UNC Modification 0268
Change to the Provisions Determining the Earliest Reading Date Applicable within the AQ Review

DESC – 10th November 2009

Background

- Topic raised at the 2nd October DESC Meeting
  - Subsequent MOD 268 raised (15/10) and initial discussions at the 22/10 Distribution Workstream
- DESC discussions today to provide an overview of the anticipated impact and discuss with Shippers further
- Outputs from the 2010 Seasonal Normal (SN) Review are:
  - Revised SNCWVs, ALP, DAF & EWCF parameters adjusted to new SN basis
- Revised values used in calculation of future and historical Weather Adjusted Annual Load Profiles (WAALP)
- WAALPs are subsequently used in the calculation of AQs (UNC H3.4)
  - Adjusting the Relevant Metered Quantity (RMQ) of the AQ to a SN value
    - Representative of expected consumption under average conditions

AQ Calculation – Historical WAALPs

- KEY: AQ calculations are based on historical consumption that is used to represent a view of expected consumption in the next 12 months adjusted to SN

- IMPACT: Historical WAALP values have to be recalculated to the new SN basis for AQs effective from 01/10/10
- WAALP values are recalculated to new SN basis using the most recent Demand Estimation demand models i.e. from 2008/09 to apply 2009/10 (UNC H3.4.3)
- The recalculated values will be used in March 2010 (onwards) AQ Review calculation processes

- For AQs that are not calculated (i.e. Carry Forward AQs)
  - A multiplicative factor per EUC will be applied to the current AQ value to adjust from the old SN basis to the new SN basis
  - UNC H3.4.4 (AQ = (Current AQ x (A/B))

Timeline to Derive and Implement WAALPs

- SNCWV's derived and finalised by the end of December 2009
- Historical WAALP values derived by re-running latest Demand Estimation models - January & February 2010
- New historical WAALP values up to February 2010 are loaded into Transporter systems at start of March 2010
  - Ongoing daily calculation and loading of WAALPs for March 2010 to September 2010 takes place
- AQ calculation (SSP) takes place in March 2010 (LSP – April)
  - Utilising historical WAALP values and metered quantity

Issues Resulting in UNC MOD 268

- 1.Timescales are tight to derive the new SNCWV and parameters based on the new SN basis
  - Calculating additional historical WAALPs would require significant additional modelling as the models being used (as per UNC) only utilise data post 01/10/06
- 2.Models used to back calculate new WAALPs are based on data pertaining to 01/10/06 onwards (06/07, 07/08 and 08/09)
  - Models not representative of the period prior to 01/10/06
  - WAALP data will only be available back to 01/10/2006 for AQ calculations

Issues Resulting in UNC MOD 268

- 3. UNC (H3.2.3) currently states that AQs can be calculated using meter reads back to to 01/10/2002 - AQ 'backstop date'
  - No consumption history prior to this date can be used
  - Changed during last SN Review in 2005 (Modification 0018)

- Conflict – what is possible and appropriate with what is required in UNC
- If AQs are calculated using the old (or a mixed) SN basis
  - New SN basis is anticipated to create warmer SNCWVs thereby reducing AQs
  - Old SN basis WAALPS creates AQs that are too high (allocation, charging, rec. etc)
  - Would not adhere to UNC (two SN basis)

Current UNC Text

- Relevant UNC Section H3.2:

- 3.2.3 The starting Meter Read shall be:
  - (a) the latest Valid Meter Read before the target opening date, or if there was no such Meter Read less than three years before the target opening date;
  - (b) subject to paragraph 3.2.4, the first Valid Meter Read after the target opening date.
  - Provided always that the starting Meter Read shall be no earlier than 1 October 2002
- 3.2.4 If there was no Valid Meter Read less than three years before the target opening date or more than 6 months before the ending Meter Read, or the first Valid Meter Read after the target opening date was earlier than 1 October 2002, paragraph 3.1.2 shall apply.

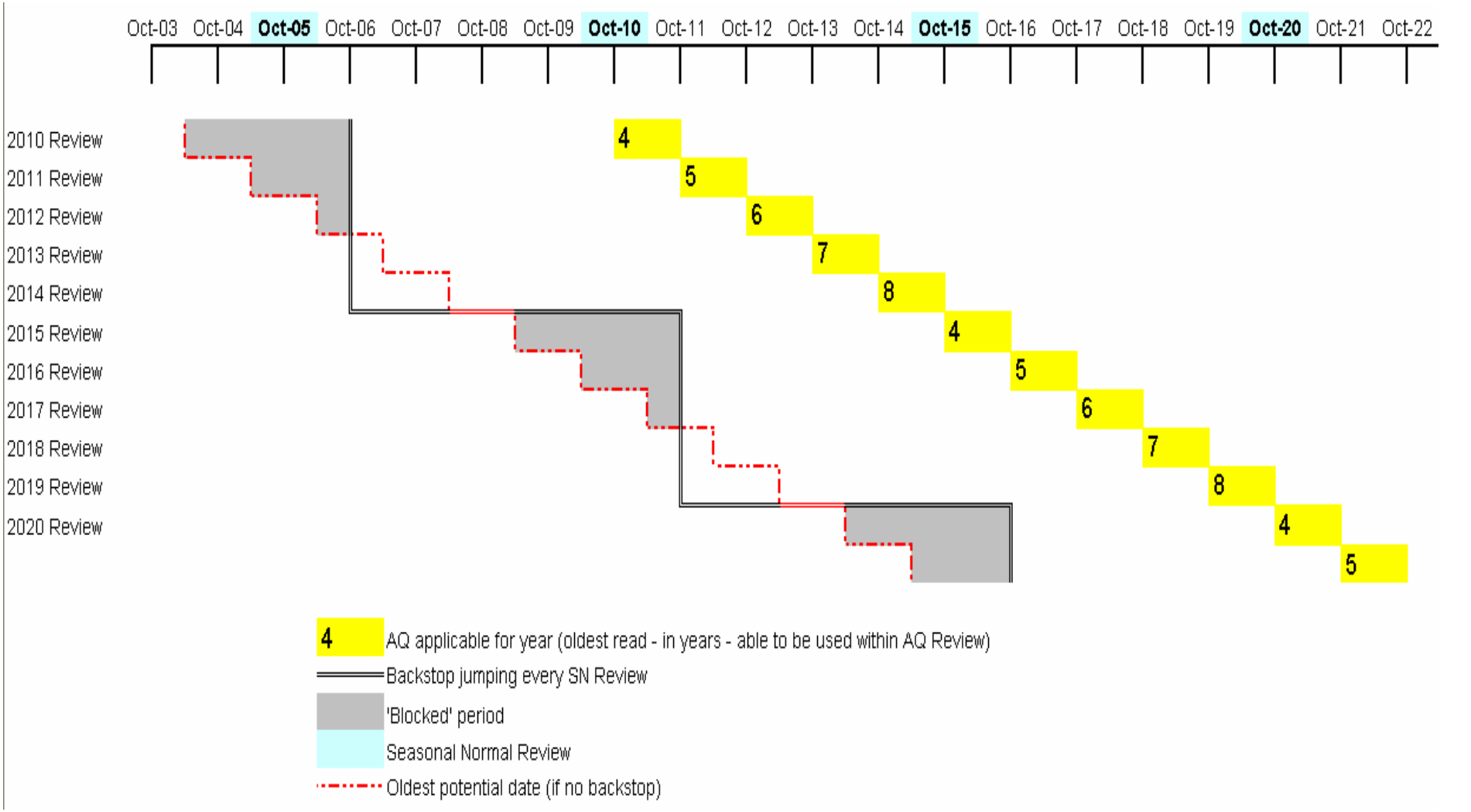
- Fixing a date in UNC is not a preferable option
  - Same issue will arise in the future

Proposal (UNC Modification 268)

UNC SECTION H3.2

- Proposal:
  - Change the AQ backstop date in UNC from 01/10/2002 to be
    - Start of the gas year in which a Seasonal Normal Review becomes effective (01/10/xx) – 4 years
      - e.g. 01/02/10 backstop becomes 01/10/06
      - e.g. 01/02/15 backstop becomes 01/10/11
    - Change to be effective 1st February the preceding year
  - Therefore backstop date would be
    - At its shortest point (February prior to SN change effective year) 3 years 4 months
    - At its longest point (January prior to SN change effective year) 8 years 4 months

Effect of Implementation



Proposal Requirements

- Requirements: UNC Modification 268 has been raised
  - Review ongoing at November DESC and report back to November Distribution Workstream
  - Aim for Implementation by 12th February 2010
    - New SNCWV and model back calculating takes place in Jan-Feb 2010
    - New WAALPs derived in Feb 2010
    - Meter Point backstop dates amended prior to AQ calculation in March 2010
    - Revised WAALP data then loaded in March 2010
    - SSP AQ calculation takes place end March 2010 (LSP takes place end of April 2010)

Analysis of Impacts of Proposal

- Detailed analysis has been undertaken
  - Impacts cannot be fully assessed as this would require a change to the backstop date in the system and run of the AQ calculation process
- Analysis has been undertaken on the following:
  - Rules within UNC (H3.2) regarding 'Relevant Metered Period' (period for AQ calculation)
  - Comparison of impacts from last backstop date change in 2005
  - Review of AQ 2009 calculations
  - Overview of AQ calculation validation process
- Anticipated impact of backstop date change should be small…

Analysis of Impacts of Proposal

1. 1.5 million Meter Points do not have a consumption history post 01/10/06 currently and therefore could be impacted. However:
   - 86% didn't calculate in 2009 primarily due to a lack of consumption data
   - Indicating these Meter Points will only calculate when recent consumption data is provided
   - Further reads will be provided between now and AQ Review 2010 (approx. 1.5 million reads per week)
   - These reads should be after 01/10/2006 - Cyclic reading and must read provisions effectively move the earliest potential starting Meter Read date forwards:
     - Annual Read Meters – once every 24 months (UNC M3.5.1 (a))
     - Monthly Read Meters – once every 4 months (UNC M3.4.1 (a))
   - Current 'hard coded' AQ Backstop date becomes increasingly irrelevant
   - AQs should be calculated based on a recent view of consumption data
   - Consumption data pre 01/10/06 not representative of the AQ in the preceding Gas Year (G1.6.2(d) / G1.6.6)

Analysis of Impacts of Proposal

2. UNC Section H3.2 – reviewing the Relevant Metered Period

- On 15th March 2010, when AQ SSP calculation takes place the earliest date that can be used for an NDM annual read meter AQ calculation is 17th March 2004
  - i.e. calculation could use data back to this point under current backstop rules
- Current backstop date of 01/10/2002 therefore is no longer appropriate
- The number of Meter Points with an end read on UK Link between 01/03/04 and 30/09/06 is 801,782
- Deemed to be the maximum number of Meter Points potentially impacted
- Other factors will reduce this value further…

Analysis of Impacts and Proposal

3. Comparison to 2005 Backstop date change should offer the best comparison

- Backstop in 2005 was implemented to be 01/10/02 (Mod 00018)
- At that point - period that could be used in AQ Calculation (01/10/02 to March 2005) was 2 years 5 months
- Period in this proposal (01/10/2006 to 01/02/2010) will be 3 years 4 months (additional year)
- Number of Meter Points that did not calculate in 2005 as a result of the backstop date change in 2005 was 446 (11 SSP, 435 LSP)
- Representing 0.01% of 4.5 million total that did not calculate
- Meter Points fail to calculate for other reasons before the backstop date is reached…

Analysis of Impacts of Proposal

4. Meter Points primarily fail to calculate for other reasons:
   - Reasons occurring in time before the AQ backstop date is reached
   - Anomalies in asset, meter configuration and / or read histories result in AQ not being calculated
   - Backstop date issue becomes secondary issue as these other issues will occur
   - 2005: 99.9% of all non calculations were due to issues not associated with the backstop date
   - 2006 to 2009 AQ Review: 99.9% of all non calculations due to issues not associated with the backstop date
   - System validates against the following, in the following order…

Analysis of Impacts of Proposal

- Non-Calculated AQs System Validation Order (groupings have been used):

System Validation Order	Reason for AQ Non-Calculation *(2009 are provisional values)*	Meter Point Count		% of Total	
		2005	2009*	2005	2009*
1	Meter Point Ownership / Live	1,116,605	1,275,002	25%	30%
2	Meter Point Configuration (DM / NDM)	134,339	28,284	3%	1%
3	AQ Backstop Date (01/10/2002)	446	132	0%	0%
4	Meter Reading Configuration	98,251	102,392	2%	2%
5	Consumption & Read details	3,179,989	2,780,785	70%	66%
TOTAL		**4,529,630**	**4,186,595**	**100%**	**100%**

- Similar values occur each year. Backstop date reduces year to year
- Indicates backstop date is not a predominant issue for AQs not being calculated
- The 801,782 previously indicated are anticipated to be in category 1 2, 4 and 5

Analysis of Impacts of Proposal

5. During 2009 AQ Review for those Meter Points that did re-calculate
   - 477 Meter Points used a consumption history prior to 01/10/06
   - Similar to 2005 numbers – feasible similar numbers will apply in 2010

6. When an AQ re-calculation occurs backstop date moves to the date of the last read used in the last AQ calculation
   - AQ calculated using reads 01/05/08 & 01/03/09 - backstop date becomes 01/03/09
   - No reads prior to this date will be used in future AQ calculation
   - 18+ million Meter Points calculated annually using recent consumption
   - 99.9% of all calculated AQs in 2009 used read data post 01/10/2006 (92% used an end read occurring after 01/10/08)

Analysis of Impacts of Proposal

- The impact of this option in regards to AQs not being calculated is anticipated to be small
- Based on historical analysis and current available information
  - Anticipated impact is expected to be of similar proportions or less due to the previous points
- Welcome DESC thoughts / views as to whether they support this proposal:
  - Change the Backstop date in UNC from 01/10/02 to (start of the gas year in which a SN Review becomes effective) – 4 years
  - Anticipated timeline…

Timeline for Modification 268

2nd October	Topic raised & discussed at DESC
15th October	UNC Mod raised at UNC Mod Panel - referred to workstream
22nd October	Discuss as Distribution Workstream
10th November	Discuss at DESC
26th November	Discuss at Distribution Workstream – finalise workstream report
17th December	Modification panel consider Workstream Report – issued for consultation
Mid January	Representations close out
21st January	Modification Panel make recommendation – Final Modification Report issued to Ofgem
11th February (max)	Ofgem determination & Implementation
12th February	UK Link system update of backstop begins
March	UK Link system update complete