














| UNC Workgroup Report   | At what stage is this document in the process?   |
|--|--|
| <h1>UNC 0652:</h1> <h2>Introduction of winter read/consumption reports and associated obligations</h2>   | <div> <div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div> </div>   |
| <p><b>Purpose of Modification:</b></p> <p>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.</p> |  |
|    | <p>The Workgroup recommends that this Modification should:</p> <ul style="list-style-type: none"> <li>• Authority Direction procedures</li> <li>• Be issued to consultation</li> </ul> <p>The Panel will consider this Workgroup Report on <b>17 January 2019</b>. The Panel will consider the recommendations and determine the appropriate next steps.</p> |
|   | <p>High Impact:<br/>Shippers</p>   |
|   | <p>Medium Impact:<br/>None</p>   |
|   | <p>Low Impact:<br/>Transporters</p>  |

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| 10       | Recommendations                | 9 | Transporter:   |
|          |                                |   | <b>Tracey Saunders</b>   |
|          |                                |   | <b>Northern Gas Networks</b>   |
|          |                                |   |  <a href="mailto:trsaunders@northyngas.co.uk">trsaunders@northyngas.co.uk</a>   |
|          |                                |   |  07580 215743   |
|          |                                |   | Systems Provider:  |
|          |                                |   | <b>Xoserve</b>   |
|          |                                |   |  <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>                     |
|          |                                |   | Other:   |
|          |                                |   | <b>James Rigby</b>   |
|          |                                |   |  <a href="mailto:james.rigby@npower.com">james.rigby@npower.com</a>             |
|          |                                |   |  07557 198020   |
|          |                                |   |  |

## Timetable

### The Workgroup recommends the following timetable:

|   |                          |
|---|--------------------------|
| Initial consideration by Workgroup                | 22 March 2018            |
| Amended Modification consider by Workgroup        | 07 November 2018         |
| Workgroup Report presented to Panel               | 17 January December 2019 |
| Draft Modification Report issued for consultation | 17 January December 2019 |
| Consultation Close-out for representations        | 08 February 2019         |
| Final Modification Report available for Panel     | 12 February 2019         |
| Modification Panel decision                       | 21 February 2019         |
|   |                          |
|   |                          |

## 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 November – December, and a second in March – April). 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 Uniform Network Code (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, Performance Assurance reports will be introduced to monitor performance, and these additional reports will be sent to the industry, created through a linked Data Services Contract (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.

## 2 Governance

### Justification for Authority Direction

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.

Modification 0652 will therefore follow Authority Direction procedures.

The Workgroup agrees with the Panel determination on Authority Direction for the reasons set out in Section 6 Workgroup Impact Assessment response to Panel question 2 regarding Self-Governance.

### Requested Next Steps

This modification should:

- Follow Authority Direction Procedures
- Be issued to consultation.

## 3 Why Change?

Since Nexus go-live unidentified gas (UIG) 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% of all eligible sites). 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 not had wide visibility in the past. 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](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).

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 business days counting back from 1st September and no later than M-15 business days 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                             | <b>Yes 1) - highlighting reads not obtained in November, allowing read to be submitted in December</b> |   | Yes - Monthly Read Submission Requirement                                  |
| January        |   |  |   |  |
| February       |   |  | <b>Yes 1)- highlighting where reads not submitted in November or December</b> |  |
| March          | Winter Read 2 window opens                              |  |   | Yes - Monthly Read Submission Requirement                                  |
| April          | Winter Read 2 window closes                             | <b>Yes 2) - highlighting reads not obtained in November, allowing read to be submitted in December</b> |   | Yes - Monthly Read Submission Requirement                                  |
| May            | Winter consumption calculations take place              | 3) T50/T51 sent to users showing successful and unsuccessful winter calculations                       | <b>Yes 2) - highlighting where reads not submitted in March or April</b>      |  |
| June           |   |  | <b>Yes 3) - highlighting where winter consumption not calculated</b>          |  |
| July           |   |  |   |  |
| August         |   |  |   |  |
| September      | Winter consumption updates can be made prior to Oct 1st |  |   | <b>Yes - to action data updates when winter consumption not calculated</b> |
| October        | WAR Bands go-live                                       | <b>4) Yes – highlighting where updates should</b>  | <b>Yes – 4) highlighting where updates should</b>                             |  |

|  |  |                           |                                    |  |
|--|--|---------------------------|------------------------------------|--|
|  |  | have occurred but haven't | have occurred by users but did not |  |
|--|--|---------------------------|------------------------------------|--|

See Appendix 1 – Winter Consumption Process Timeline

## 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 direct consumer impacts identified.

| Consumer Impact Assessment                            |  |
|---|--|
| Criteria  | Extent of Impact   |
| Which Consumer groups are affected?                   | None identified  |
| 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?                 | Improvements to allocation should support accurate cost target and provide an indirect benefit to competition and choice for consumers.<br><br>This Modification is envisaged to reduce day to day UIG volatility which in turn should reduce the amount smeared across industry parties which would otherwise be passed on to end consumers through increased costs to trade gas. |

### Cross Code Impacts

#### Impact on IGT UNC

An equivalent IGT UNC Modification was raised on 25 September 2018 but was subsequently withdrawn following discussions at IGT UNC Workstream on 04 December 2018, since the IGT UNC points to the entirety of Section M of the UNC, changes proposed by this Modification would not impact the IGT UNC.

## EU Code Impacts

None identified.

## Central Systems Impacts

No major impacts identified, however there is a requirement for additional reporting and a DSC Change Proposal XRN 4790 has been raised to complete this process.

The Change Proposal can be found here:

<http://www.gasgovernance.co.uk/Change-Proposals/4751-4800>

## Workgroup Impact Assessment

Workgroup clarified that this Modification is aiming to codify an existing CDSP process to support the accuracy of winter profiling. This is not anticipated to create new processes for the relevant parties.

Early Workgroup development took on board views to ensure that new obligations are relevant to the process and not duplicating existing requirements.

Although the relevant reports were not specified to be added into the UNC as part of the Modification Solution, they have been created through the linked DSC Change proposal (XRN 4790) with the aim of supporting users in the overall process.

Note that on 07 December 2018 the Change Proposal is in progress, has been approved by DSC Change Management Committee and is expected to deliver the first initial report in mid-December 2018, subject to approval at December DSC Change Management to issue this report out.

The Panel raised two questions for the Workgroup to consider.

### Question 1. Review the model and consider the true value of the impact of the proposal.

Workgroup noted that UIG in total is material.

Workgroup discussed looking at the bias attributable to sites being in the 'bucket' category (without a WAR profile) compared to the assumed profile used to derive the WAR bands and using that bias to assess the impact on UIG and therefore costs to participants. The Workgroup also noted that no sites should be in the bucket category except for new sites and those with recently increased AQs from EUC 1 or 2.

The UIG Task Force has estimated that the sites in the Bucket could be contributing UIG of 0.15% of annual throughput, based on the assumption that the national take up of the WAR band EUCs matches the ideal profile. It was also estimated by Xoserve as a result of an action placed in it by Workgroup (Action 0802) that on Peak Winter days the UIG level associated with these sites would be 0.7% of throughput.

### Question 2. Consider whether the Modification should be self-governance

The Workgroup considered whether the Modification should be Self-Governance. The Workgroup agreed with Panel that the Modification is likely to result in better nominations and allocation, which will in turn mean fewer unknowns left to be shared across the market which will result in lower UIG (the estimated contributing factor for UIG is set out in Q1 response above). This will also mean the amount needing to be bought by a Shipper on the wholesale market will change due to improved and more accurate allocations and cost targeting, therefore it is likely to have a positive material impact UIG which would support competition. The Workgroup

therefore considered that the Modification impact should be considered material and not suitable Self Governance procedures.

#### Coverage of DM sites

The obligation to provide winter consumption applies to all supply Points with AQ >293,000 kWh. For purposes of reporting the CDSP will use the criteria as EUC 03-09. This will include EUC09 which is Daily Metered although this is unlikely to trigger the follow-up obligation under this Modification, however in the event that it does this is because a DM site is not submitting enough reads and will therefore likely fall out Product Class 1 or 2 into Product Class 4 (where the WAR band will be helpful).

### **Rough Order of Magnitude (ROM) Assessment**

A summary of the ROM response (XRN4728) indicates that an enduring solution will cost at least **£19,000**, but probably not more than **£36,000** to implement and there are no ongoing costs.

The change congestion and priorities at the time of Change Proposal submission will determine when the reports can be delivered. The delivery mechanism and timeframes within the month will be issued within a change pack once detailed design has been approved by the DSC Change Management Committee.

## **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<br>(i) the combined pipe-line system, and/ or<br>(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:<br>(i) between relevant shippers;<br>(ii) between relevant suppliers; and/or<br>(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   | None              |



|  |      |
|--|------|
| Code.  |      |
| 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 |

The Workgroup concluded that by improving the calculation of NDM nominations and allocations, these proposals should enhance accurate apportioning of energy, therefore increasing the accuracy of cost targeting, furthering relevant objective d) competition between Shippers and Suppliers (see Workgroup Impact Assessment Section 6 above).

## 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.

Workgroup consider this Modification could be implemented for Winter 2019/20. However, there would be advantages in implementation prior to March 2019 to enable more accurate data to be used in calculations as soon as possible.

## 9 Legal Text

### Legal Text

Legal Text has been provided by Northern Gas Networks and is published alongside this report. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

### Text Commentary

The provided Legal Text, as per the Solution detailed in Modification 0652, defines Winter Consumption Data and introduces a new obligation on Shipper Users to submit retrospective winter consumption data when no consumption data is available. The provision of this data allows the CDSP to more accurately calculate End User Category Winter Annual Ratio (EUC WAR) Bands.

### Text

#### TRANSPORTATION PRINCIPAL DOCUMENT

#### SECTION M: SUPPLY POINT METERING

*Add new paragraphs 5.9.16 and 5.9.17 to read as follows:*

5.9.16 In respect of a Supply Point with an Annual Quantity greater than 293,000 kWh **"Winter Consumption Data"** means data which is required by the CDSP to enable it to determine the quantity of gas which is offtaken from the Total System at the Supply Meter Point in the period December to March in a Gas Year.

5.9.17 Where the Registered User of a Supply Point with an Annual Quantity greater than 293,000 kWh is notified by the CDSP in May in a Gas Year that Winter Consumption Data is not available in respect of the Supply Meter, the Registered User, shall take all reasonable steps to, no earlier than 14 Business Days prior to 01 September and no later than 15 Business Days from 01 October in the same Gas

Year, send the CDSP Winter Consumption Data for the Supply Meter, which such data the CDSP shall use for the purposes of determining the End User Category for the NDM Supply Point in which the Supply Meter is comprised in accordance with Section H.

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that this Modification should:

- Follow Authority Direction Procedures
- Be issued to consultation.