



DNCMF – 26 June 2018

Action 0101

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- Xoserve to provide a presentation at the next DNCMF meeting on the **UIG process** and **impacts on revenue**

Background

- New concept of daily Unidentified Gas (“UIG”) introduced as part of Project Nexus changes
- UIG is the balancing figure in each LDZ – calculated as part of Nominations (forecast) and Allocations (actual)
- UIG levels have been higher and less predictable than many parties expected
- Contents:
 - History
 - Summary of new calculations
 - Observed levels of UIG and industry concerns
 - Impacts on revenue
 - Industry initiatives since Project Nexus go-live, including UNC Mods
 - Where to find more information

History of the Project Nexus Changes

Key requirement – Universal individual Meter Point Reconciliation

- Output from an industry consultation exercise during 2008-09

Previous Reconciliation by Difference (RbD) arrangements removed by industry Mod

- Inappropriate to smear all Reconciliation energy into the Smaller Supply Point (SSP) market if those meters are all being individually reconciled

New treatment required for reconciliation energy

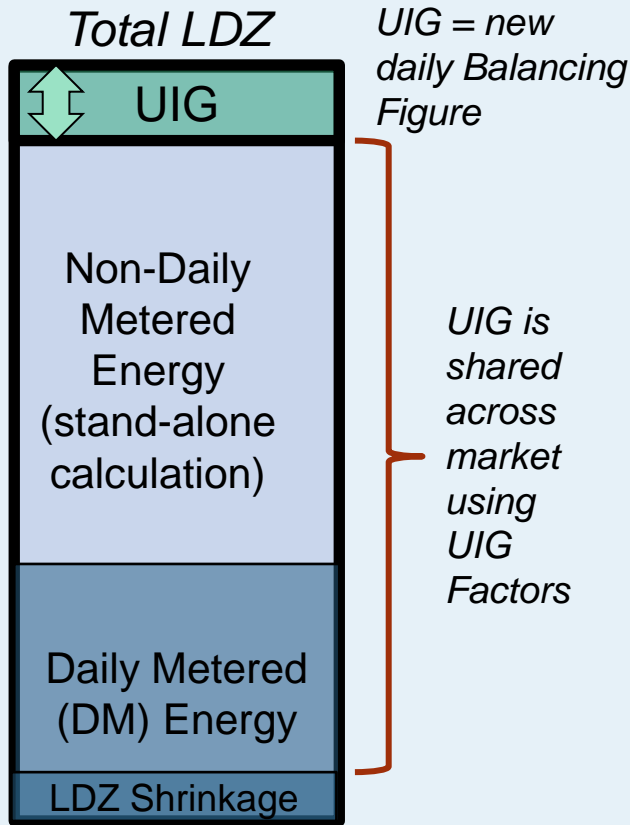
- Need to apply to a wider population – not just to SSP (AQ <73,200)

Need to derive UIG at point of Allocation

- Not just allocated into a sub-set of the market and then moved post-Reconciliation
- Change implemented from 1 June 2017 – UNC Mod 0432

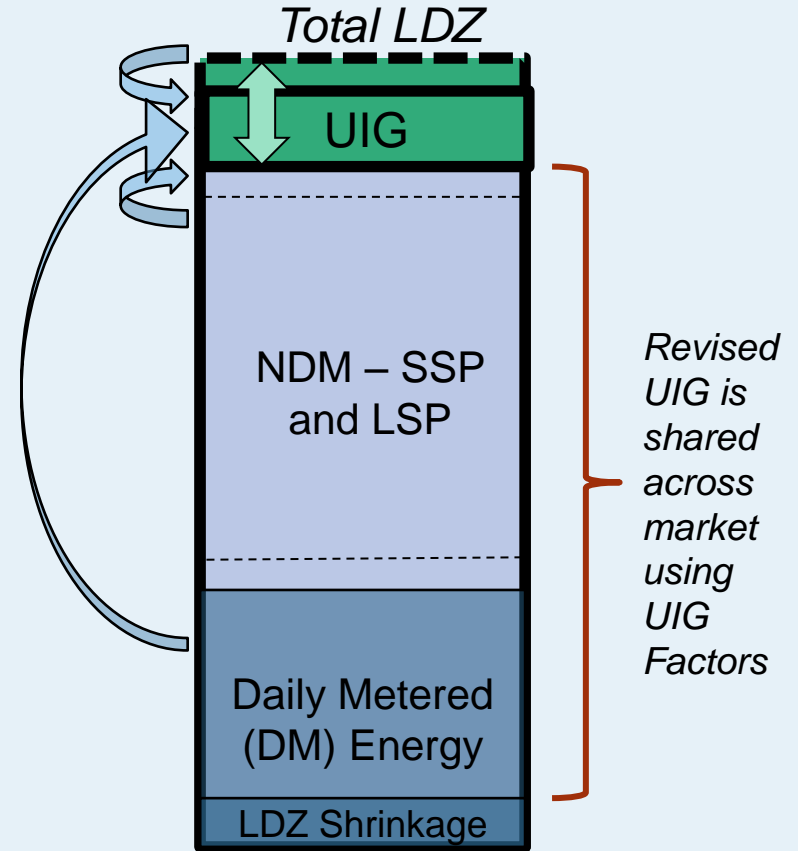
Recap: Post-Nexus Allocation and Reconciliation

DAILY ALLOCATION



- AUGE determines Weighting Factors each year for sharing UIG
- UIG shared on basis of daily Throughput and Weighting Factors

MONTHLY RECONCILIATION



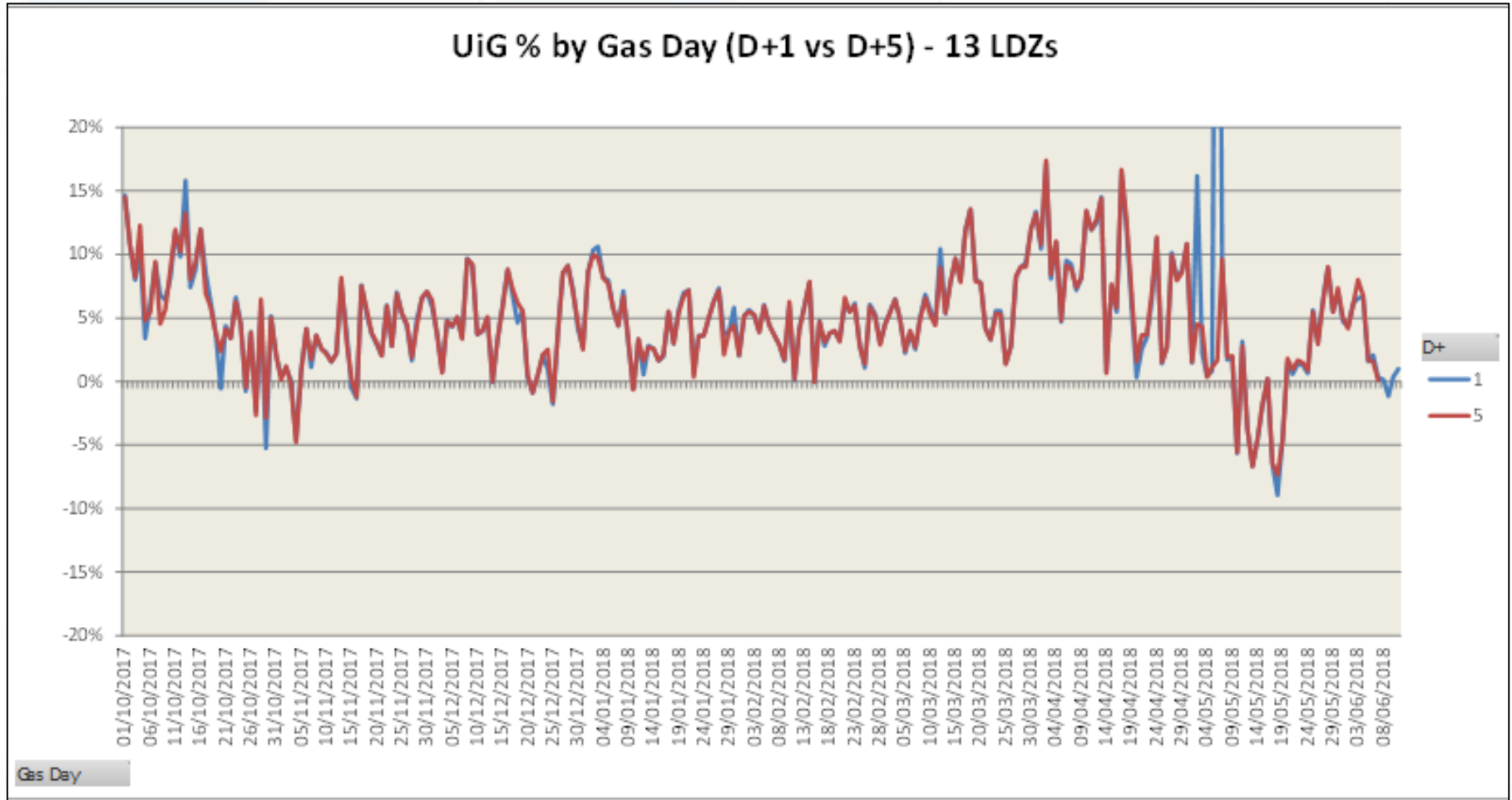
- All meter points are subject to individual reconciliation
- Equal and opposite of all individual reconciliations is applied to UIG and shared in line with latest measurements and Weighting Factors

How is UIG charged?

- UIG allocation is part of the Shipper's allocation within each LDZ each day – counts towards total outputs for Energy Balancing purposes – no longer appears on a separate invoice
- UIG Reconciliation is part of the monthly Amendment invoice – equal and opposite of all the individual reconciliations in each LDZ for the month
- UIG Reconciliation can be either a debit or a credit per month per LDZ

Observed volatility – Gas Year to date

- National LDZ UIG as a % of total LDZ throughput each day at D+1 and D+5



Industry concerns regarding UIG levels

- Industry has raised concerns since June 2017 on level and volatility of UIG including:
 - Swings between runs of Nominations (day ahead/within day forecasts)
 - Swings from Nominations to Allocations for the same gas day
 - Swings between runs of Allocations (from D+1 to D+5)
 - Day on day swings
 - Differential levels between LDZs
 - Levels of UIG in absolute terms or as a % of LDZ throughput

Impact of UIG on Revenue

- There is no Transportation Revenue on UIG – not attributable to any individual site
- Meter Point Reconciliation includes Transportation Commodity – can be debit or credit
- No Transportation Commodity on UIG reconciliation – so rec can increase or decrease the overall amount of revenue
- Reconciliation can take place up to line-in-the-sand – i.e. for 3 to 4 years after gas day
- Final UIG position will not be known until then – latest view from independent expert is final Unidentified Gas will be around 0.7% of LDZ throughput at line-in-the-sand
- NB: Transportation Commodity charge is c. 5% of total LDZ Transportation Revenue

Industry initiatives to address UIG

- Xoserve initiatives:
 - Project to support resolution of rejected DM reads – issue at go-live resulting in use of estimated instead of actuals – all go-live issues resolved by December 2017 (now supporting Shipper submission of DM consumption adjustments)
 - Shipper education including industry awareness day in October
 - Ongoing publication of supporting data including UIG levels and daily AQ information
 - Improvement of AQ calculations and tolerances – correction of erroneous AQs
- Industry initiatives:
 - Review of UIG levels and causes at Performance Assurance Committee – including AQ accuracy, Class 3/4 read performance and take-up of WAR Band EUCs
 - Raised a number of UNC Mods

Mods proposing changes to UIG calculations

Mod	Description	Date raised	Status
0642	(Urgent) - Changes to settlement regime to address Unidentified Gas issues	15/12/17	Ofgem issued an Impact Assessment on 08/06/18 and “minded to reject” opinion
0642A	(Urgent) - Changes to settlement regime to address Unidentified Gas issues	22/12/17	
0643	(Urgent) - Changes to settlement regime to address Unidentified Gas issues including retrospective correction	15/12/17	

Summary of other UIG Related Mods

Mod	Description	Date raised	Status
0634	(Urgent) - Revised estimation process for DM sites with D-7 zero consumption	09/10/17	Implemented
0638V	Mandate monthly read submission for Smart and AMR sites from 01 April 2018	21/12/17	Implemented
0644	Introduction of new End User Categories	05/12/17	Reports to June Mod Panel
0652	Obligation to submit reads and data for winter consumption calculation	07/08/18	Distribution Workgroup
0654	Mandating the provision of NDM sample data	28/03/18	Distribution Workgroup
0658	CDSP to identify and develop improvements to LDZ settlement processes	25/05/18	Awaiting Ofgem decision on urgency
0659	Improvements to Composite Weather Variable formula	29/05/18	Distribution Workgroup

Where to find more information

More Background Info

- Xoserve Project Nexus Information Library:
 - <https://www.xoserve.com/index.php/our-change-programme/uk-link-programme/uk-link-programme-workstream-updates/uk-link-information-library/> - see “Resources” and “Q&A”
- Xoserve website – UIG pages:
 - <https://www.xoserve.com/index.php/unidentified-gas-uig/>

Data on daily UIG levels

- Xoserve secure website (UKLink Documentation – Folder 18/ Sub –Folder “Demand Estimation Project Nexus”

UNC Modifications

- <https://www.gasgovernance.co.uk/>