

Modification 0642A

Changes to settlement regime to address
Unidentified Gas issues



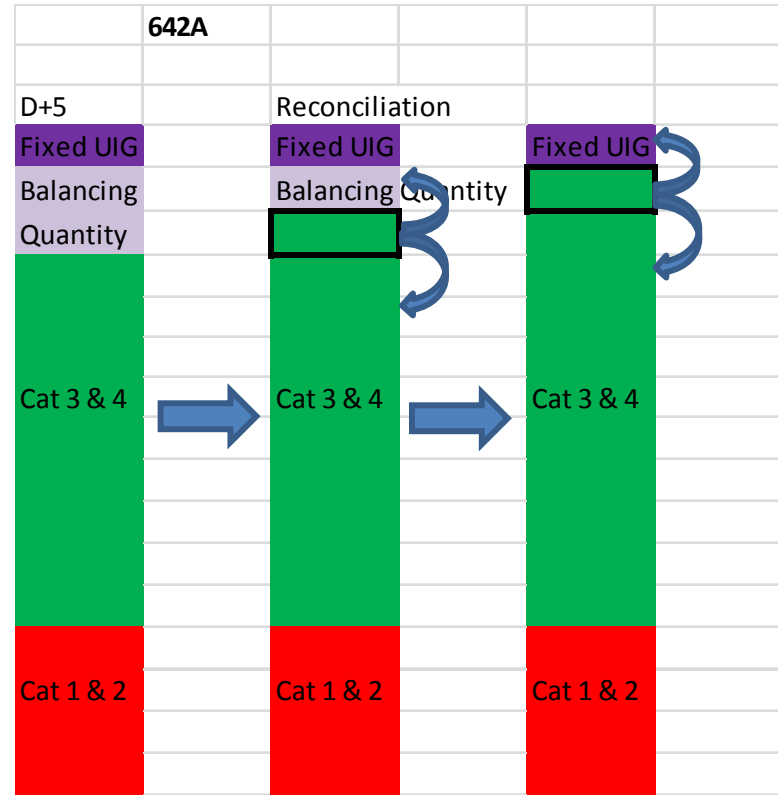
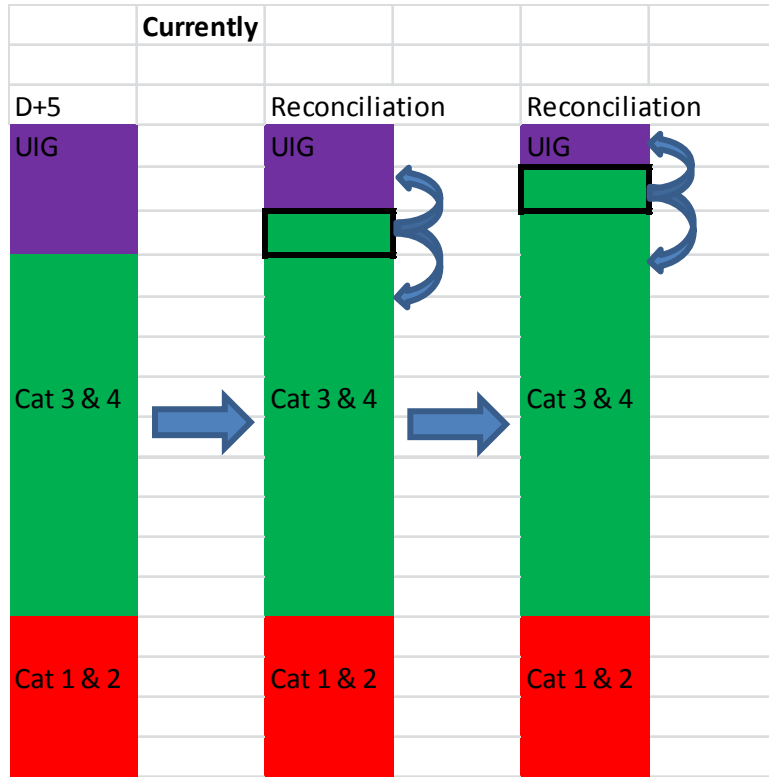
High level solution – what is it?

- Take the current UIG process and separate into two elements:
 1. A fixed UIG % - 2.5% initially
 2. Balancing quantity
- Where UIG = 2.5% it will be split between all categories
- Where UIG does not = 2.5% the balancing quantity will be apportion across category 3 and 4
 - E.g. if 2.7%, 2.5% will be apportioned across all and 0.2% will be across category 3 and 4
- The fixed UIG % will be in place for a gas year and will be reviewed once a year as a minimum
- The fixed UIG % will initially be the same for all LDZs – this could evolve and be a different % per LDZ in subsequent years

Solution benefits

- With some parties seeing significant impacts – there is not a ‘do nothing’ option
- 0642A is keen to maintain the benefits from the Nexus implementation rather than to roll back to historic solutions which were superseded because they had their own issues
- 0642A keeps transparency of UIG which PAC / DESC / parties can use to determine the root causes and seek to bring a more stable UIG position
- Balancing quantity would operate as UIG does presently; ensuring all the reconciliation processes remain unchanged. Reconciliation movement adjusts the balancing quantity
- Visibility of true UIG is preserved (rather than hidden like 0642) as the sum of the final balancing quantity and the fixed UIG are known; enabling the industry to see the actual volume we need to target and reduce going forward

Example:



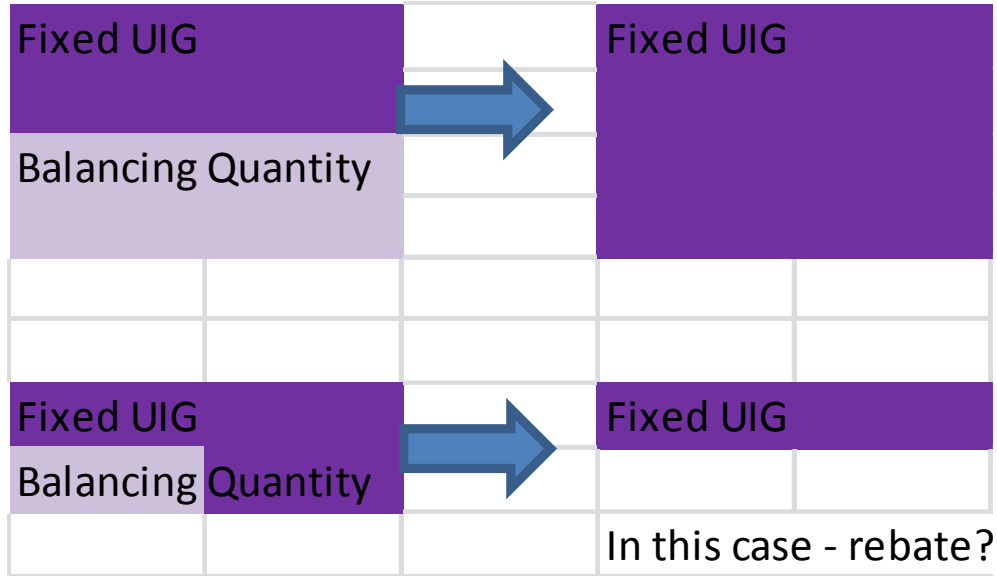
What about the AUGE?

Why move to using DESC?

Our proposal looks to remove the AUGE for these reasons:

- Splitting UIG means the information can be used to derive future fixed UIG values, this can be either as a blanket % or individually per LDZ
- The actual data can be captured by the CDSP and presented to DESC for analysis so it removes the need for estimated values in the model
- PAC could also be included in this process to act as an independent element (if necessary)
- DESC is an existing forum within the UNC which can be attend by all parties
- Voting on amendments can be based on unanimity and procedure put in place where this cannot be reached

Annual reassessment



Based on average figures across the year, evidence based numerical calculation

Any
questions?