















| 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 be:</p> <ul style="list-style-type: none"> <li>Returned to Workgroup for assessment of the Legal Text.</li> </ul> <p>The Panel will consider this Workgroup Report on <b>15 November 2018</b>. The Panel will consider the recommendations and determine the appropriate next steps.</p> |
|   | <p>High Impact:</p> <p>Shippers</p>  |
|   | <p>Medium Impact:</p> <p>Transporters</p>  |
|   | <p>Low Impact:</p>   |

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| Timetable  |                                |  0121 288 2107  |
| <b>The Workgroup recommends the following timetable:</b> |                                | Proposer:<br><b>John Welch</b><br><b>Npower</b>  |
| Initial consideration by Workgroup                       | 22 March 2018                  |  <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a> |
| Amended Modification consider by Workgroup               | 28 August 2018                 |  <a href="mailto:john.welch@npower.com">john.welch@npower.com</a>                 |
| Workgroup Report presented to Panel                      | 22 November 2018               |  07557 170816   |
| Draft Modification Report issued for consultation        | 22 November 2018               | Transporter:<br><b>Tracey Saunders</b><br><b>Northern Gas Networks</b>   |
| Consultation Close-out for representations               | 13 December 2018               |  <a href="mailto:trsaunders@northerngas.co.uk">trsaunders@northerngas.co.uk</a> |
| Final Modification Report available for Panel            | 17 December 2018               |  07580 215743   |
| Modification Panel decision                              | 20 December 2018               | Systems Provider:<br><b>Xoserve</b>  |
|  |                                |  <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>                     |
|  |                                | Other:<br><b>James Rigby</b>   |
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|  |                                |  07557 198020   |

## 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 Nov – Dec, and a second in Mar – Apr). 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 number of industry reports, sent to users and the Performance Assurance Committee (PAC), to provide visibility and support to the winter consumption process that is linked to the production of accurate WAR bands for supply points in EUCs 03 – 08. These reports 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. Furthermore, reports would also highlight when reads were not successfully submitted, with an additional obligation being placed on users to undertake a data update to allow the winter annual ratio to be calculated.

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 above and see Section 6 Workgroup response to Panels question regarding Self-Governance.

### Requested Next Steps

This modification should:

- be returned to Workgroup to allow further assessment of the Legal Text.

## 3 Why Change?

Since Nexus go-live unidentified gas 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 arguably not had wide visibility in the past. With this in mind, 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

The solution will involve a series of reports, sent by CDSP to users at various points throughout the gas year, to support the winter consumption process. The process requires submission of meter reads in two specific periods, one in November or December, and a second in March or April. Energy kWh is calculated from the pair of reads and then prorated to create a winter consumption quantity. This can then be compared to the prevailing annual quantity to create a winter annual ratio (and subsequently the relevant WAR band for DESC purposes).

There is an existing process where users can later submit a winter consumption quantity when central systems have not been able to calculate that value (for example, in instances where one or both reads in the winter period have not been submitted). It is envisaged that an obligation is created for users to use this process at the appropriate point, following the receipt of a report that highlights such action is necessary.

### Business Rules

The CDSP will send a number of reports to all relevant parties (i.e. users that are registered to supply points in the relevant EUC 03-08 bands), at various points throughout the gas year, as well as related reports for monitoring by the Performance Assurance Committee (PAC).

1. Report 1 – the CDSP will send out a report detailing the prospective winter consumption. This will be sent out in May of each gas year. The report will detail the relevant winter consumption and highlight any supply points where a winter consumption quantity could not be calculated for the gas year ahead (for example where a read was not submitted in the preceding winter periods. An obligation will be placed on the user to take action in the September following receipt of the report to update central systems with a winter consumption value for the gas year ahead.
2. Report 2 – the CDSP will send a related report to the PAC (in June) for visibility of the number of relevant supply points potentially without winter consumption for the gas year ahead. An anonymised version will also be sent out to the industry.
3. Report 3 – this report to be sent to users and would highlight those supply points where a correction was potentially required in September but did not take place. Further opportunity to update these supply points with an appropriate winter consumption quantity is available to users throughout the gas year (from October to August).
4. Report 4 - a version of report 3 would be sent to the PAC for monitoring purposes. An anonymised version will also be sent out to the industry.
5. Report 5 – this report would be sent by the CDSP to users, and would highlight the relevant supply points where a read was not submitted in the first appropriate winter month (i.e. November). The report would be sent at the beginning of December, and serve as a prompt to users who had not fulfilled their monthly read submission obligation to take action and ensure a read was submitted in the following month (i.e. December). This would enable the CDSP central systems to have access to the first relevant read to calculate the winter consumption quantity.
6. Report 6 – this report would be sent to the PAC in January for visibility of supply points that had not fulfilled their monthly read submission obligation, with specific reference to the initial winter period. An anonymised version will also be sent out to the industry.
7. Report 7 - this report would be sent by the CDSP to users, and would highlight the relevant supply points where a read was not submitted in the second appropriate winter month (i.e. March). The report would be sent

at the beginning of April, and serve as a prompt to users who had not fulfilled their monthly read submission obligation to take action and ensure a read was submitted in the following month (i.e. April). This would enable the CDSP central systems to have access to the second relevant read to calculate the winter consumption quantity.

8. Report 8 - this report would be sent to the PAC in May for visibility of supply points that had not fulfilled their monthly read submission obligation, with specific reference to the initial winter period. An anonymised version will also be sent out to the industry.

### **User Reports Circulation Dates**

Report 1 – highlights winter consumption values. To be sent by the last calendar day in May.

Report 3 – highlights where winter consumption not available for supply points but update has not been sent. To be sent by 5<sup>th</sup> business day in October.

Report 5 – highlights where read has not been sent for eligible supply points in November – to be sent by the 5<sup>th</sup> business day in December.

Report 7 - highlights where read has not been sent for eligible supply points in March – to be sent by the 5<sup>th</sup> business day in April.

### **PAC Reports and Circulation Dates**

To be added to the PARR report suite, to both schedule 2A and schedule 2B.

Report 2 – Percentage of eligible MPRNs without winter consumption. To be provided to PAC and industry by 1<sup>st</sup> calendar day in July.

| Shipper | EUC 3 | EUC 4 | EUC 5 | EUC 6 | EUC 7 | EUC 8 |
|---------|-------|-------|-------|-------|-------|-------|
| A       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| B       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| C       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Report 4 - Percentage of eligible MPRNs without winter consumption. To be provided to PAC and industry by 1<sup>st</sup> calendar day in November.

| Shipper | EUC 3 | EUC 4 | EUC 5 | EUC 6 | EUC 7 | EUC 8 |
|---------|-------|-------|-------|-------|-------|-------|
| A       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| B       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| C       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Report 6 – Percentage of eligible MPRNs without winter read in November. To be provided to PAC and industry by 3<sup>rd</sup> calendar day in January.

| Shipper | EUC 3 | EUC 4 | EUC 5 | EUC 6 | EUC 7 | EUC 8 |
|---------|-------|-------|-------|-------|-------|-------|
| A       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| B       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| C       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Report 8 – Percentage of eligible MPRNs without winter read in March. To be provided to PAC and industry by 1<sup>st</sup> calendar day in May.

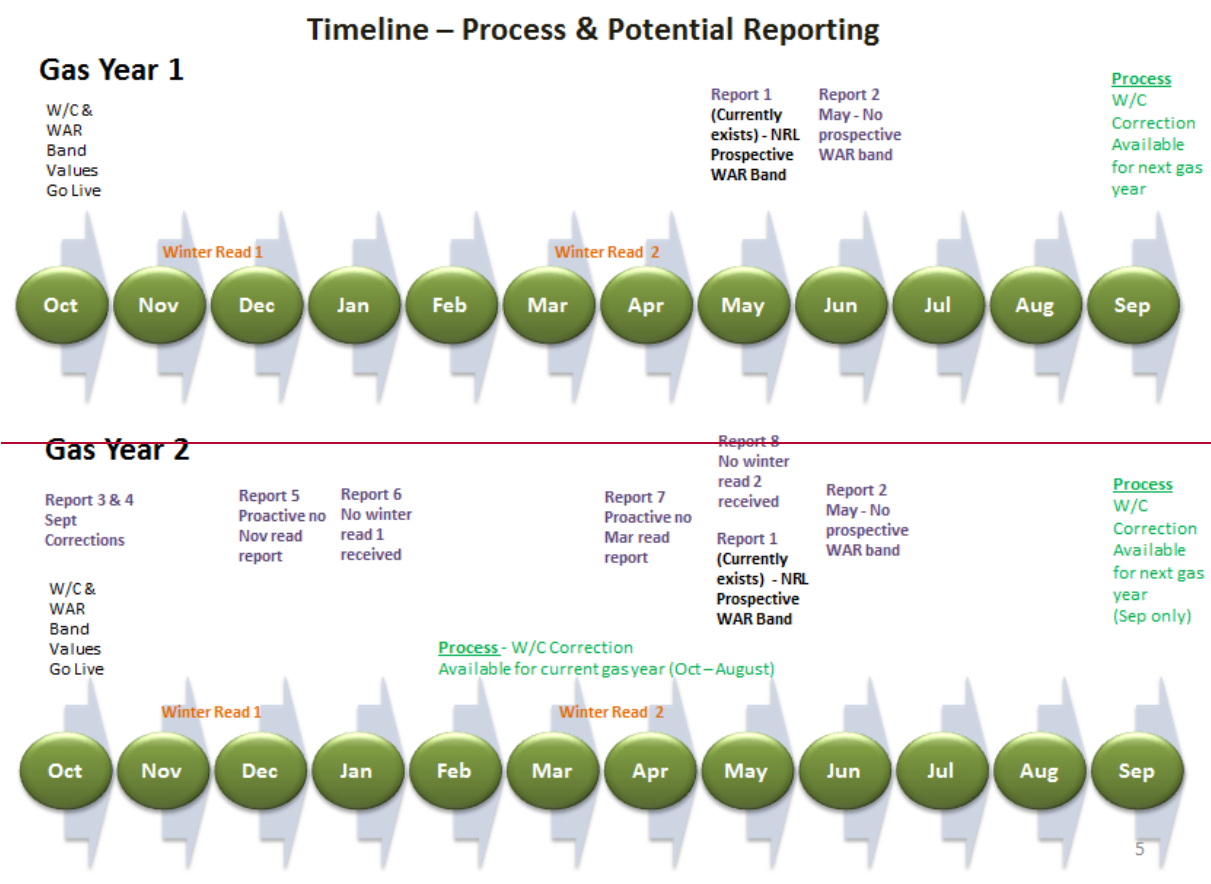
| Shipper | EUC 3 | EUC 4 | EUC 5 | EUC 6 | EUC 7 | EUC 8 |
|---------|-------|-------|-------|-------|-------|-------|
| A       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| B       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| C       | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

### Obligation

This is pinned to report 1. The winter consumption update for the gas year ahead is to be sent no earlier than M-15 business days in August and no later than M-15 business days in September, to become effective 1<sup>st</sup> October.

### Reporting timeline

The timeline below illustrates at which points during the gas year the reports would be sent, and when updates can take place. For clarity, the additional obligation would become applicable on receipt of report 1 (May), following which, updates should be performed in September.



## 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

None identified.

| Consumer Impact Assessment                            |   |
|---|---|
| Criteria  | Extent of Impact  |
| Which Consumer groups are affected?                   | <ul style="list-style-type: none"> <li>None identified</li> </ul>   |
| 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. |

### Cross Code Impacts

There may be an impact on the IGT UNC which will need to be considered in the Workgroup.

### EU Code Impacts

None identified.

### Central Systems Impacts

No major impacts, some additional reporting to be created.

### Workgroup Impact Assessment

The Panel raised two questions for the Workgroup to consider.

Review the model and consider the true value of the impact of the proposal.

Workgroup noted that UIG in total is significant.

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. 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 that on Peak Winter days the UIG level associated with these sites would be 0.7% of throughput.

#### 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. This will also mean the amount needing to be bought by a Shipper on the wholesale market will change.

### **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 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 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 |
|--|------|

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.

## 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 considered whether this Modification could be implemented for Winter 2018/19 and suggested the associated Change Proposal should be raised at DSC Change Management Committee for consideration at the earliest opportunity.

## 9 Legal Text

### Legal Text

Legal Text is to be provided by Northern Gas Networks.

### Text Commentary

Insert text here

### Text

Insert text here

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This Modification should be returned to Workgroup for further assessment as the Legal text was not available for consideration by the Workgroup.
- The Workgroup requests Panel to agree to consider this Workgroup Report at Short Notice at its extraordinary meeting on 22 November 2018 should Legal Text be available for Workgroup discussion at a meeting planned for 19 November 2018.