

MODIFICATION 0643 (URGENT) – CHANGES TO SETTLEMENT REGIME TO ADDRESS UNIDENTIFIED GAS ISSUES INCLUDING RETROSPECTIVE CORRECTION

LEGAL TEXT EXPLANATORY TABLE

This table is based on the legal text for Modification 0643 published on the Joint Office website on 01 February 2018.

UNC Ref	Section	Paragraph	Explanation
TPD C	Nominations	1.5.3	To make clear reference is to the UIG allocation factor when determining the 'adjusted' Nomination Quantity for a day and System Exit Point.
TPD E	Daily Quantities, Imbalances and Reconciliation	1.1.6	To make clear reference is to the UIG allocation factor, and to confirm allocation of UIG is final as at the Exit Close-out Date (D+5).
		1.1.7	No longer necessary to make clear User LDZ UIG has either a positive or negative value.
		1.3.5, 1.3.6, 7.2, 7.3, 7.4, 7.5	Use of new defined term "Settlement Error Reconciliation" required to reflect amendments to paragraph 7.1 and the correction being made to settlement error arising out of each Offtake Reconciliation (through an implied adjustment to the quantity of gas previously allocated by reason of the application of the Scaling Factor when determining NDM Supply Meter Point Demand).
		1.3.7, 1.3.8, 1.3.9, 1.11.1, 1.14.2	Document re-named as not connected to 'settlement' in context of Settlement Error Reconciliation.
		1.5.5	Acknowledgement that quantity differences between what delivered into an LDZ and what treated as offtaken by Users on a day (ignoring shrinkage, stock change and the scaling factor) is treated as comprising both UIG and settlement error.
		7.1.1	New high level description of the purpose of the Settlement Error Reconciliation process.
		7.1.2	An important paragraph as it: - confirms that the Settlement Error Reconciliation Period is the period of 12 months

			<p>ending with (and including) the Reconciliation Billing Period;</p> <ul style="list-style-type: none"> - identifies the quantities and values which are to be reconciled; - provides that 1/12 of the relevant quantities and values will be reconciled by reference to each month in the Settlement Error Reconciliation Period; - identifies "Relevant" System Exit Points in relation to a month for which Settlement Error Reconciliation is performed, as being the System Exit Points in the LDZ which were not subject to Offtake Reconciliation during the Reconciliation Billing Period (i.e. the Settlement Error Reconciliation Period) or where the 'threshold condition' is not satisfied all System Exit Points in the LDZ; - identifies the basis on which the quantity treated as offtaken from the LDZ by a User (and Users in aggregate) for a month in the Settlement Error Reconciliation Period is calculated and in respect of which the (new) SER allocation factors are applied; - establishes the 'threshold condition' rule which determines which System Exit Points are "Relevant" for the purposes of allocating reconciliation quantities and values.
		7.1.3	Sets out the apportionment mechanism between Users of reconciliation quantities and clearing values for each month in the Settlement Error Reconciliation Period.
		9.4.1	Makes clear the statement to be produced by the AUG Expert is to set out the basis for identifying, estimating or determining certain features of UIG (so avoiding confusion with the actual AUG Determination language in paragraph 9.4.2.)
		9.4.2	Makes clear what the AUG Expert determines for the purposes of the AUG Determination for each AUG Year; and makes clear this now includes a determination of SER allocation factors for different categories of Supply Meter Point; and that the factors will be set out in the amended AUG Table alongside the UIG factors
		Annex E-1	Includes a revised form of the AUG Table to include SER allocation factors.
TPD H	Demand Estimation and Demand	1.1.3	Clarification.

	Forecasting		
		1.2.7	Include new "Supply Point Segment" defined term to mean all NDM Supply Points in an LDZ at the relevant time (assists with subsequent drafting).
		1.3, 1.7.1	Makes clear rules regarding Demand Models for an LDZ operate in respect of the relevant NDM Supply Point Segment.
		1.4.4	To make clear the requirement is for a Demand Model to incorporate the Composite Weather Variable (so not optional).
		1.5.1	To make clear the SND calculation for an LDZ is in respect of the NDM Supply Point Segment.
		1.12.5	Correction.
		1.13.1	Correction.
		1.13.3	Weather Correction Factor re-introduced to Code at paragraph 2.5.1, so no longer contained in the NDM Demand Estimation Methodology.
		1.15.2	Correction.
		2.1.2	Correction.
		2.2.1	Re-introduction of Scaling Factor SFt to the SPD calculation (so on pre-Nexus basis).
		2.4.1	Refinement to the definition of the Daily Adjustment Factor
		2.5.1	Sets out calculation of Scaling Factor and Weather Correction Factor (i.e. broadly on a pre-Nexus basis).
		2.5.2	For the purposes of the Weather Correction Factor calculation makes clear that the aggregate AQs for NDM Supply Meter Points in an EUC is based on AQs prevailing at the start of the Gas Year, and that this value is only updated where there is > 1% change to the prevailing aggregate AQs value for the relevant month.

		2.6	Makes clear UIG (and Forecast UIG) for an LDZ and day is calculated by reference to the prevailing UIG Factor.
		3.2.1	Reintroduction of Estimated Weather Correction Factor to the AQ calculation.
		3.2.2, 3.2.3	Reintroduction of definition for "Estimated Weather Correction Factor", and cross-referencing updates.
TD PART IIC	New paragraph re Revision of UIG Allocation	24.1	Confirms new rules will be introduced on a "Gas Flow Day basis", and explains what that means (and this is identical to the approach for earlier modifications, including for Nexus).
		24.2.1	Confirms basis on which Settlement Error Reconciliation will be performed either side of the Implementation Date.
		24.2.2	Makes clear for months in the Settlement Error Reconciliation Period which are prior to the Implementation Date all System Exit Points are "Relevant" System Exit Points for the purposes of apportioning the quantities and values under TPD E7.1.
		24.2.3	Specifies amendments to the AUG Expert rules for AUG Year commencing 1 October 2019.
		24.2.4	Makes clear that subject to paragraph 24.2.4 the normal AUG Expert rules will apply for AUG Year commencing 1 October 2018.
		24.2.5	Important paragraph as it establishes that until 1 October 2019: <ul style="list-style-type: none"> - UIG Factor will be 1.1%; - for each category of NDM Supply Meter Point the SER allocation factor will be the same as the UIG allocation factor; - the AUG Table is deemed amended accordingly (so no formal amendment is required).
		24.2.6	Allows for document name to be amended,
		24.3.1	Confirms NDM Demand Estimation Methodology will be amended as part of the Modification

			in the manner attached to the Modification Report.
		24.3.2	Confirms the new rules will apply for the period between the Implementation Date and the following 30 September as if it were a separate (shortened) Gas Year.
		24.3.3	Makes clear basis on which (and from when) AQs will be calculated using the new rule in TPD H3.2.
		24.4.1	Establishes the basis of the one off correction reconciliation for UIG in respect of the period from the Nexus Implementation Date to the Implementation Date for Modification 0643 (relevant period).
		24.4.2	Confirms transitional rule is independent of the application of the old rules during the relevant period, i.e. old rules apply until the Implementation Date, and then one off correction reconciliation to occur.
		24.4.3	Identifies the relevant reconciliation quantity and value, being the difference between the actual UIG quantity and value applying in the relevant period based on the old rules and that applying had a UIG Factor of 1.1% been applied instead.
		24.4.4	Sets out rules applying to the one off correction reconciliation.
		24.4.5	Identifies direction of money flows following one off correction reconciliation, i.e. who pays who.
		24.4.6	Makes clear how money flows dealt with for neutrality purposes under TPD F.
		24.4.7	Confirms the CDSP to perform the one off correction reconciliation as soon as it reasonably can following the Implementation Date.