_t \times WCF_t) \times SF_t$$

Annual Load Profile for the Applicable End User Category

Daily Adjustment Factor for the Applicable End User Category

Weather Correction Factor for the relevant LDZ

Scaling Factor for relevant LDZ

Daily Adjustment Factor

$$DAF_t = \frac{(WVCE_t / SNDE_t)}{(WVCN_t / SNDN_t)}$$

- WVCN the Weather Variable Coefficient in the Demand Model for the LDZ Aggregate NDM Points for the relevant LDZ.
- SNDN the value of seasonal normal demand for LDZ Aggregate NDM Points for the relevant LDZ.
- WVCE is the value of the Weather Variable Coefficient in the Demand Model for the End User Category.
- SNDE defined in the NDM Estimation as the seasonal normal demand for the End User Category.

WCF calculation

$$WCF_t = \frac{ASD_t - \sum \left(\left(\frac{AQ_{EUC}}{365} \right) \times ALP_t \right)}{\sum \left(\left(\frac{AQ_{EUC}}{365} \right) \times ALP_t \right)}$$

- ASD_t = “Actual” NDM Demand for the LDZ (Updated as data is made available).

Scaling Factor (SF)

- Factor to make sure that metered LDZ consumption is equal to the offtakes (DM, Shrinkage, NDM).

$$SF_t = \frac{ASD_t}{NDMD_t}$$

- $NDMD_t$ = Aggregate Individual Daily Demands (SPD)

NDMD review

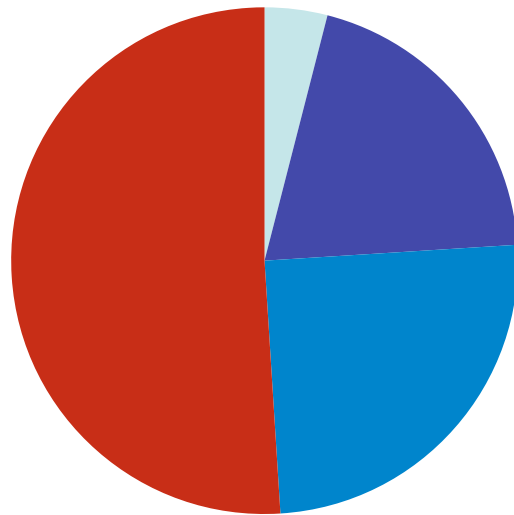
- It will be necessary to also reinstate the review process brought in by UNC Modification 0204 to ensure the WCF continues to follow the current position, though it will increased in frequency to monthly:
 - In respect of each Gas Year, the CDSP will, on the day AQ files are issued out will compare the AQ change at each LDZ and AQ at the last application date.
 - Where the comparison made determines that the aggregate NDM LDZ AQ has increased or decreased by an amount of more than 1%, the CDSP will:
 - on the last working day of the month before the AQ's take effect, publish the revised values that will apply in respect of $\sum((AQ/365)*ALP)$ for each LDZ;
 - apply such revised values from the first calendar day of the month; in line with when the AQ's take effect.

UIG

- UIG will still be apportioned separately, using the current framework to do so.
- Change is that UIG will not be the remainder of the LDZ's throughput after Shrinkage, DM and NDM volumes are calculated, but instead will be a fixed percentage of the LDZ's throughput.
- AUGE will be required to determine percentage of throughput which is permanent UIG for each LDZ for each gas year.
- Until then use 1.1% (based on latest AUGE statement).

Summary – Pre-Nexus regime

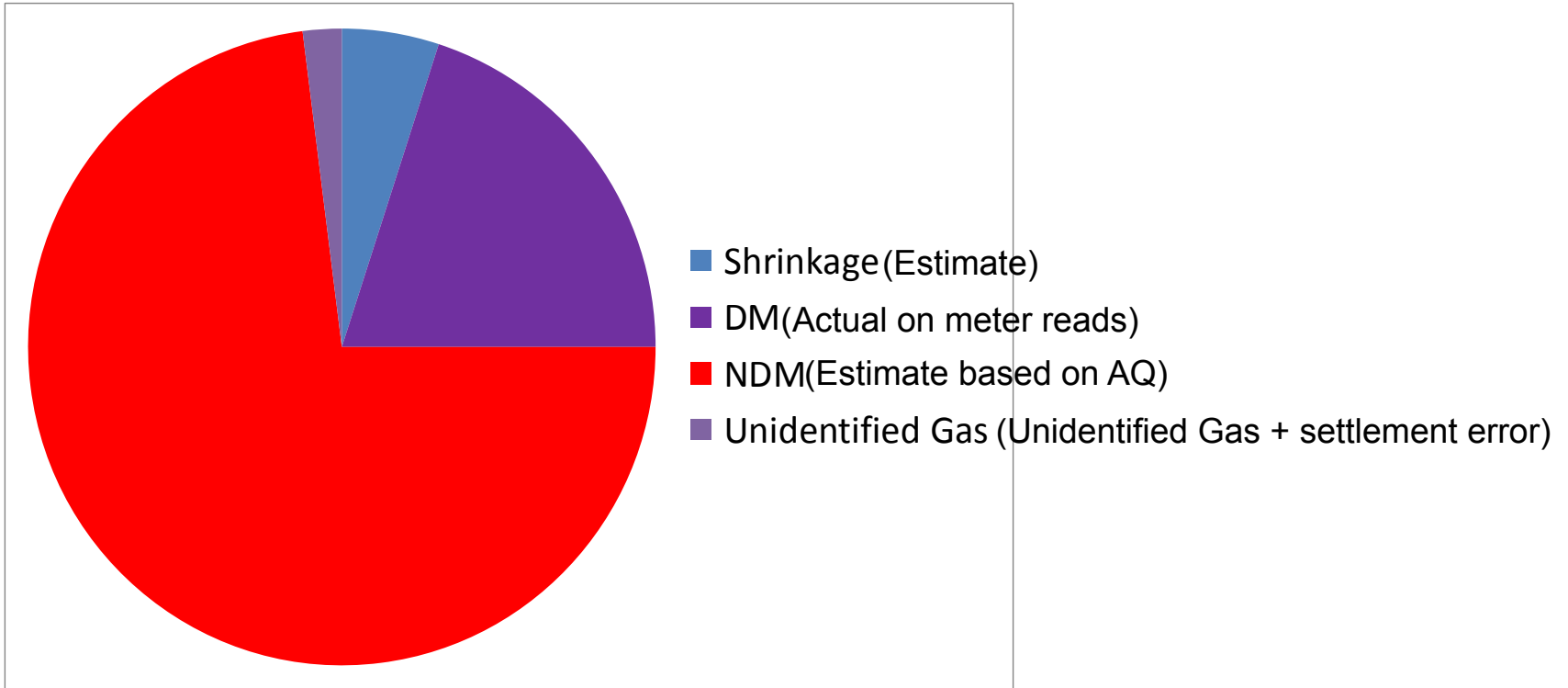
Day 1 (each LDZ)



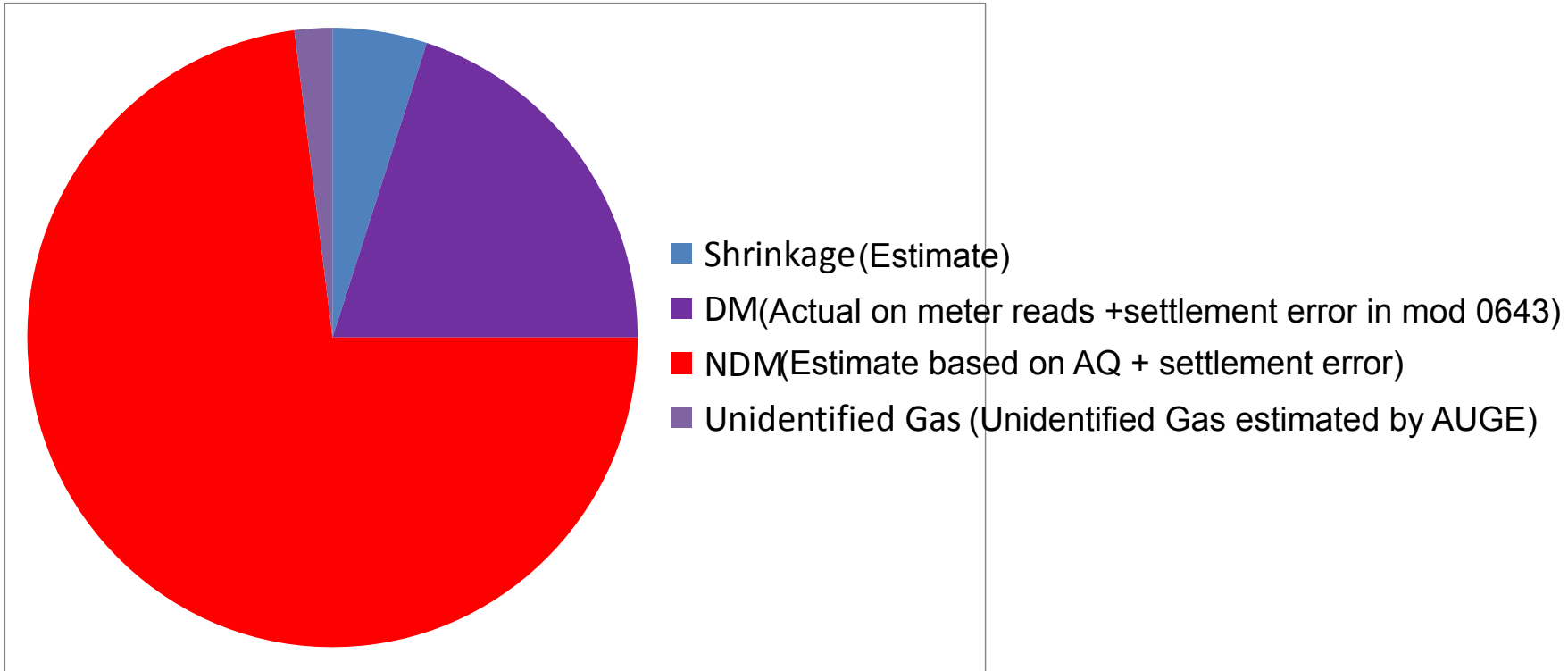
- Shrinkage (Estimate)
- DM (Actual on meter reads)
- LSP (Estimate based on AQ)
- SSP (Estimate based on AQ + Unidentified Gas + settlement error from other sectors)

Any adjustments to Shrinkage, DM (rare) or LSP sectors, either positive or negative would be allocated to the SSP sector.

Post-Nexus(1 June 2017)



New Process (UNC 0642/0643)



AUGE Process

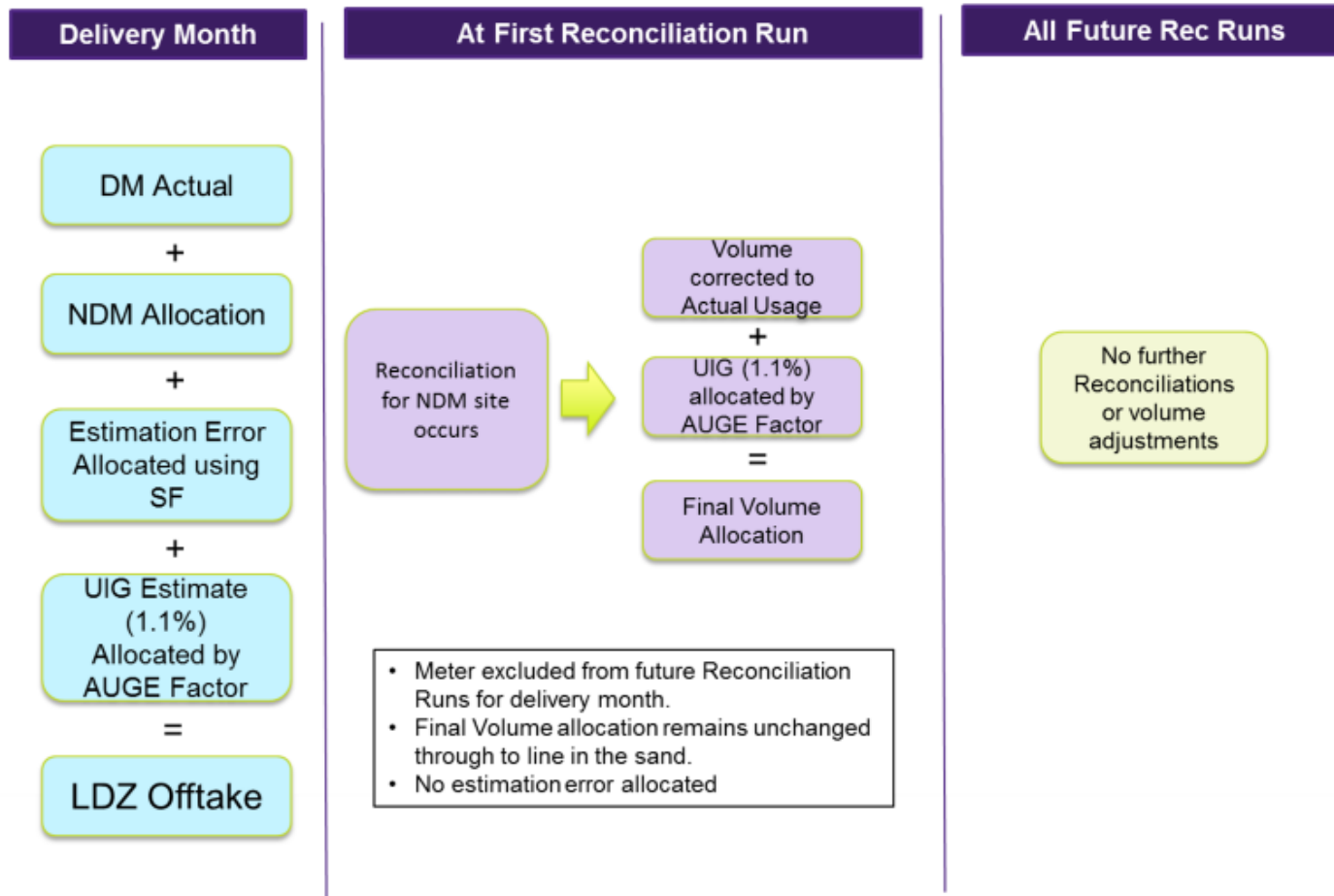
- AUGE process continues for allocation of UIG in each LDZ – modification proposes to fix UIG volume, not change process of using Unidentified Gas weighting factors to split UIG by EUC Band and product class.
- Propose new set of Settlement Error weighting factors to be developed by the AUGE. This will take time (and may require a re-tendering of the AUGE role), so until these new Settlement Error weighting factors are developed, the current Unidentified Gas weighting factors will be used.
- AUGE will also be required to calculate UIG throughput percentages.

Reconciliation (UNC Mod 0642)

- Any reconciled volumes (termed Settlement Error) are smeared across those NDM sites that are not reconciled for the most recent calendar month.
- To avoid the possibility of a small number of sites being allocated a significant reconciliation volume if the total absolute value of the reconciliation volume is more than the aggregate demand for the unreconciled sites for that calendar month then the reconciliation volume is smeared across all NDM supply meter points.
- Settlement Error will be apportioned using weighting factors that are to be developed by the AUGÉ, split by product class 3/4 and EUC Band).

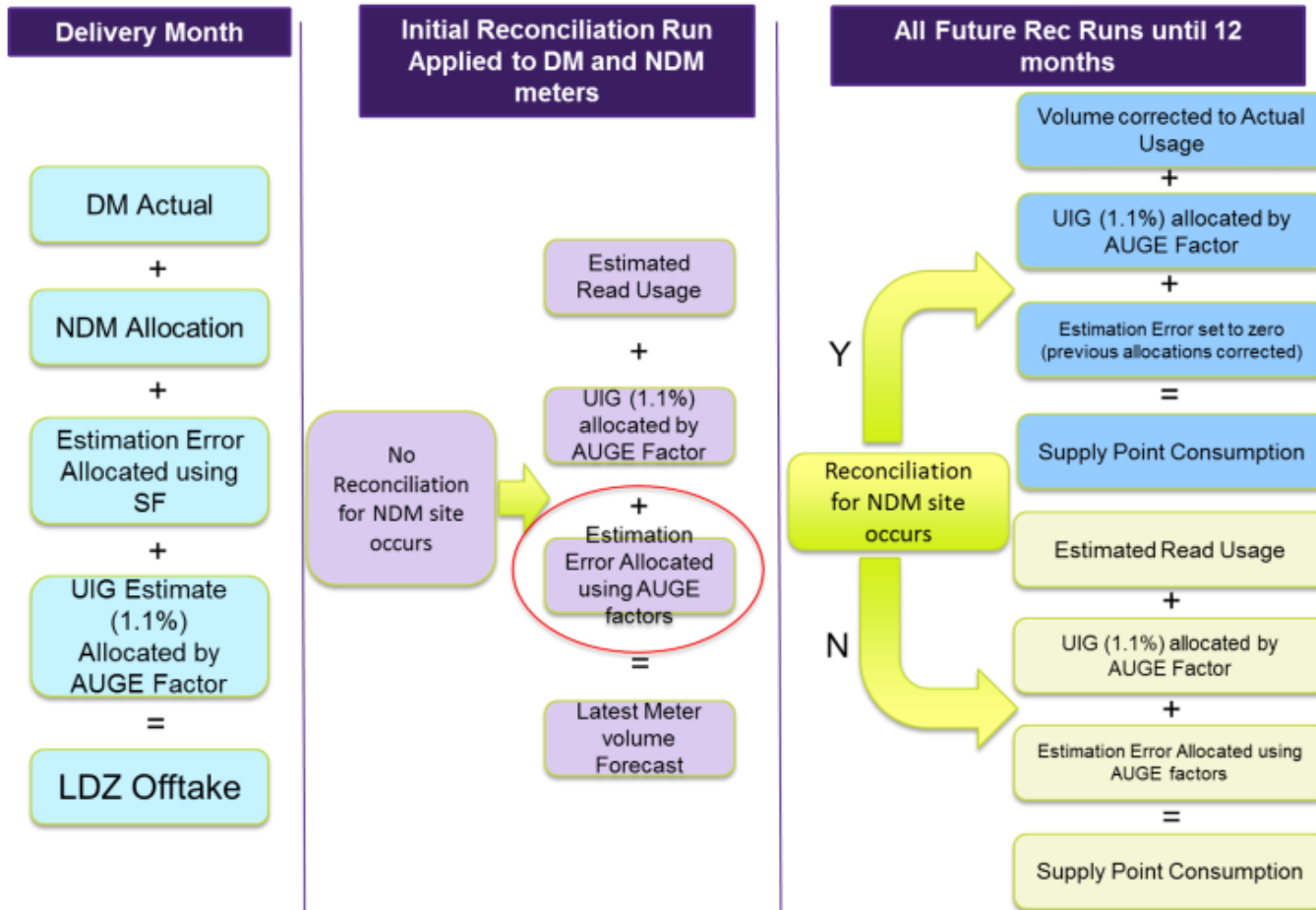
Reconciliation (UNC Mod 0642)

Process for Meters with valid reads provided for delivery month prior to first Reconciliation Run



Reconciliation (UNC Mod 0642)

Process for Meters without valid reads provided for delivery month prior to first Reconciliation Run

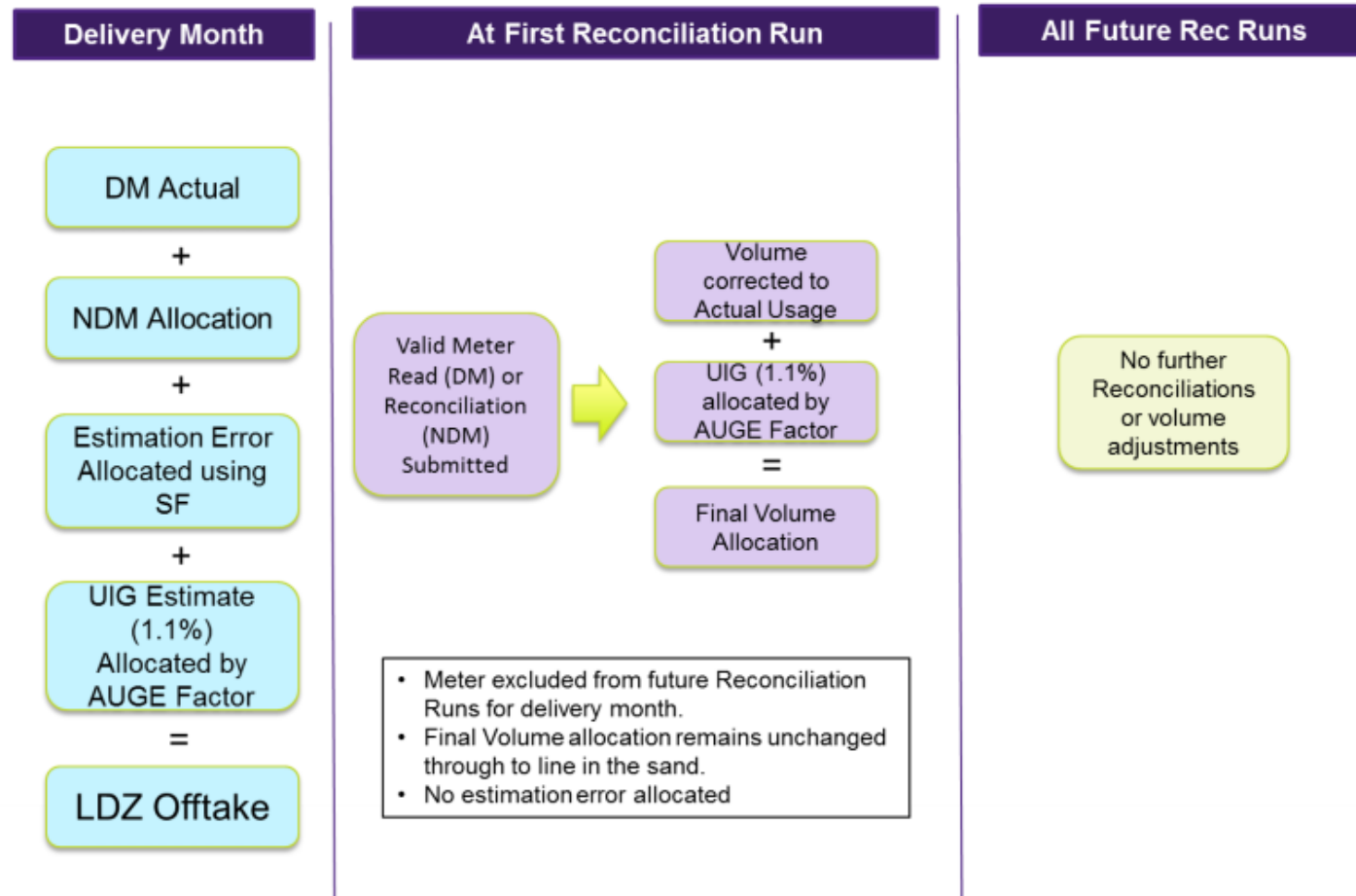


Reconciliation (UNC Mod 0643)

- Two key differences compared to UNC Mod 0642:
 - A site that loads a meter read and triggers a reconciliation over several months will have any settlement error allocated during that period redistributed as well, rather than just in the same billing month.
 - DM sites that do not submit a valid meter read during a reconciliation period will also be allocated settlement error.

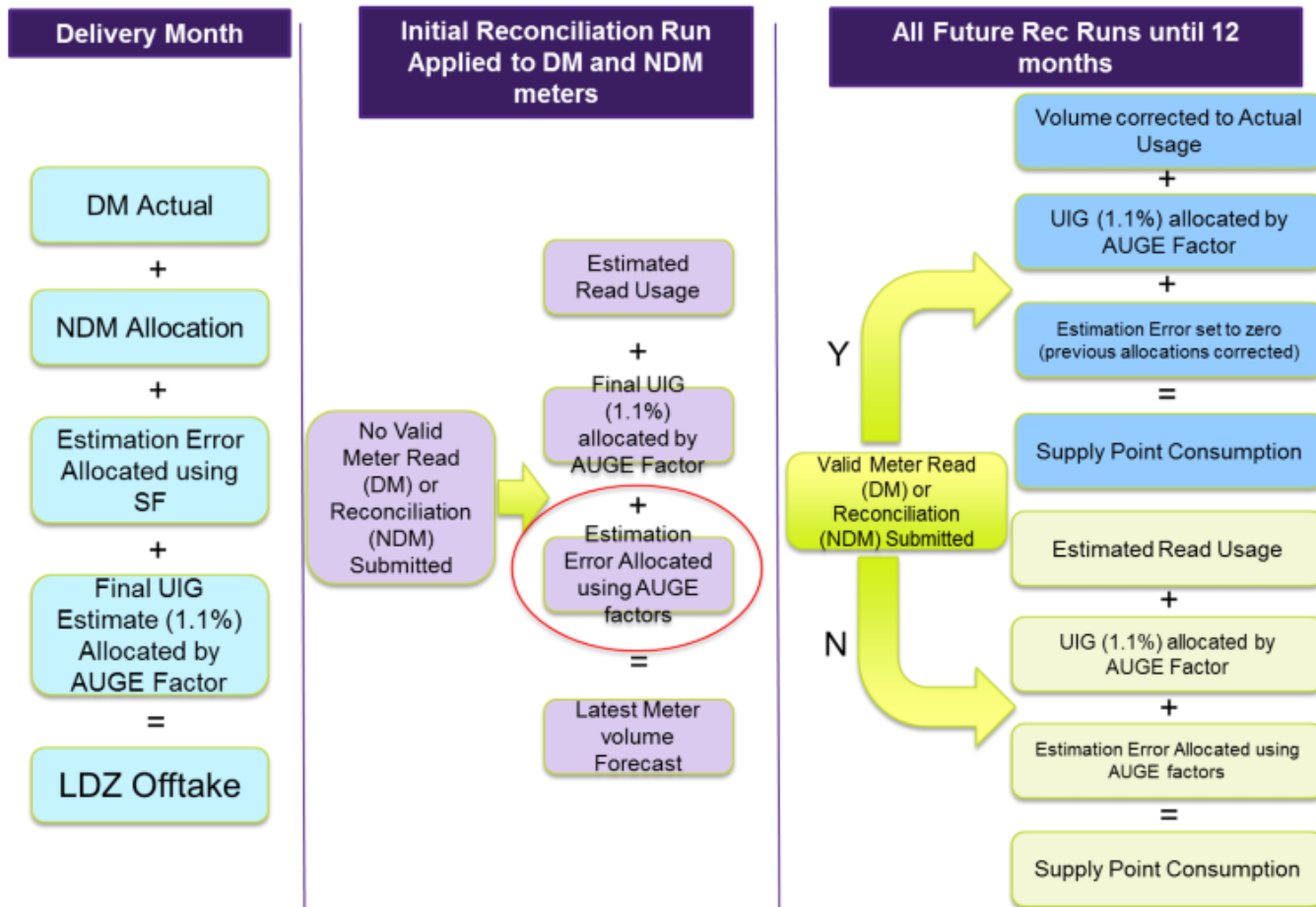
Reconciliation (UNC Mod 0643)

Process for Meters with valid reads provided for delivery month prior to first Reconciliation Run



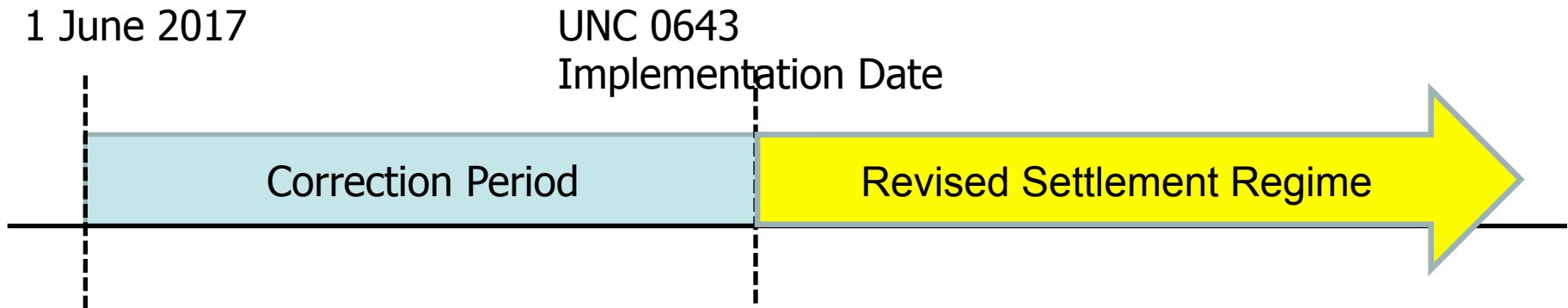
Reconciliation (UNC Mod 0643)

Process for Meters without valid reads provided for delivery month prior to first Reconciliation Run



Retrospection

- UNC Modification 0643 also envisages backdating the solution to 1 June 2017.
- To achieve this, new process will be implemented and used going forward. UNC Modification 0643 settlement rules will be applied period between 1 June 2017 and implementation date (correction period).
- Xoserve will re-run settlement for this period (using date it has at the time) and issue corrective invoices.
- Reconciliations that cross this period need to be considered, but we anticipate a quarterly re-run if feasible.



Contact Details

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