

Stage 03: Draft Modification Report

0450/0450A/0450B:

Monthly revision of erroneous SSP AQs outside the User AQ Review Period

At what stage is this document in the process?

01 Modification

02 Workgroup Report

03 Draft Modification Report

04 Final Modification Report

These modifications should provide Users with the ability to amend the AQs of a limited amount of SSPs each month outside the User AQ Review Period where these are erroneous.



Responses invited by 12 December 2013.



High Impact:
Smaller Suppliers



Medium Impact:
Larger Suppliers



Low Impact: Xoserve

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Draft Modification Report

21 November 2013

Version 1.0

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About this document:

Panel on 21 November 2013. All parties are invited to consider whether they wish to submit views regarding this modification.

The close-out date for responses is 12 December 2013, which should be sent to enquiries@gasgovernance.co.uk. A response template, which you may wish to use, is at www.gasgovernance.co.uk/0450.

The Panel will consider the responses and agree whether or not this modification should be made.



3 Any questions?

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1 Summary

Is this a Self-Governance Modification?

The Modification Panel determined that these are not self-governance modifications.

Why Change?

The current arrangements, whereby AQs for SSPs can only be amended during the User AQ Review Period, make it impossible for SSPs with erroneous AQs to be amended in a timely manner during the rest of the year. Suppliers are balanced against the AQs of the sites they supply; therefore this has a disproportionate impact on smaller suppliers when they acquire SSPs of this nature from other suppliers and thus has a knock on effect on their ability to compete effectively as they are less able than other larger suppliers to cover the costs resulting from this situation. In addition, erroneous AQs result in misallocation of costs and it should be made easier for suppliers to correct the most seriously inaccurate of these.

Solution

Modifications 0450 and 0450B

Should this proposal be implemented, shippers with SSP customers in their portfolios will be given the ability to appeal the AQs of certain SSP meter points, where these are erroneous, outside of the User AQ Review period, i.e. from 1 October to 31 May. A 20% rule will apply in each case with a minimum permissible amendment of 4000 kWh, unless the SSP's current AQ is 1, in which case these rules will not apply. Reporting of SSP appeals will be issued quarterly as part of the UNC378 report. This will be treated as user pays and charged monthly based on the SSP market share of each shipper by number of meter points supplied.

Modification 0450A

British Gas' proposal allows Users to appeal erroneously high or low SSP AQs if the MPRN is acquired from another shipper organisation, on or between the dates of the 1st September and 31st May. The appeal to amend the newly acquired AQ should where relevant follow the LSP AQ Appeals process, providing there is a pair of valid meter readings, demonstrating a consumption change. This should have the desired outcome for Users to have the ability to appeal erroneous AQs which come into their ownership. For the avoidance of doubt the SSP AQ appeal will, where relevant, be the same as the LSP AQ appeal process.

Relevant Objectives

Some participants considered implementation of one of these modifications would further effective competition between relevant Shippers and Suppliers in line with objective d) as Shippers would be able to amend erroneous AQs outside the User AQ Review Period thus counteracting the current disadvantage with the current process. More accurate AQs will lead to more accurate and efficient allocation of costs across the market. Though some participants were concerned that the benefits of implementation for these modifications have not been demonstrated to prove that allocation will be significantly improved to offset the cost of implementation.

Implementation

Implementation 01 September 2014 decision to implement is received by 31 January 2014

Implementation 01 October 2014 decision to implement is received by 28 February 2014

if a decision to implement is received after 28 February 2014, implementation 180 to 270 day days following the decision to implement.

These modifications cease relevance upon implementation of the Project Nexus solution. Development and operational costs for 1 year would be between £160,000 to £230,000.

2 Why Change?

All Shippers are disadvantaged by the current inability to amend AQs for SSPs outside of the User AQ Review Period. As Shippers are balanced against their AQs, erroneous AQs for acquired SSPs create a multitude of issues which directly impact on the ability of smaller shippers and suppliers to compete on level terms with their larger competitors who are much more able to bear the cost of erroneous AQs within their portfolios.

3 Solution

Modification 0450 Solution includes insertions in [BLUE for Modification 0450A](#)

Users will be allowed to Appeal an SSP AQ value for MPRNs acquired from other suppliers, on or between the dates of the 1st September and 31st May, through the Change of Supply process. This evidence must include a pair of valid meter readings demonstrating a consumption change.

It is proposed that all Users are given the ability to amend the AQ of a set number of SSP (AQ<73,200 kWhs) sites outside the User AQ Review Period – between 1st October and 31st May.

A capacity of SSP Appeals would be 20,000 instances per month for the industry. These instances mean attempts of Appeals; the count of issued T17 dataflows in the given month. The outcome of SSP AQ Appeals is going to be AC for Accepted or RJ as rejected, no RF – referral to manual validation will be available. Xoserve will create a rejection code for exceeding monthly Appeal allowance in T18 dataflows.

For the avoidance of doubt the SSP AQ appeal will, where relevant, be the same as the LSP AQ appeal process

At initial implementation the number of Appeals available for each Shipper will be derived as follows

1. Each Shipper with less than 50 Meter Points in their portfolio will be allocated the number of meter points in their portfolio as at snapshot date.
2. Each Shipper with more than 50 Meter Points in their portfolio will be allocated 50 Appeal opportunities as the minimum.
3. Deducting the sum of the Appeal in point 1 and 2 from the total 20,000 instance per month will be the basis of the Small Supply Point (defined as AQ<73,200kWhs) count based market share percentage allocation. This percentage allocation to be defined to one decimal point.

As an example:

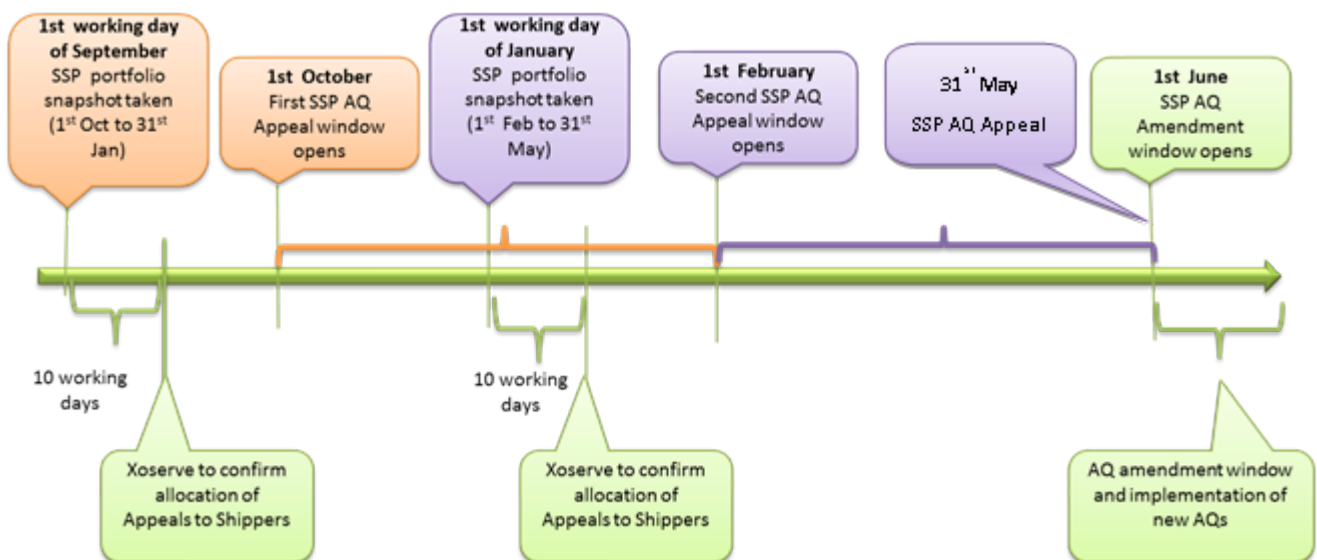
- Shipper A has 24 Meter Points in their portfolio at the time the snapshot is taken, therefore 24 Appeal opportunities will be allocated for each month during the predefined period the snapshot was taken for.
- There are 15 shippers (as at March 2013) with fewer than 50 supply points, as total they have 540 Meter Points, so they will be allocated 540 instances of the 20,000.
- There are 30 Shippers (as at March 2013) with more than 50 Meter Points in their portfolio, so each will be allocated 50 instances, adding up to a total of $30 \times 50 = 1500$.
- The remaining pot equates to $20,000 - 540 - 1500 = 17960$.
- Shipper B has 450,000 Meter Points, which equates to 2.1% of the number of SSP Meter Points in the market, so they will have $17960 \times 2.1\% = 377$ AQ Appeal opportunities on top of the allocation of 50, so the total is 427 each month for Shipper B.

The above described calculation will be carried out twice a year by Xoserve.

A snapshot of the portfolio will be taken on

- 1st working day of September, to calculate the monthly allocation for the period of 1st October to 31st January
- 1st working day of January, to calculate the monthly allocation for the period of 1st February to 31st of May.

Between 1st June and 1st October the Shippers will utilise the AQ amendment process, for the new AQs to be effective and therefore available for AQ Appeals from 1st October



Xoserve will notify the relevant members (contacts on the Xoserve AQ distribution list) of Shippers of the number of monthly Appeals allocated, within ten working days of the snapshot dates via e-mail.

If the Shipper was not to utilise the appeal allowance for the month, the remaining number of appeal opportunity is lost, and cannot be rolled over to the following month.

Shippers will be able to challenge SSP outside of the AQ amendment window: 1st October to 31st May. A 20% rule will apply in each case with a minimum 4000 kWh

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amendment. No AQ amendment less than these for any SSP may be carried out unless the Meter Points current AQ is 1, in which case the above describe tolerance s are not applicable, and the Shipper can Appeal the AQ to any other volume but 1. As an example, AQ of 1 can be appealed to AQ of 2,000, however AQ of 4,000 can be appealed to AQ of 9000 as the change is greater than 4,000 kWhs and the change is more than 800 kWhs - 20% of the original 4,000 AQ This is to ensure only erroneous AQs are corrected.

As the proposed number of extra SSP amendments allowed to take place outside the User AQ Review Period would amount to up to 240,000 extra amendments per gas year and these will be staggered over the whole year.

The process will utilise the existing AQ Appeals process. Once the new AQ is agreed, the Shipper will need to re-confirm the MPRN with the new AQs.

Following Distribution Workgroup discussion, Xoserve has conducted a ROM assessment which indicated that a system solution was most cost effective.

The assessment was based on 400 appeals by 20 Shippers monthly; the cost estimate over two years is the below:

- Manual solution would cost an estimated £855k - £1.09m for the industry
- Systemised solution would cost an estimated £150k - £210k for the industry.

Reporting of SSP Appeals will be issued quarterly as part of the MOD378 report. Timescales and content as described in MOD378. The report will be sent to the relevant contacts held on AQ related and MOD378 related Xoserve distribution lists. [Xoserve will monitor and report monthly that there are no inter-shipper transfers. This is subject to performance evaluations, to be confirmed as part of the ROM.](#)

Modification 0450B

It is proposed that all Users with at least one Smaller Supply Point in their customer portfolio be given the ability to amend the AQs of a set number of SSP (AQ<73,200 kWhs) meter points each month outside the User AQ Review Period, i.e. between 1 October and 31 May each year.

Xoserve has carried out preliminary analysis and estimates that an industry wide total of 20,000 SSP AQ appeals could be accommodated each month outside of the User AQ Review Period. Attempted appeals will be carried out by means of the T17 dataflow, with Xoserve confirming acceptance or rejection of each. A separate T18 dataflow rejection code will be created in relation to any User exceeding its monthly appeals allowance. For the avoidance of doubt the SSP AQ appeal will, where relevant, be the same as the LSP AQ appeal process.

At first implementation the number of appeals available to each User will be calculated as follows:

- i) A snapshot of each shipper SSP portfolio will be taken by Xoserve on:
 - a) The 1st working day of September, in order to calculate that shipper's monthly appeal allocation for the period from 1 October to 31 January inclusive;
 - b) The 1st working day of January, in order to calculate that shipper's monthly appeal allocation for the period from 1 February to 31 May inclusive.
- ii) Each shipper with 1 or more but less than 50 SSP meter points in its customer portfolio on the date when the snapshot is taken by Xoserve will be allocated a number of monthly SSP AQ appeals outside of the User AQ Review period equivalent to the number of SSP meter points in that portfolio.

- iii) Each shipper with equal to or more than 50 SSP meter points in its customer portfolio on the date when the snapshot is taken by Xoserve will be allocated 200 monthly SSP AQ appeals outside of the User AQ Review period.
- iv) Once a number of monthly appeals has been allocated to each shipper as described in points i) – iii) above, any residual monthly appeal capacity will be allocated to each shipper on the basis of its share of the SSP market by the number of meter points it supplies. The percentage allocation shall be defined to one decimal place.
- v) Xoserve will notify each qualifying shipper of its allocated monthly number of SSP AQ appeals for the relevant period by email within ten working days of each snapshot date.
- vi) For each appeal, a 20% rule will apply with a minimum 4000 kWh amendment. No amendment may be carried out unless it fulfils these two rules, except in the case where the current AQ of the appealed SSP meter point is 1 in which case neither rule applies.
- vii) Appeals will be use it or lose it, i.e. they cannot be traded, sold or reallocated to another shipper and cannot be rolled over or reallocated to another month.
- viii) From 1 June to 30 September inclusive, shippers will make use of the User AQ amendment process as part of the User AQ Review period as laid out in the UNC.

As an example upon initial implementation (all numbers are for illustrative purposes):

- Shipper A has 24 SSP meter points in its customer portfolio on 1 September when the snapshot is taken by Xoserve. It is therefore allocated 24 SSP AQ appeals each month for the period from 1 October to 31 January inclusive.
- 15 shippers have fewer than 50 SSP meter points in their customer portfolios on 1 September, with a total for all 15 shippers of 540 SSP meter points. This gives these 15 shippers a total of 540 SSP AQ appeals during each relevant month (October – January).
- 30 shippers have more than 50 SSP meter points in their customer portfolios on 1 September, so each is assigned 200 SSP AQ appeals during each relevant month (October – January). The baseline total for all 30 shippers is 6,000 SSP AQ appeals for each relevant month.
- Xoserve estimates that it can accommodate 20,000 monthly SSP AQ appeals outside of the User AQ Review Period. In the examples above, 6,540 monthly SSP AQ appeals have already been assigned. $20,000 - 6,540 = 13,460$ residual unassigned monthly SSP AQ appeals.
- Shipper B has 450,000 SSP meter points in its customer portfolio, which translates to a 2.1% share of the SSP market by number of meter points. $13,460 \times 0.021 = 282.66$ which is rounded up to 283. This means that Shipper B receives an additional 283 monthly SSP AQ appeals in addition to its baseline allocation of 200 monthly SSP AQ appeals, giving Shipper B a total of 483 SSP AQ appeals during each relevant month (October – January).

Reporting of SSP appeals will be issued quarterly as part of the UNC378 report.

User Pays
Classification of the modification as User Pays or not and justification for classification
These modifications are classified as User Pays as the changes proposed would introduce new User Pays services.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.
100% cost to Users with a Small Supply Point portfolio.
Proposed charge(s) for application of Users Pays charges to Shippers
An ACS is to be published
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.
The charging basis for User will be an allocation of the development costs plus the ongoing costs for 2014/15 to each User based upon each User's number of Smaller Supply Meter Points in proportion to the total number of all Users' Smaller Supply Meter Points as measured on the date of the implementation of the modification, excluding Unique Sites

4 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

Some participants considered implementation of one of these modifications would further effective competition between relevant Shippers and Suppliers in line with objective d) as Shippers would be able to amend erroneous AQs outside the User AQ Review Period thus counteracting the current disadvantage with the current process. More accurate AQs will lead to more accurate and efficient allocation of costs across the market.

Some participants consider Modification 0450A offers additional advantages, as Modifications 0450 and 0450B require Users to participate in the process to maintain their overall position in terms of allocation. However, as Modification 0450A only applies to new customers in a Users portfolio, it will not require Users to administer the process over the proposed 8 months review period and will therefore keep operational costs to a minimum and furthering relevant objective d) Securing of effective competition.

Some participants consider implementation of Modification 0450B would facilitate effective competition between shippers and suppliers in line with relevant objective d) as it will result in more appropriate allocation of costs and reduce the disproportionately increased and non-reflective credit and commodity purchase costs which inaccurate SSP AQs and the current inability to amend these outside of the User AQ Review Period result in for smaller shippers.

Some participants were concerned that the benefits of implementation for these modifications have not been demonstrated to prove that allocation will be significantly improved to offset the cost of implementation.

5 Implementation

Implementation 01 September 2014 if a decision to implement is received by 31 January 2014

Implementation 01 October 2014 if a decision to implement is received by 28 February 2014.

If a decision to implement is received after 28 February 2014, implementation 180 to 270 day days following the decision to implement as Xoserve have estimated that development would take between 6 and 9 months. However, it should be noted that an implementation date by 01 September may still be achievable should a decision be made after 31 January 2014.

Attempts have been made in the past to amend the AQ process for SSPs but these have often encountered delays and cost barriers due to the large amount of work that could be required on Xoserve's systems to implement far-reaching changes. The proposer is hopeful that limiting the amount of SSP amendments allowed outside the User AQ Review Period to 20,000 per calendar month should support the implementation of this change.

It has been confirmed by Xoserve this change will not impact/delay the development of Project Nexus. This Modification would support Shippers to prepare to Nexus on a small scale by having to manage a number of mid-year small supply point AQ changes. The implementation of this Modification is recommended to be the earliest possible time, so the industry and all Shippers take maximum advantage of it.

Development and operational costs for 1 year would be between £160,000 to £230,000. The operational costs are to be included with the development cost as the implementation of Project Nexus during 2015 would make these proposed changes redundant and there service would only be operable for 1 year.

6 Legal Text

The text for these modifications has been prepared by National Grid Distribution and is published along side this report.

7 Recommendation

The Panel have recommended that this report is issued to consultation and all parties should consider whether they wish to submit views regarding this modification.