

**Workstream Report**  
**Change to the Provisions Determining the Earliest Reading Date Applicable within the AQ**  
**Review**  
**Modification Reference Number 0268**  
Version 1

This Workstream Report is presented for the UNC Modification Panel's consideration. The Distribution Workstream considers that the Proposal is sufficiently developed and should now proceed to the Consultation Phase

## **1 The Modification Proposal**

### **Background**

The outputs from the 2010 Seasonal Normal (SN) Review (undertaken pursuant to Section H1.4.2 of the UNC TPD) will be revised Seasonal Normal Composite Weather Variables (SNCWVs), which give a view of average weather for the next five years, and revised historical Annual Load Profiles (ALPs), Daily Adjustment Factors (DAFs) and Estimated Weather Correction Factors (EWCFs) values based on the new SN basis.

These revised values will be used to derive revised Weather Adjusted Annual Load Profiles (WAALPs) which will subsequently be used in the calculation of all Non-daily Metered (NDM) Annual Quantities (AQs). AQ's utilise the historical WAALP to adjust the metered quantity of the AQ to a SN value (as specified in UNC H3.1.1).

As a result of timing, volume of analysis and time taken to re-run the models to create these parameters, WAALP values only pertaining to the period post 1 October 2006 can be derived. As a result, the models that will be used to derive the new parameters are based on EUC sample sets covering analysis years 2006/07, 2007/08 and 2008/09. Using models to derive WAALPs for any period prior to 1 October 2006 is not practical since the data underlying the models does not cover periods prior to this date.

UNC TPD Section H3.2.3 specifies the earliest possible date of a starting Meter Read that can be utilised to derive an AQ for a Supply Meter Point. Pursuant to the implementation of Modification 0018 on 1 June 2005 this date was specified as 1 October 2002 (the 'AQ backstop date') in order to ensure that AQs would only be calculated from Meter Readings subjected to prevailing WAALPs. The date of the 1 October 2002 reflects the earliest applicability date for the current WAALPs that will be superseded by the 2010 values.

### **Proposal**

In order to prevent the application of outdated WAALPs to Provisional and final AQ values on an enduring basis, it is proposed to replace the current fixed AQ backstop

date specified within section H3.2.3 with a 'Backstop Date' which rolls forward upon the occurrence of a SN Review.

This proposed 'Backstop Date' would be 1 October in the 4th year prior to the start of the Gas Year in which a SN Review becomes effective and the new 'Backstop Date' would become effective from 1st February of the preceding Gas Year.

For example:

- For a SN Review which becomes effective from 1 October 2010, from 1 February 2010 the backstop date will be 1 October 2006
- For a SN Review which becomes effective from 1 October 2015, from 1 February 2015 the backstop date will be 1 October 2011

A reflective change will also be required within section H3.2.4 which also currently specifies the 1 October 2002 earliest reading date.

### **Implications**

In absence of the proposed 'Backstop Date', the period which an AQ can be calculated using the earliest read date that will be used in an AQ calculation in 2010 (as per UNC TPD H3.2.3) is anticipated to be March 2004. As a comparison, in 2005 the AQ backstop date was changed to 1 October 2002. This initially resulted in a shorter period than being proposed now – the 2005 AQ Review utilised reads back to October 2002 (3 years preceding the AQ effective date) whereas it is proposed this period is between 4 and 8 years on an enduring basis.

The number of meter points that did not calculate as a result of the new backstop date being implemented in 2005 (i.e. due to the inability to utilise readings taken prior to 1 October 2002) was 446. This comprised 11 Smaller Supply Points and 435 Larger Supply Points. This was 446 out of a total of 4.5 million that did not calculate that year (for various other reasons).

In summary, in 2005, 99.99% of non-calculations were due to these other reasons and 0.01% was due to the backstop date.

As the proposed rolling backstop date allows a wider measurable period than in 2005 it is believed that the imposition of such will have even less of an impact than identified in 2005.

For those Meter Points where an AQ is not recalculated (e.g. due to lack of reads), a multiplicative factor (representing the difference between the old SN basis and the new SN basis) will be applied to the current AQ, thereby enabling the 'carried forward' current AQ to be reflective of the new SN basis (as per UNC section

H3.4.4).

## 2 User Pays

### a) Classification of the Proposal as User Pays or not and justification for classification

There are no User Pays aspects to this Proposal.

### b) Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification

N/A

### c) Proposed charge(s) for application of Users Pays charges to Shippers

N/A

### d) Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve

N/A

## 3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

**Standard Special Condition A11.1 (a): *the coordinated, efficient and economic operation of the pipe-line system to which this licence relates;***

Implementation would not be expected to better facilitate this relevant objective.

**Standard Special Condition A11.1 (b): *so far as is consistent with sub-paragraph (a), the (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;***

Implementation would not be expected to better facilitate this relevant objective.

**Standard Special Condition A11.1 (c): *so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;***

Implementation would not be expected to better facilitate this relevant objective.

**Standard Special Condition A11.1 (d): *so far as is consistent with sub-paragraphs (a) to (c) the 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;***

The removal of the static backstop date will lead to more accurate AQs and increase the accuracy of energy allocation and therefore impacts the amount of energy passed for reconciliation. This may subsequently impact the amount of misallocated energy applied to RbD.

By having more cost reflective information within the systems will allow more confidence in the accuracy of AQs allocated to Supply Points.

More up to date AQs will be reflective of changing consumer behaviours.

The Proposer is to provide more detailed analysis to demonstrate how AQs will be more accurate and their associated benefits.

***Standard Special Condition A11.1 (e): so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers’ licences) are satisfied as respects the availability of gas to their domestic customers;***

Implementation would not be expected to better facilitate this relevant objective.

***Standard Special Condition A11.1 (f): so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.***

Implementation would not be expected to better facilitate this relevant objective.

**4 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

**5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:**

**a) implications for operation of the System:**

No implications for operation of the system have been identified.

**b) development and capital cost and operating cost implications:**

There are likely to be minor development cost associated with implementation of this Proposal as xoserve will be utilising existing system capability.

**c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:**

No additional cost recovery is proposed.

**d) Analysis of the consequences (if any) this proposal would have on price regulation:**

No such consequence is anticipated.

**6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal**

No such consequence is anticipated.

**7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users**

Changes will be required to be made to the UK Link systems to address the following:

- use of the newly calculated WAALPs
- overwriting historical WAALPs
- population of WAALP data per End User Category for every day going back to 1 October 2006.

**8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk**

*Administrative and operational implications (including impact upon manual processes and procedures)*

No such implications have been identified.

*Development and capital cost and operating cost implications*

There may be additional costs on Users to implement this Modification proposal.

*Consequence for the level of contractual risk of Users*

No such consequence has been identified.

**9 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and,**

**any Non Code Party**

No such implications have been identified.

**10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal**

No such consequences have been identified.

**11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**Advantages**

Implementation of this Modification Proposal will have the following advantages:

- More accurate and timely AQs
- Availability of more accurate demand data
- Provides a mechanism for an enduring solution without the need to raise subsequent Modification Proposals to change the static backstop date
- Removes the need to develop operating procedures to manage outdated AQs

**Disadvantages**

- Marginally more meter points will require intervention and the application of a factor to calculate the AQ

**12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Workstream Report)**

No written representations have been received.

**13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation**

No such requirement has been identified.

**14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence**

No such requirement has been identified.

**15 Programme for works required as a consequence of implementing the Modification Proposal**

No programme for works has been identified.

**16 Proposed implementation timetable (including timetable for any necessary information systems changes)**

It is recommended that, subject to the appropriate direction by the Authority, this Proposal is implemented by 12 February 2010 to enable revised values to be in place for the calculation of Provisional Annual Quantities for the 2010 AQ Review.

Failure to implement this Modification Proposal will require the implementation of contingency procedures:

Implementation by 12 February 2010 no additional contingency costs anticipated

Implementation by 01 April 2010 marginal contingency costs

Implementation after 01 April 2010 will require the implementation of contingency procedures and their additional costs until 2011.

Contingency costs are to be borne by Transporters who do not consider these to be material.

**17 Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

**18 Workstream recommendation regarding implementation of this Modification Proposal**

The Distribution Workstream considers that the Proposal is sufficiently developed and should now proceed to the Consultation Phase.