Joint Office of Gas Transporters

UNC Modification	At what stage is this document in the process?
# UNC 0652: ## Introduction of winter read/consumption reports and associated obligations	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

This modification aims to create an obligation, and associated monitoring reports, to support the process for shippers to submit reads and correct data, ensuring the appropriate winter consumption calculation takes place, for accurate NDM WAR band profiling.

	The Proposer recommends that this modification should be: • Subject to Authority Direction procedures • assessed by a Workgroup This modification will be presented by the Proposer to the Workgroup on 28 August 2018.
	High Impact: Shippers
	Medium Impact: Transporters
	Low Impact:

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough

Joint Office of Gas Transporters

Contents

Timetable

The Proposer recommends the following timetable:	
Initial consideration by Workgroup	22 March 2018
Amended Modification consider by Workgroup	28 August 2018
Workgroup Report presented to Panel	18 October 2018
Draft Modification Report issued for consultation	18 October 2018
Consultation Close-out for representations	08 November 2018
Final Modification Report available for Panel	12 November 2018
Modification Panel decision	15 November 2018 (short notice)

Any questions?

Contact:
Joint Office of Gas Transporters

enquiries@gasgovernance.co.uk

0121 288 2107

Proposer:
John Welch
Npower

john.welch@npower.com

07557 170816

Transporter:
Joanna Ferguson
Northern Gas Networks

ferguson@northerngas.co.uk

07883 099616

Systems Provider:
Xoserve

UKLink@xoserve.com

Other:
James Rigby

james.rigby@npower.com

07557 198020

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough

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. A series of reports, plus additional obligations, 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.

The relevant supply points (those in EUCs 03-08) will be monthly read, and many should also have advanced metering fitted, so obligations already exist to submit a meter read every month. Additional clarity will be provided by creating new reports and obligations to highlight the need to correct data to ensure winter consumption can be calculated correctly.

How

This modification seeks to introduce a new definition of winter consumption data to the UNC, as well as a new obligation to send winter consumption data retrospectively when reads are not available (and winter consumption cannot be calculated). In addition, PAC reports will be introduced to monitor performance, and additional reports will be sent to the industry, created through a linked DSC change proposal.

These reports would support the process and would highlight to users when a read has not been submitted in either of the relevant windows, allowing the user to take action and submit a read in the following month. The additional reporting would provide visibility for users at different stages of the process, while the additional obligation would provide further clarity and structure to ensure the process works correctly.

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough

2 Governance

Justification for Authority Direction

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 and be assessed by a Workgroup

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 without an assigned WAR band (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.

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.

This process has arguably not had wide visibility in the past. With this in mind, the introduction of supporting reports and an additional obligation would ensure that users have regular proactive prompts (when winter reads have become due), as well as reactive reminders (when reads have not been sent) and can therefore make appropriate updates to ensure the industry process works optimally. This would then lead to more accurate demand estimation, and therefore a reduction in levels of temporary UIG, as well as more accurate SOQ calculation (with the associated benefits for transporter capacity planning).

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

5 Solution

Obligation and definitions

The solution will add a new definition to the UNC, defining winter consumption data as the data needed by CDSP to calculate the winter consumption (which is the quantity of gas offtaken for the supply point between December and March in a gas year).

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough

A new obligation will also be added to the UNC. Currently, the results of winter consumption calculation are sent to users with eligible supply points (AQs greater than 293,000 kWh) once a year, identifying which supply points have had a successful winter consumption calculation, and which have not. UNC will refer to this data which is sent to users, and add an obligation that where applicable (i.e. where a calculation has not taken place), users shall take all reasonable steps to send a winter consumption energy value to the CDSP through the appropriate file flow. The winter consumption update ~~for the gas year ahead~~ is to be sent no earlier than M-14 Supply Point Systems ~~b~~Business D~~d~~ays counting back from 1st September and no later than the date which is M-15 Supply Point Systems ~~b~~Business D~~d~~ays counting back from 1st October.~~, to become effective 1st October~~. (N.B. This means the window for submission is from mid-August to mid-September in each gas year).

Reports and timeline

Reports for the PAC will also be introduced through this modification, and additional user reports to support the process will be introduced through a linked DSC change proposal. Further details of these reports can be found in the embedded document below. The timeline of milestones, obligations and reports is outlined in a table below, with new obligations or reports highlighted in bold.

Gas Year Month	Milestone	User Report	PAC Report	Obligation
November	Winter Read 1 window opens			Yes - Monthly Read Submission Requirement
December	Winter Read 1 window closes	**Yes 1) - highlighting reads not obtained in November, allowing read to be submitted in December**		Yes - Monthly Read Submission Requirement
January				
February			**Yes 1)- highlighting where reads not submitted in November or December**	
March	Winter Read 2 window opens			Yes - Monthly Read Submission Requirement
April	Winter Read 2 window closes	**Yes 2) - highlighting reads not obtained in November, allowing read to be submitted in December**		Yes - Monthly Read Submission Requirement
May	Winter consumption calculations take place	3) T50/T51 sent to users showing successful and unsuccessful winter calculations	**Yes 2) - highlighting where reads not submitted in March or April**	
June			**Yes 3) - highlighting where winter consumption not calculated**	
July				
August				
September	Winter consumption updates can be made prior to Oct 1st			**Yes - to action data updates when winter consumption not calculated**
October	WAR Bands go-live	**4) Yes – highlighting where updates should have occurred but haven't**	**Yes – 4) highlighting where updates should have occurred by users but did not**	

Appendix - Winter Consumption Process

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough

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

None identified.

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

No major impacts, some additional reporting to be created.

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough

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

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

8 Implementation

No implementation timescales are proposed. However, implementation should be as soon as possible to allow time for the CDSP to create the user reports prior to the next available process cycle.

9 Legal Text

Legal Text

To be provided by Transporters.

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough

10 Recommendations

Proposer's Recommendation to Workgroup

Workgroup is asked to:

- Assess this modification.

Formatted: Font color: Red, Strikethrough

Formatted: Font color: Red, Strikethrough