














UNC Workgroup Report	At what stage is this document in the process?
<h1>UNC 0652:</h1> <h2>Obligation to submit reads and data for winter consumption calculation (meters in EUC bands 3 – 8)</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">01</span> Modification         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">02</span> Workgroup Report         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">03</span> Draft Modification Report         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b></p> <p>This modification aims to create an obligation, and associated monitoring reports, for shippers to submit reads and correct data to ensure the appropriate winter consumption calculation takes place, for accurate NDM WAR band profiling.</p>	
	<p>The Workgroup recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>subject to Authority Direction;</li> <li>issued to consultation.</li> </ul> <p>The Panel will consider this Workgroup Report on <b>19 July 2018</b>. The Panel will consider the recommendations and determine the appropriate next steps.</p>
	<p>High Impact: Shippers</p>
	<p>Medium Impact: Transporters</p>
	<p>Low Impact: None</p>

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Timetable		 0121 288 2107
<b>Modification timetable:</b>		Proposer: <b>John Welch</b> Npower
Initial consideration by Workgroup	22 March 2018	 john.welch@npower.com
Amended Modification considered by Workgroup	22 May 2018	 07557 170816
Workgroup Report presented to Panel	19 July 2018	Transporter: <b>Joanna Ferguson</b> Northern Gas Networks
Draft Modification Report issued for consultation	19 July 2018	 ferguson@northerngas.co.uk
Consultation Close-out for representations	09 August 2018	 07883 099616
Final Modification Report available for Panel	16 August 2018	Systems Provider: <b>Xoserve</b>
Modification Panel decision	16 August 2018	 UKLink@xoserve.com
		Other: <b>James Rigby</b>
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		 07557 198020

## 1 Summary

### What

Since Nexus go-live, it has been reported that up to 25% of relevant sites in End User Category (EUC) bands 3 to 8 have been assigned a default Winter Annual Ratio (WAR) band for the purposes of demand estimation profiling. It has been cited as a contributing factor affecting performance levels of the demand estimation algorithm. To calculate an accurate Winter Annual Ratio, shippers need to submit a pair of reads in the winter period (one in Nov – Dec, and a second in Mar – Apr). If either of these reads is not submitted, or fails validation, winter consumption cannot be calculated, and therefore a 'bucket' or default EUC band is assigned. In addition, if winter consumption energy or the related AQ is erroneous due to underlying data issues, the winter energy is not valid, and an appropriate EUC WAR band cannot be assigned. When reads have not been submitted, shippers can later provide data updates that allow the correct allocation of an accurate WAR band.

### Why

The current level of sites in EUC bands 3 to 8 with a default WAR band (25%) is one contributing factor to potential inaccuracies in the demand estimation algorithm, which in turn leads to increased levels of temporary UIG. New obligations against the underlying data for the calculations, and associated monitoring reports, would increase the level of sites receiving an accurate WAR band, and therefore the accuracy of the demand estimation calculations. It would also serve to highlight and focus efforts on an arguably less well known industry process that supports the demand estimation calculations.

A new obligation should not be unduly onerous, given that the sites involved should be monthly read in any case, and many should also have advanced metering fitted. Additional clarity will be provided by creating a new obligation on the need to correct data to ensure winter consumption can be calculated correctly.

### How

This modification seeks to add the concept of winter consumption into the Code, obligate and provide a target for the submission of winter reads in the appropriate periods (November / December and March / April), and further mandate that shippers ensure, through data correction that an appropriate WAR band is assigned for sites in EUC bands 3 to 8 (also in cases where reads were not successfully submitted in the relevant period). It is also proposed that named reporting be delivered to PAC on a regular basis, so performance against these obligations can be monitored.

## 2 Governance

### Justification for Self-Governance, Authority Direction or Urgency

The Modification Panel determined that this modification should follow Authority Direction procedures as it could have a material impact on competition as a result of more accurate energy allocation.

### Requested Next Steps

This modification should:

- follow Authority Direction procedures be assessed by a Workgroup

- proceed to Consultation

### 3 Why Change?

Since Nexus go-live unidentified gas has been the leading issue in the gas retail market, and one of the key areas of investigation has been the accuracy of the demand estimation algorithm. One of the issues highlighted by Xoserve has been the relatively high number of sites in EUC bands 3 to 8 (approx. 25%). It is difficult to accurately quantify the impact, without knowing the correct consumption and more appropriate WAR band for these sites; however, the issue of NDM WAR bands is currently listed as the sixth highest risk on the PAC settlement risk register.

While the relevant meters in these EUC bands should be read monthly, an additional obligation to ensure that reads are submitted in the target winter periods, plus a further obligation to make data updates when it is not possible for this to occur, will improve the number of sites in these EUC bands that are ultimately assigned the correct WAR band.

In addition, sites in EUC bands 3 to 8 are assigned a load factor based on their WAR band. If a site has a default WAR band, an inappropriate load factor could be assigned, and therefore an incorrect SOQ calculated. This has implications for transporters for both capacity planning and revenue recovery.

### 4 Code Specific Matters

#### Reference Documents

Link to the PARR:

[https://www.gasgovernance.co.uk/sites/default/files/ggf/PAC%20Document%201%20Performance%20Assurance%20Framework%20Report%20Register%20v1.0\\_0.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/PAC%20Document%201%20Performance%20Assurance%20Framework%20Report%20Register%20v1.0_0.pdf)

### 5 Solution

A new concept of winter consumption and WAR bands needs to be created within Section H of the UNC, and potentially carried across to the NDM Demand Estimation Methodology UNC related document. The definitions are as follows.

Winter consumption: Winter consumption is calculated using a pair of meter readings submitted during the winter period, in November/December and March/April. The energy calculation is prorated. This winter consumption is then used to calculate the winter annual ratio (the ratio between winter consumption and annual consumption/AQ).

Winter Annual Ratio (WAR) Band: End User Categories (EUC) 3 to 8 use an additional 4 WAR Bands from 1 to 4 for demand profiling. These bands are assigned different usage profiles dependent on how sensitive a supply point is to winter weather (1 is least sensitive and 4 is most sensitive). Where winter consumption is not calculated, a default band/profile for the EUC is assigned.

In addition, an obligation will be created in TPD M5 for shippers with meters within EUC bands 3 to 8 to submit reads in the winter periods of November/December and March/April.

An additional obligation will also be created for shippers to provide winter consumption data updates if it was not possible to submit the reads at the appropriate time.

In addition, a report will be added to the PARR Schedule 2 that provides named reporting to the PAC, showing read performance at the obligated winter periods, as well as numbers of default WAR bands by party. This report will be produced by Shipper and EUC Band, showing percentage of portfolio in each EUC band assigned a default WAR band, and the percentage of portfolio having winter reads submitted in the obligated periods.

## 6 Impacts & Other Considerations

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

None identified.

### Consumer Impacts

No specific or direct consumer impacts have been identified should this modification be implemented.

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	Not applicable.
What costs or benefits will pass through to them?	Not applicable.
When will these costs/benefits impact upon consumers?	Not applicable.
Are there any other Consumer Impacts?	Not applicable.

### Cross Code Impacts

There may be an impact on the IGT UNC which will need to be considered in the Workgroup.?

### EU Code Impacts

None identified.

## Central Systems Impacts

A new annual report to the Performance Assurance Report Register (PARR) Schedule 2 providing named reporting to the PAC members showing the number of SMPs, as a % of each shipper's portfolio in each EUC AQ Band 3 to 8, where:

1. Winter Consumption has been calculated for the new Gas Year, using the reads for winter 2018 to 2019, enabling an appropriate EUC WAR band being assigned to it.
2. Winter Consumption has not been calculated for the new Gas Year, thus resulting in a default bucket band being assigned.

The new report would be used to monitor shipper performance against the winter period read obligation. The proposer anticipates that visibility of this information will assist performance improvements, which in turn result in more accurate demand estimation algorithms subsequently reducing the temporary UIG

## Workgroup Impact Assessment

The Workgroup notes the proposed change and that these should create new obligations in the UNC for Shippers to submit reads to support the calculation of Winter consumptions.

It was noted that the Modification would not require changes to Central Systems, although additional PAC reporting was requested and that this would have an additional cost to the industry.

Some were concerned that the Modification places additional obligations on parties without setting out how an acceptable level of performance is to be established and maintained.

## Rough Order of Magnitude (ROM) Assessment

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Cost estimate from CDSP

An enduring solution will cost at least **£1,300**, but probably not more than **£4,000** to implement.

## 7 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:	Positive

<p>(i) between relevant shippers;</p> <p>(ii) between relevant suppliers; and/or</p> <p>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.</p>	
<p>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.</p>	None
<p>f) Promotion of efficiency in the implementation and administration of the Code.</p>	None
<p>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.</p>	None

Improving the demand estimation calculations should enhance accurate apportioning of energy and costs, therefore furthering relevant objective d) competition between shippers and suppliers.

## 8 Implementation

No implementation timescales are proposed. However, implementation should be as soon as is practical, and in any event prior to the next winter period for read submission (November 2018).

## 9 Legal Text

Legal Text has been provided by [name] and is [included below/published alongside this report]. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

### Text Commentary

Insert text here

### Text

Insert text here

## 10 Recommendations

### Workgroup’s Recommendation to Panel

The Workgroup asks Panel to agree that:

- This modification should proceed to consultation.