SCOTTISHPOWER

Modification 0699: Approach based on AQ at Risk

October 2019

Modification 0699: Possible approach based on AQ at Risk

Background

- Mod Proposal 0699 aims to improve key areas of Shipper performance against UNC obligations by levying an additional charge as an incentive mechanism
- Current proposal is based against achievement of the existing UNC obligations (e.g. 97.5% read acceptance for Class 1 and 2)
- Current proposal would use level of underperformance, plus portfolio level AQ to determine the charge

New Approach

- Xoserve have recently been publishing "AQ at Risk" statistics based on meter points without an accepted reading for [x] months
- Proposed new approach uses the "unread AQ" after [x] months as the chargeable item for incentive purposes
- This approach still uses UIG Reconciliation on Amendment Invoice to re-share the charge. This keeps energy whole and is much simpler than building a new sharing mechanism

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Initial view of areas for Incentivisation

- Class 1 – no reads accepted for > [2] months
- Class 2 – no reads accepted for > [2] months
- Class 3 – no reads accepted for > [2] months
- Class 4 > 293,000 kWh – no reads accepted for > [2] months
- Class 4 <293,000, with Smart/AMR – no reads accepted for > [2] months
- Class 4 others – no reads accepted for > [13] months
- All standards reflect the UNC obligations, plus an additional month leeway for operational processes

*Workgroup opinion is sought for whether the additional month leeway is required or should the charge be based on the UNC obligation

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Calculation and Valuation of Additional Charges

- Daily UIG is currently allocated based on daily throughput and UIG Weighting Factors
- However for this proposal the “At Risk” AQ will attract extra UIG at the national published rate for the last [24] months, divided by 12 to give a monthly charge
- Example below uses 3.13% which is latest figure for UIG post-reconciliation since Nexus go live
- Suggested calculation would be: (AQ at Risk/12) x UIG%
- Suggested price is Average SAP for month in question

	Shipper A	Shipper B	Shipper C	Shipper D	Total
Count of sites with no read for 3 months*	1,512	566	2,147	0	**4,225**
Total AQ with no meter read for 3 months (i.e. At Risk kWh)	586,010,886	61,140,148	24,054,655	0	**671,205,689**
UIG Risk at 3.13% x (AQ at Risk)/12	1,528,511 kWh	159,473 kWh	62,742 kWh	0	**1,750,726 kWh**
Value of UIG at 0.897195p/kWh	£13,327	£1,390	£547	£0	**£15,264**
Shippers' Weighted Throughput for the month (example)	10,000,000	20,000,000	30,000,000	40,000,000	**100,000,000**
Share of equal and opposite of the additional charge	-£1,526	-£3,053	-£4,579	-£6,106	**-£15,264**
Net outcome by Shipper	£11, 801 cost	£1,663 benefit	£4,032 benefit	£6,106 benefit	**Net zero**

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Visibility of the Amounts/Calculations

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Invoice Supporting information, plus list of MPRs with no reads

.INR invoice, UIG incentives, *charge type tbc*

Included within off-line sources of UIG Rec on following month's Amendment invoice

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Governance of Rules/Amounts

- Proposal for a UNC Related Document to include
  - List of performance targets
  - Level of UIG to be applied for a 12 month period – level of UIG could be different for different performance areas – depending on materiality?
- Document would be owned by [PAC]

Points for Consideration

- Are performance levels having a detrimental impact on UIG?
- Does the industry need an incentive mechanism to help increase performance levels?
- Is additional charging based on UIG risk the right vehicle for incentives?
  - Easily understood and can be linked to the impact of low performance
  - Ready-made mechanism for re-sharing equal and opposite of incentive charges via the Amendment invoice – reduces admin and risk of non-payment