

**UNC Workgroup 0643 (Urgent) Minutes
Changes to settlement regime to address Unidentified Gas issues
including retrospective correction**

Tuesday 30 January 2018

at The St Johns Hotel, 651 Warwick Road, Solihull B91 1AT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Alec Mason*	(AM)	Ecotricity
Alex Holbourne*	(AH)	Corona Energy
Andrew Green*	(AG)	Total Gas & Power
Andrew Margan	(AMa)	Centrica
Benjamin Martin	(BM)	Stark
Beverley Viney	(BV)	National Grid NTS
Borja Ayerdi Vilches	(BAV)	ScottishPower
Carl Whitehouse	(CW)	First Utility
Chris Faulds	(CF)	ScottishPower
Chris Warner	(CWa)	Cadent
David Mitchell*	(DM)	SGN
David Tennant	(DT)	Dentons
Fiona Cottam	(FC)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
James Murphy	(JM)	Stark
John Welch	(JW)	npower
Joshua Phelps*	(JP)	Ecotricity
Kirsty Dudley	(KD)	E.ON
Linda Whitcroft	(LW)	Xoserve
Lorna Lewin	(LL)	Orsted
Louise Hellyer	(LH)	Total Gas & Power
Luke Reeves*	(LR)	EDF Energy
Mark Bellman	(MB)	Dataserve UK
Mark Jones	(MJ)	SSE
Mark Rixon	(MR)	Engie
Rachel Hinsley	(RH)	Xoserve
Rhys Keeley	(RK)	Centrica
Richard Pomroy	(RP)	Wales & West Utilities
Sallyann Blackett	(SB)	E.ON
Steven Britton*	(SB)	Cornwall Energy
Tom Breckwoldt*	(TB)	Gazprom Energy

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0643/300118>

The Workgroup / Final Modification Report is due to be presented at the UNC Modification Panel by 15 February 2018.

1.0 Introduction and Status Review Consideration of Amended Modifications

1.1 Approval of minutes (15 January 2018)

The minutes were approved.

2.0 Amended Modification

BF said that some minor changes had been made to the modification. GE confirmed that the changes were the same as Modification 0642, with the main difference being regarding the reconciliation process and he said there were two reconciliation processes for Modification 0643. FC said that in actual fact, there should only be one reconciliation process which had two phases. GE agreed to amend the modification accordingly. RP said he had produced a paper on the *Definitions of the UIG*, as he said it was important in the respect of UIG and Settlement and he added that the various formulas had been included to aid understanding. He provided a brief overview of the content and context of the document.

A further general discussion took place regarding the 1.1% as determined by the AUGE and GE said it was the AUGE's decision and the only way that would change, was if there was a different AUGE or AUG process. Other general comments were made in relation to the reconciliation process and what would have already been reconciled since June. LW said that the data pre SSP was not accurate and the reconciliation would look different, until things settled down. FC said presently reconciliation was running at 2.5% which was half of the allocation.

3.0 Completion of the Legal Text

MODIFICATION 0642 / 0643 - SCHEDULE A

SECTION E – DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

Redline 0642 Section E against 0643 Section E

DT overviewed the differences between Modification 0642 and 0643 and drew attention to the *Section 7.1.2 Settlement Error Reconciliation Reports* where there had been some amendments and specific changes.

MODIFICATION 0643 - SCHEDULE A

SECTION E – DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

DT provided a brief overview of Schedule A and Section E, noting the main amendments were in points as detailed below:

1.1 User Daily Quantities, 1.3 Reconciliation, 1.4 System Daily Quantities, 7.1 Introduction, 7.5 Quarterly LDZ Reconciliation, 9. UIG and Settlement Error, 9.4 Establishing the AUG Statement and AUG Table.

MODIFICATION 0643 – SCHEDULE B

SECTION H – DEMAND ESTIMATION AND DEMAND FORECASTING

DT provided a brief overview of Schedule B and Section H, noting the main amendments were in points as detailed below:

1.1 Introduction, 1.2 End User Categories, 1.3 Demand Models, 1.5 Seasonal Normal Demand, 1.7 Development of Demand Models and End User Categories, 1.13 NDM Demand Estimation Methodology, 2.4 Daily Adjustment Factor, 2.6 UIG, 3. NDM Annual Quantities

DT then overviewed the content of the *Cover Page* document, as detailed below:

Modification 0643 (Urgent)

Changes to settlement regime to address Unidentified Gas issues including retrospective correction

Proposed Legal text Transportation Principal Document TPD Section C - Nominations Amend paragraph 1.5.3 to read as follows: 1.5.3

(c) for the purposes of paragraph (b) an “adjusted” Nomination Quantity for a Day in respect of a System Exit Point is the Nomination Quantity adjusted by the UIG allocation factor specified in the prevailing AUG Table in respect of the category to which that System Exit Point belongs on that Day.

TPD Section E - Daily Quantities, Imbalances and Reconciliation

Section E of the Transportation Principal Document to be amended as shown in the attached Schedule A.

TPD Section H - Demand Estimation and Demand Forecasting

Section H of the Transportation Principal Document to be amended as shown in the attached Schedule B.

Transition Document

Amend Part IIC of the Transition Document by inserting a new paragraph 24 to read as follows: 24 REVISION OF UNIDENTIFIED GAS ALLOCATION 24.1 General 24.1.1 In this paragraph 24:

- (a) Modification means Modification 0643 (pursuant to which, among other things, this paragraph 24 applies);*
- (b) Implementation Date means the Implementation Date of the Modification;*
- (c) Old Rules means the provisions of the Code as they apply prior to the Modification;*
- (d) New Rules means the provisions of the Code as they apply following the Modification;*
- (e) section references are to sections of the Transportation Principal Document.*

24.1.2 Subject the Implementation Date on a Gas Flow Day basis.

to the further provisions of this paragraph 24, the New Rules are to be effective from

24.1.3 For the purposes of this paragraph 24, where a provision of the New Rules is to be effective from the Implementation Date on a “Gas Flow Day basis”:

(a) such provision shall be effective in respect of gas flows (and related activities under the Code including the holding of System Capacity, the making of Nominations, and the allocation of quantities as UDQIs and UDQOs) on Days on and from the Implementation Date;

and accordingly

(b) in relation to anything which (under the Code) may be done or is to be done before the Gas Flow Day, the New Rules shall apply before the Implementation Date in relation to Gas Flow Days on and after the Implementation Date;

(c) in relation to anything which (under the Code) may be done or is to be done after the Gas Flow Day, the Old Rules shall apply on and after the Implementation Date in relation to Gas Flow Days before the Implementation Date.

24.2 Modification of Section E

24.2.1 Settlement Error Reconciliation under the New Rules in Section E7 shall be carried out with effect from and in respect of the Reconciliation Billing Period commencing on the Implementation Date, and accordingly Unidentified Gas Reconciliation under the Old Rules shall be carried out in the month of the Implementation Date in respect of the Reconciliation Billing Period ending immediately before the Implementation Date.

24.2.2 For the purposes of Section E7.1, in relation to each Reconciliation Billing Period falling within the 12 months following the Implementation Date, for any Settlement Error Reconciliation Month falling prior to the Implementation Date, all System Exit Points (other than Isolated Supply Meter Points) shall be Relevant System Exit Points (and the Old Rules shall to that extent and on that basis apply).

24.2.3 The New Rules in Section E9 shall apply with effect from and in respect of the AUG Year commencing 1 October 2019; and accordingly:

(a) the AUG Document shall be modified to reflect the New Rules,

(b) the CDSP shall, in accordance with any guidance or direction of the UNC Committee, either make amendments to the prevailing AUG Expert Contract, or conduct a new tender for appointment of an AUG Expert, so as to implement the New Rules, and

(c) for the purposes of Section E9.4.1, the methodology in the AUG Statement shall reflect the New Rules,

with effect from the AUG Year commencing 1 October 2019.

24.2.4 For the AUG Year commencing 1 October 2018 the Old Rules shall apply for the purposes of preparation of the AUG Statement and AUG Table, without prejudice to paragraph 24.2.5 below.

24.2.5 For the period from the Implementation Date until 1 October 2019:

(a) the UIG Factor applying for each LDZ shall be 1.1%;

(b) the SER allocation factors for each Category of NDM Supply Point shall be the same as the prevailing UIG allocation factors

(c) the prevailing AUG Table shall be deemed amended to reflect paragraphs (a) and (b).

24.2.6 The Uniform Network Code Committee shall amend the document currently entitled 'Customer Settlement Error Claims Process Guidance Document' so that its title is 'Pre-Cut Off Error Claims Process Guidance Document'.

24.3 Modification of Section H

24.3.1 The revised NDM Demand Estimation Methodology (in the form attached to the Final Modification Report for the Modification) shall be effective (on a Gas Flow Day basis) with effect from the Implementation Date and in accordance with paragraph 24.3.2 below.

24.3.2 Unless the Implementation Date is 1 October in a Gas Year, Section H1.7 shall apply on the basis of the New Rules, for the purposes (among other things) of establishing the Derived Factors to apply with effect from the Implementation Date, as if the period commencing on the Implementation Date and ending on the following 30 September were a separate Gas Year (substituting the reference to 15 August in Section H1.9.1 with such date as corresponds to the equivalent period prior to the start of such Gas Year).

24.3.3 For each NDM Supply Meter Point, the Annual Quantity shall be determined in accordance with the New Rules in Section H3.2 with effect from the month following the first AQ Calculation Month which is not earlier than the month before the Implementation Date; and until then the Annual Quantity as determined under the Old Rules and applying in the month before the Implementation Date shall continue to apply.

24.4 Retrospective DSE Reconciliation

24.4.1 Following the Implementation Date, Retrospective DSE Reconciliation shall be carried out in respect of the period ("Prior Period") from the Nexus Implementation Date to the day before the Implementation Date as provided in this paragraph 24.4.

24.4.2 Retrospective DSE Reconciliation does not affect, and is an additional and independent process to, the application of the Old Rules in Section E7 for Unidentified Gas Reconciliation Allocation in respect of Reconciliation Billing Periods in the Prior Period.

24.4.3 For the purposes of this paragraph 24.4:

(a) for each Day in the Prior Period, and for each LDZ:

(i) the "Deemed Unidentified Gas" is the quantity which have been determined as the Unidentified Gas on the basis of the New Rules (if they applied in that period) and on the basis of a UIG Factor of 1.1%;

(ii) the "Deemed Settlement Error Quantity" is determined as the Unidentified Gas (as determined under the Old Rules) less the Deemed Unidentified Gas;

(iii) the "Deemed Settlement Error Amount" is the amount determined as the Deemed Settlement Error Quantity multiplied by the System Average Price for the Day;

(b) for each month in the Prior Period, and for each LDZ:

(i) the "Monthly Deemed Settlement Error Quantity" is the net sum of the Deemed Settlement Error Quantities for all Days in the month;

(ii) the "Monthly Deemed Settlement Error Amount" is the net sum of the Deemed Settlement Error Amounts for all Days in the month.

24.4.4 A reconciliation and adjustment ("Retrospective DSE Reconciliation") shall be carried out, in respect of each month in the Prior Period, on the basis of the New Rules in Sections E7.1 and E7.2, which shall apply on the basis that:

(a) each month in the Prior Period is treated as a Reconciliation Billing Period;

(b) in respect of each such month and each LDZ:

(i) the Monthly Deemed Settlement Error Quantity is treated as the Aggregate Reconciliation Quantity;

(ii) the Monthly Deemed Settlement Error Amount is treated as the Aggregate Reconciliation Clearing Value;

(c) the SER allocation factors in Section E7.1.2(h) are the corresponding UIG allocation factors (prevailing at the time of the Retrospective DSE Reconciliation);

(d) the threshold condition in Section 7.1.2(j) shall be treated as not met in relation to a Settlement Error Reconciliation Month, for the purposes of Retrospective DSE Reconciliation in respect of all relevant months in the Prior Period, if for any one relevant month in the Prior Period the threshold condition in Section 7.1.2(j) is not met in relation to such Settlement Error Reconciliation Month.

24.4.5 The amount payable by National Grid NTS to each User, or by each User to National Grid NTS, in respect of the Retrospective DSE Reconciliation shall be the net aggregate of the User Monthly SER Clearing Values for all LDZs and for all months in the Prior Period; and such net aggregate amount shall be invoiced and payable as a single amount in accordance with TPD Section S.

24.4.6 For the purposes of TPD Section F4.5.3:

(a) each Day in the month (relevant month) before the month in which the CDSP carries out Retrospective DSE Reconciliation, shall be an Adjustment Day;

(b) for each such Adjustment Day, the sum of the net aggregate amounts payable under paragraph 24.4.5 by National Grid to Users, divided by the number of Days in the relevant month, shall be an additional Monthly Adjustment Neutrality Cost;

(c) for each such Adjustment Day, the sum of the net aggregate amounts payable under paragraph 24.4.5 to National Grid by Users, divided by the number of Days in the relevant month, shall be an additional Monthly Adjustment Neutrality Revenue;

(d) amounts payable to National Grid by a User under paragraph (c) shall be deemed to be included in Section F4.5.3(a)(ii) and (b)(ii).

24.4.7 The CDSP shall carry out Retrospective DSE Reconciliation as soon as reasonably practicable following the Implementation Date.

4.0 Completion of the Workgroup Report

Please see discussion in the minutes for Modification 0642 via the link below:

<https://www.gasgovernance.co.uk/0642/300118>

5.0 Review of Outstanding Actions

Action 0643 0101: Xoserve (FC) to confirm the process of Demand Estimation and the AQ calculation process.

Update: FC said that this action could now be closed as she had supplied this information.
Closed

6.0 Next Steps

BF explained that this would now be sent to consultation with a close out date of 08 February 2018 and presented to Panel on 15 February and that this workgroup was now closed.

7.0 Any Other Business

None.

8.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

BF confirmed this workgroup is now formally closed.

Action Table (as at 30 January 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0643 0101	15/01/18	3.0	Xoserve (FC) to confirm the process of Demand Estimation and the AQ calculation process.	Xoserve (FC)	Closed