Mod 0664

Theoretical examples

Core Concepts

- 1 – Obligation on shippers to move supply points into class 4 when read performance goes below a certain level for a certain period

- 2 – Obligation on Xoserve to transfer sites when above obligation not met

- 3 – Incentive charge to recoup any benefits received during period of below target performance

Worked example – performance obligation (1)

- In this example, six shippers are shown (fictional performance levels)
- 3 shippers consistently meet the performance standards
- 3 do not
- 1 shipper has no reads successfully submitted across the period

Example – Class 3

	Read Submission	**90% target**		
	Month 1	Month 2	Month 3	Threshold met?
Shipper A	95%	96%	93%	Y
Shipper B	91%	90%	89%	Y
Shipper C	75%	94%	97%	Y
Shipper D	75%	74%	75%	N
Shipper E	34%	24%	25%	N
Shipper F	0%	0%	0%	N

Worked example – performance obligation (2)

- Shipper D – moves own selected supply points
- Shipper E – CDSP moved SPs
- Shipper F – CDSP moves SPs

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Shipper D	75%	74%	72%	77%	93%	94%

Shipper obligation triggered → Shipper moves relevant supply points → No further action required

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Shipper E	34%	24%	25%	22%	93%	91%

Shipper obligation triggered → Shipper does not move supply points → CDSP obligation triggered → CDSP moves supply points

	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
Shipper F	0%	0%	0%	0%	N/A	N/A

Shipper obligation triggered → Shipper does not move supply points → CDSP obligation triggered → CDSP moves supply points

Shipper E & F – CDSP class transfer

- Tranche based format

	Tranche	AQ	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
MPRN 1	1	50,000	N	N	N	N	N	N
MPRN 2	1	40,000	N	N	N	N	N	N
MPRN 3	1	30,000	N	N	N	N	N	N
MPRN 4	1	20,000	N	N	**Y**	N	N	N
MPRN 5	1	10,000	N	**Y**	N	**Y**	N	N
MPRN 6	2	50,000	N	**Y**	N	**Y**	**Y**	N
MPRN 7	2	40,000	N	**Y**	**Y**	**Y**	N	N
MPRN 8	2	30,000	**Y**	**Y**	**Y**	N	N	N
MPRN 9	2	20,000	**Y**	**Y**	**Y**	N	N	N
MPRN 10	2	10,000	**Y**	**Y**	**Y**	N	N	N
MPRN 11	3	50,000	**Y**	N	**Y**	**Y**	**Y**	**Y**
MPRN 12	3	40,000	**Y**	**Y**	N	**Y**	**Y**	**Y**
MPRN 13	3	30,000	**Y**	**Y**	N	**Y**	**Y**	**Y**
MPRN 14	3	20,000	**Y**	**Y**	N	**Y**	**Y**	**Y**
MPRN 15	3	10,000	**Y**	**Y**	N	**Y**	**Y**	**Y**

- To consider – trigger – automated or manual
- Definition of end point?

Incentive charging

- Principle is that there is still an incentive to move classes to receive lower UIG weighting (in some EUC bands) even if supply points could be moved

- Below - Weighting factor table – gas year 2018/19

	Product/Class			
EUC	**1**	**2**	**3**	**4**
01B	0.17	43.06	46.41	94.64
02B	0.17	43.06	46.41	109.77
03B	0.17	43.06	44.06	107.52
04B	0.17	43.06	43.60	43.76
05B	0.17	43.06	46.06	43.20
06B	0.17	44.54	46.06	42.65
07B	0.17	32.41	46.06	42.33
08B	0.17	4.38	33.40	42.24
09B	0.17	0.17	0.17	0.17

Incentive charging – worked example

- Fictional LDZ of 500 GWh (annual) for illustrative purposes

	Product/Class			
EUC	1	2	3	4
01B	0	0	5,000,000	300,000,000
02B	0	0	5,000,000	15,000,000
03B	0	0	10,000,000	10,000,000
04B	0	0	5,000,000	10,000,000
05B	0	2,500,000	5,000,000	5,000,000
06B	0	5,000,000	5,000,000	5,000,000
07B	0	5,000,000	2,500,000	5,000,000
08B	0	25,000,000	0	0
09B	75,000,000	0	0	0

- Average day consumption

	Product/Class			
EUC	1	2	3	4
01B	0	0	13,699	821,918
02B	0	0	13,699	41,096
03B	0	0	27,397	27,397
04B	0	0	13,699	27,397
05B	0	6,849	13,699	13,699
06B	0	13,699	13,699	13,699
07B	0	13,699	6,849	13,699
08B	0	68,493	0	0
09B	205,479	0	0	0

Incentive charging – weighted throughput

- Average day weighted throughput

	Product/Class			
EUC	1	2	3	4
01B	0	0	635,753	77,786,301
02B	0	0	635,753	4,511,096
03B	0	0	1,207,123	2,945,753
04B	0	0	597,260	1,198,904
05B	0	294,932	630,959	591,781
06B	0	610,137	630,959	584,247
07B	0	443,973	315,479	579,863
08B	0	300,000	0	0
09B	34,932	0	0	0

- Share of UIG of 68,493 (5% of daily average consumption)

	Product/Class			
EUC	1	2	3	4
01B	0	0	461	56,358
02B	0	0	461	3,268
03B	0	0	875	2,134
04B	0	0	433	869
05B	0	214	457	429
06B	0	442	457	423
07B	0	322	229	420
08B	0	217	0	0
09B	25	0	0	0

Shipper D, E and F benefit

- **Option 1 – All portfolio Option 2 – Moved MPRNs Option 3 – Performance weighted**

- Shipper D

EUC Band 2	(75%)	Option 1		Option 2		Option 3	
		Day	3 months	Day	3 months	Day	3 months
Shipper A	Class 3	461	41,490	92	8,280	69	6,224
	Class 4	1080	97,200	217	19,530	162	14,580
%age diff		57%	57%	58%	58%	57%	57%

- Shipper E

EUC Band 3	(25%)	Option 1		Option 2		Option 3	
		Day	3 months	Day	3 months	Day	3 months
Shipper B	Class 3	875	78,750	700	63,000	569	51,188
	Class 4	2096	188,640	1,361	122,490	1,362	122,616
%age diff		58%	58%	49%	49%	58%	58%

- Shipper F

EUC Band 8	(0%)	Option 1		Option 2		Option 3	
		Day	3 months	Day	3 months	Day	3 months
Shipper C	Class 2	217	19,530	217	19,530	217	19,530
	Class 4	2,040	183,600	2,040	183,600	2,040	183,600
%age diff		89%	89%	89%	89%	89%	89%

- Formula required: AQ/365 x No. of days x (Weighting factor 1 – Weighting factor 2) / Weighted throughput for period x Total UIG for period

For consideration

Charge circulation

- Charges recouped to be refunded to all parties by market share, minus [2]% admin fee

Other issues

- Direction of weighting factors – positive principle?
- Trigger for CDSP obligation – report? Manual check?
- Trigger for shipper?
- Newly gained supply point treatment?

Mod strands

- New entrants? Link to PC4 read performance prior to entry?
- Ongoing read performance?
- Is the current mod going beyond the specific issue currently at hand?
- Two mods? New entrants / Ongoing read performance
- Balance between enabling new entry but incentivising good quality read submission, with a system solution that isn't complex and costly