

Urgent Modifications 0722, 0723 and 0724 - Report to August Panel

Context

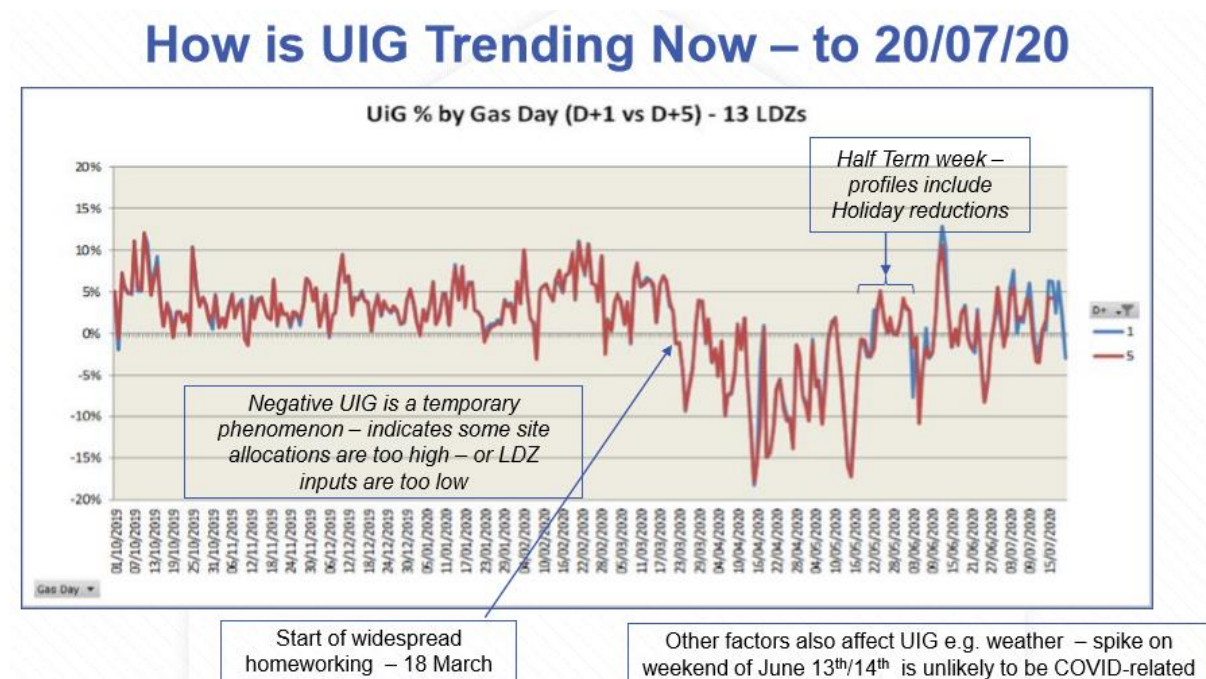
Urgent Modifications 0722, 0723 & 0724 were implemented on 12 May 2020. As required by the Modification Rules, the proposals were reviewed by the UNC Modification Panel, with an instruction to the Joint Office to provide a report, addressing specific concerns relating to implementation, to the August Panel, with interim reports to be submitted to June & July Panels.

This is the final report and captures the information gathered to date relating to the activity associated with each of the Modifications and discussion at the Performance Assurance Committee, (PAC), and Distribution Workgroup regarding implementation issues and, given that their approval was to address time-limited external effects, the proposed exit strategy from the measures adopted.

Overview of UIG Volumes, (reported through Distribution Workgroup)

Principal Effects of the Urgent Mods on UIG:

- Modification 0722: Triggers quicker reconciliation to correct the allocated position and UIG
- Modification 0723: Should provide better allocation making UIG less negative



Key Points:

- GB-wide lockdown is likely to be a major contributor to UIG with many sites reducing consumption
- Non-Daily Metered Allocation is based on an algorithm with no concept of atypical consumption
- Until meter actual-actual readings are submitted and accepted, actual usage remains unknown
- Current UIG levels, (negative UIG), suggest a net over-allocation to NDM sites

Link to [Full Distribution Workgroup Presentation](#) dated 23 July:

This graph is updated weekly and is published on [xoserve.com](https://www.xoserve.com)

Exit Strategy – General Effect of Relevant Regulations

At the Distribution Workstream, one of the transporters made the following comments in relation to all the implemented modifications that refer to the Relevant Regulations, (the regulations), and noted that as “lock-down” lifts in stages, (i.e. date, specific business type, geographic area, etc.), so the Modifications cease to apply to designated market sectors and specific parts of the UK in stages.

Therefore, in terms of the specific relevance of each Modification to an individual premises, reference needs to be made to the regulations in force on the date the provisions of the Modifications are applied, with due consideration given to the location of the premises, due to variances in Coronavirus-related regulations, as passed by devolved governments.

Note: it is the responsibility of each shipper to satisfy itself that any action taken in relation to the Modification(s) is in accordance with the UNC by reference to the regulations in force at the time the action is taken.

The Regulations and amendments may be found on the legislation.gov.uk using the following links:

- [The Health Protection \(Coronavirus, Restrictions\) \(England\) Regulations 2020 \(as amended\)](#)
- [The Health Protection \(Coronavirus\) \(Restrictions\) \(Scotland\) Regulations 2020 \(as amended\)](#)
- [The Health Protection \(Coronavirus Restrictions\) \(Wales\) Regulations 2020 \(as amended\)](#)

Note: following the above initial raft of legislation, new regulations have come into effect during July mandating the closure of certain business types: The Health Protection (Coronavirus, Restrictions) (No. 2) (England) Regulations 2020, came into effect in England and The Health Protection (Coronavirus Restrictions) (No. 2) (Wales) Regulations 2020, came into effect in Wales

Additionally, location specific regulations restricting commercial activity, such as those in place for Leicester¹, have also been made.

Useful guidance may be found on the government website, although these briefing notes are changing regularly; the one shared in the minutes of the July Distribution Workgroup may be found here: “[Closing certain businesses and venues in England](#)”, with similar notes available for the devolved arrangements in Scotland and Wales

Continuity note: These modifications will continue to be reported on and discussed as standing items on both the Distribution Workgroup and the PAC monthly agendas.

¹ [The Health Protection \(Coronavirus, Restrictions\) \(Leicester\) Regulations 2020 \(as amended\)](#)

Urgent Modification 0722: Allow Users to submit Estimated Meter Reading during COVID-19

1. Brief Overview

Allow Users to submit Estimated Meter Readings as Actual Meter Readings for Non-Daily Meter sites during COVID-19 “lock-down”.

2. High-Level Activity Metrics

Numbers of Supply Points Utilising these measures

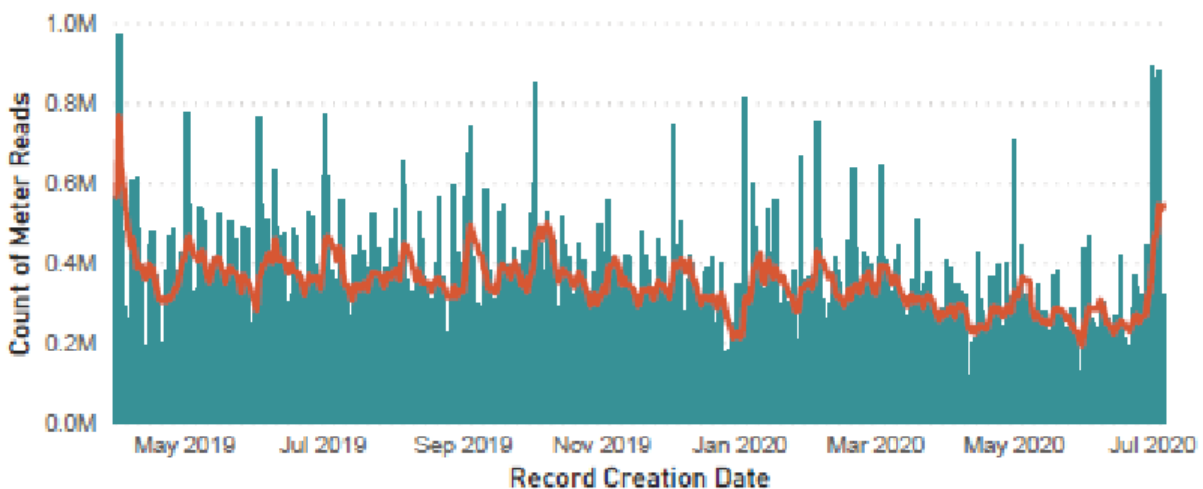
The CDSP first reported to the PAC on 09 June that the impact would be limited to Product Class 3 (PC3) and Product Class 4 (PC4). The PAFA highlighted that if the measures allowed in the Modification were used, this could impact the read performance report, with read submission expected to increase within these markets whilst the Annual Quantity (AQ) is expected to drop as lockdown measures are in place. Post lock-down, this is then expected to reverse as the abilities granted within the Modification would be removed and any Shipper still submitting derived actual reads would be in accordance with the rules in the code. An example of the reporting was presented to the PAC for PC3 & PC4 which illustrated the market prior to the Modification being implemented – a story that will develop as more data becomes available in the coming months.

At the Distribution Workgroup on 23 July, the following updated graph was presented showing the number of meter reads submitted on a daily basis for PC4 sites, with a 7-day rolling average line to provide a trend indicator. The key point to note that there has not been a significant variance from before the implementation of Modification 722 to the volumes received after the proposal was implemented, although, of note in the recent data, is the as yet unexplained, sudden upturn in reads at the end July.

Estimated Meter Reads – Key Indicators

Count of Class 4 Meter Reads and 7 Day Rolling Average by Record Creation Date

Class ● 4 ● Meter Reads 7 Day Rolling Average



PAC members discussed the impact on PC3 considering the likelihood of these meters being fitted with remote communications. The PAFA informed members that from their communication with Shippers, there appear to be some meters that are still manually read. Consequently, there could be an impact, but it is not clear how many Shippers are manually reading PC3 sites.

Read Identification

Given that in data terms there is nothing to differentiate “estimated-actuals” from “actual-actuals”, reporting on the volume of sites utilising 0722-measures may prove difficult. The only absolute method of determining volumes would be to obtain usage data from shippers submitting the reads.

3. Views on:

a. Future Reporting Requirements

The PAC will receive data on read submission performance each month (as normal). The next batch of reporting will be given to the PAC around 14 July 2020.

b. Potential Consequences

Increase in Inter-shipper Disputes, (ISD)

There was a view that, given that an incoming shipper would probably be unaware of the presence of ‘estimated-actuals’ in the read history, this could lead to inappropriate transfer reads being submitted, with the consequential increased scope for an ISDs.

c. Exit Strategy

Notwithstanding the effect that a sequence of atypical reads could have on the following years AQ calculation, it was felt that in simple reads terms, for going forward after the period of lockdown, the reversion to business as usual should be relatively straightforward with the shipper simply submitting ‘actual-actual’ reads once meters can be read to verify the true consumption while the ‘estimated-actuals’ were being submitted.

d. Effects on Transportation Charges

It was noted that there could be a minor reduction in commodity revenue, although the view was this would have a relatively minor effect on transportation income.

Lock-down Effect on AQ

The concern was raised about the use of estimated reads being used to determine the current-year rolling AQ, and this value flowing through into the AQ-setting processes for Gas Year 20/21. Using current consumption history in the AQ review process would calculate values that would not reflect the consumption pattern during a normal year, given the intervening period of atypical use. It was noted, however, that even without the ability to enter ‘estimated-actual’ reads, Gas Year 20/21 AQs would be adversely affected by atypical consumption once ‘actual-actual’ meter reads became available, if lock-down had been an increasing or decreasing factor affecting consumption at a site.

4. Next Steps / Recommendations

To address the atypical consumption period, it was suggested that rules could be developed to allow, with suitable safeguards, the AQ calculated for Gas Year, (GY), 19/20 to be rolled-over into Gas Year 20/21, thereby nullifying the effect of the consumption reduction resulting from the period of enforced closure.

Such a process would require a further Modification to be raised and implemented in advance of the AQ review process due to commence later this year.

Also discussed was a potential service from the CDSP to provide an incoming shipper with notice that supply point was subject to 0722-measures to reduce the incidence of inter-shipper disputes. It was noted that this would rely on shippers supplying lists of 0722-measures supply points and setting up a database, probably with an API look-up facility. There were mixed views on the merits, in terms of benefit versus effort to establish such an initiative, nevertheless Xoserve have agreed to scope out a potential service to mitigate this issue. This action remains open on the Distribution Workgroup agenda.

June update: Consideration is still been given to a Modification to mitigate a concern that the atypical consumption win GY 19/20 may lead to AQs that may not reflect consumption for GY 20/21. It is acknowledged this anomaly is not as a result of the Modification but rather with consumption pattern changes due to the closure of businesses by statutory enforcement.

July update: There was some discussion of the Modification at both the PAC and the Distribution Workgroup, with attendees at each looking to better understand the extent to which the facility offered by the Modification has been utilised.

In terms of the initiatives to roll-over AQs, there was some debate around the relative merits of pursuing a Modification or simply letting the effects of the lock-down enforced reduction in commercial activity unwind over time, with no decision being reached.

Actions have been set on the CDSP at both meetings to obtain data from shippers regarding utilisation volumes to assist with determining next steps.

Minutes from those meetings may be found here:

- [July Distribution Workgroup Minutes](#)
- [July Performance Assurance Committee Minutes](#)

Urgent Modification 0723: Use of the Isolation Flag to identify sites with abnormal load reduction during COVID-19 period

1. Brief Overview

To enable Shipper Users to utilise the central systems Isolation flag, under specific circumstance, without warranted activities taking place, during a COVID-19 period. Allowing for sites where businesses have closed due to COVID-19 to be excluded from the Annual Quantity (AQ) calculation, and therefore from UIG allocation during the relevant period.

2. High-Level Activity Metrics

Numbers of Supply Points Utilising these measures

The CDSP reported to the PAC on 09 June that the number of transactions requesting isolation were well below what the system can cope with. Numbers of isolations per day has varied between 0-100; the take up is very low, with more than 50% of these cases referring to pre-lockdown physical isolations. PAC understood that there can be delays with physical isolation notification reaching the CDSP.

The count of isolated Sites for April was 18,265 and for June was 15,247, with 699 isolations processed since the implementation of Modification 0723.

There was some dismay that Modification 0723 had come a little too late to really make a difference with some commenting that if it had been available in March it would have been used more.

The PAC discussed whether there was any way to know whether a particular isolation was due to Covid-19 but understood this was not possible as there was no free text field to do this. Therefore, an assumption will be made from a reporting perspective that any sites isolated after 23 March could be a Covid-19 isolation. The PAC understood that this will be a reporting view only and that no isolations will be removed under this assumption.

Views on:

a. Future Reporting Requirements

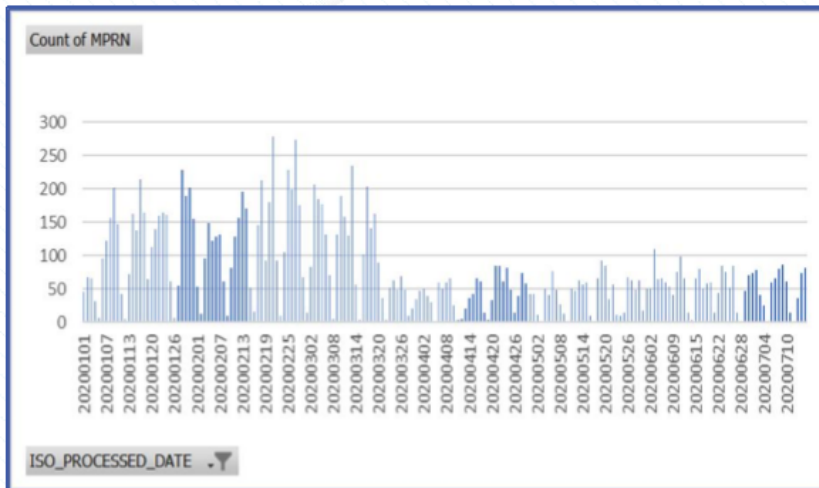
The PAC will receive data on the number of isolations each month. The assumption will be that any isolation since 23 March could be a Covid-19 isolation. None of these will be reverted by the CDSP; Shippers must do this. The next batch of reporting will be given to the PAC around 14 July 2020.

At the Distribution Workgroup on 23 July, the following graph showing the number isolations processed was presented.

June update: from the high-level metrics, the daily values for isolations has not exhibited any significant variance over the lock-down period, and volumes are still well below the pre-lock-down levels of activity.

July update: no noticeable difference in activity from June data.

Use of Isolation Flag – Key Indicators – *Updated*



- Highest daily number since lockdown is still 124 on Thursday 4th June
- Volumes still way below pre-lockdown - over 50% of recent volume relates to pre-lockdown physical isolations
- Estimated process capacity of 100,000 per day

b. Potential Consequences

It was noted that in simple number terms, sites adopting an isolated status are easier to track than sites adopting 0722-measures, given that for each supply point using the facility, a file would have to be submitted to set the isolation flag. However, it was also noted these could not be absolutely differentiated from an isolation where physical work to prevent the flow of gas had been carried out. It was asked if the submission of a subsequent withdrawal notification would help identify the 0723-measures population from other isolations, but it was established this was not a categoric differentiator.

One consequence noted was that, where the isolation flag is removed, the metering reading associated with lifting isolation must be exactly the same as the reading submitted when the isolation flag was applied. Failure to do so would generate a rejection & exception report. It was noted that this could be a problem where the site, as permitted under the rules, consumed a de-minimis quantity of gas.

c. Exit Strategy

No specific measures were suggested, other than the obvious one of removing the isolation flag once the specific element of the regulations restricting a business from operating normally is lifted.

d. Effects on Transportation Charges

No specific effects on transportation revenue were noted.

3. Next Steps / Recommendation

There was a suggestion that industry could consider developing a specific error code to address the “read into isolation must equal read out of isolation” scenario to allow easier identification of this issue a supply point level.

Consequently, there is no definitive evidence that the measures introduced require a further Modification to reverse their effects

July Updates:

- There was no further discussion of this Modification at the July Distribution Workgroup.
- At PAC, the CDSP reported that isolations, post lock-down, remained at a relatively low level and that a considerable proportion of notifications related to physical works prior to lock-down, the conclusion being that usage of the 0723-measures is low,

Urgent Modification 0724: Amendment to Ratchet charges during Covid-19 period

1. Brief Overview

To make Ratchet charge changes during COVID-19 period to avoid the application of incentive charges where consumption at specific sites is increased above the agreed booked capacity to support local/national needs during the COVID-19 pandemic.

2. High-Level Activity Metrics

Numbers of Supply Points Utilising these measures

The view of the Distribution Workgroup was that metrics for this proposal should be reported once the period during which ratchets apply has expired and that any applications have been processed, (probably towards the end of June).

At PAC on 09 June it was understood that Modification 0724 would have no impact on Settlement.

There was no further discussion of the Modification at the either the June or July Distribution Workgroup

3. Views on:

a. Future Reporting Requirements

It was suggested that the following metrics should be gathered:

- Number of Applications Submitted
- Number of Applications Accepted

Note: It expected that the number of supply points using 0724 measures would be fairly low.

b. Potential Consequences

No specific consequences were identified.

c. Exit Strategy.

No specific exit measures were identified.

d. Effects on Transportation Charges

Any transportation revenue foregone by virtue of this measure would be recovered in the subsequent formulae year.

4. Next Steps / Recommendation

Given that 0724-measures are conditional of the prevailing legislation, should that legislation endure, then so would the measure, although it was noted that conditionality limiting an application to the cause of the ratchet, should serve to limit applications.

July update: no data relating to usage of this facility is available.