UNC Final Modification Report	At what stage is this document in the process?
# UNC 0652: ## Introduction of winter read/consumption reports and associated obligations	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

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.

	The Panel recommends implementation
	High Impact: Shippers
	Medium Impact: None
	Low Impact: Transporters

Contents

Timetable

Modification timetable:	
Initial consideration by Workgroup	22 March 2018
Amended Modification consider by Workgroup	22 January 2019
Workgroup Report presented to Panel	21 February 2019
Draft Modification Report issued for consultation	21 February 2019
Consultation Close-out for representations	14 March 2019
Final Modification Report available for Panel	15 March 2019
Modification Panel decision	21 March 2019 *(at short notice)*

Any questions?

Contact:
Joint Office of Gas Transporters

enquiries@gasgovernance.co.uk

0121 288 2107

Proposer:
John Welch
Npower

john.welch@npower.com

07557 170816

Transporter:
Tracey Saunders
Northern Gas Networks

trsaunders@northerngas.co.uk

07580 215743

Systems Provider:
Xoserve

UKLink@xoserve.com

Other:
James Rigby

James.rigby@npower.com

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 November – December, and a second in March – April). 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 new definition of winter consumption data to the Uniform Network Code (UNC), as well as a new obligation to send winter consumption data retrospectively when reads are not available (and winter consumption cannot be calculated). In addition, Performance Assurance reports will be introduced to monitor performance, and these additional reports will be sent to the industry, created through a linked Data Services Contract (DSC) change proposal.

These reports would support the process and 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.

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 in Section 6 Workgroup Impact Assessment response to Panel question 2 regarding Self-Governance.

Requested Next Steps

This modification should:

- Follow Authority Direction Procedures
- Be issued to consultation.

3 Why Change?

Since Nexus go-live unidentified gas (UIG) 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 not had wide visibility in the past. 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

5 Solution

Obligation and definitions

The solution will add a new definition to the UNC, defining winter consumption data as the data needed by CDSP to calculate the winter consumption (which is the quantity of gas offtaken for the supply point between December and March in a gas year).

A new obligation will also be added to the UNC. Currently, the results of winter consumption calculation are sent to Users with eligible supply points (AQs greater than 293,000 kWh) once a year, identifying which supply meter points have had a successful winter consumption calculation, and which have not. UNC will refer to this data which is sent to Users, and add an obligation that where applicable (i.e. where a calculation has not taken

place), Users shall take all reasonable steps to send a winter consumption energy value to the CDSP through the appropriate file flow. The winter consumption update is to be sent no earlier than M-14 Supply Point Systems Business Days counting back from 1st September and no later than the date which is M-15 Supply Point Systems Business Days counting back from 1st October. (Note: This means the window for submission is from mid-August to mid-September in each gas year).

Reports and timeline

Reports for the PAC will also be introduced through this Modification, and additional User reports to support the process will be introduced through a linked DSC change proposal. Further details of these reports can be found in the embedded document below. The timeline of milestones, obligations and reports is outlined in a table below, with new obligations or reports highlighted in bold.

Gas Year Month	Milestone	User Report	PAC Report	Obligation
November	Winter Read 1 window opens			Yes - Monthly Read Submission Requirement
December	Winter Read 1 window closes	**Yes 1) - highlighting reads not obtained in November, allowing read to be submitted in December**		Yes - Monthly Read Submission Requirement
January				
February			**Yes 1)- highlighting where reads not submitted in November or December**	
March	Winter Read 2 window opens			Yes - Monthly Read Submission Requirement
April	Winter Read 2 window closes	**Yes 2) - highlighting reads not obtained in November, allowing read to be submitted in December**		Yes - Monthly Read Submission Requirement
May	Winter consumption calculations take place	3) T50/T51 sent to users showing successful and unsuccessful winter calculations	**Yes 2) - highlighting where reads not submitted in March or April**	
June			**Yes 3) - highlighting where winter consumption not calculated**	
July				
August				
September	Winter consumption updates can be made prior to Oct 1st			**Yes - to action data updates when winter consumption not calculated**
October	WAR Bands go-live	**4) Yes – highlighting where updates should have occurred but haven't**	**Yes – 4) highlighting where updates should have occurred by users but did not**	

See Appendix 1 – Winter Consumption Process Timeline published alongside this Workgroup Report.

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

No direct consumer impacts identified.

Consumer Impact Assessment

Criteria	Extent of Impact
Which Consumer groups are affected?	None identified
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. This Modification is envisaged to reduce day to day UIG volatility which in turn should reduce the amount smeared across industry parties which would otherwise be passed on to end consumers through increased costs to trade gas.

Cross Code Impacts

Impact on IGT UNC

An equivalent IGT UNC Modification was raised on 25 September 2018 but was subsequently withdrawn following discussions at IGT UNC Workstream on 04 December 2018, since the IGT UNC points to the entirety of Section M of the UNC, changes proposed by this Modification would not impact the IGT UNC.

EU Code Impacts

None identified.

Central Systems Impacts

No major impacts identified, however there is a requirement for additional reporting and a DSC Change Proposal XRN 4790 has been raised to complete this process.

The Change Proposal can be found here:

http://www.gasgovernance.co.uk/Change-Proposals/4751-4800

Workgroup Impact Assessment

Workgroup clarified that this Modification is aiming to codify an existing CDSP process to support the accuracy of winter profiling. This is not anticipated to create new processes for the relevant parties.

Early Workgroup development took on board views to ensure that new obligations are relevant to the process and not duplicating existing requirements.

Although the relevant reports were not specified to be added into the UNC as part of the Modification Solution, they have been created through the linked DSC Change proposal (XRN 4790) with the aim of supporting users in the overall process.

Note that on 07 December 2018 the Change Proposal is in progress, has been approved by DSC Change Management Committee and is expected to deliver the first initial report in mid-December 2018, subject to approval at December DSC Change Management to issue this report out.

The Panel raised two questions for the Workgroup to consider.

Question 1. Review the model and consider the true value of the impact of the proposal.

Workgroup noted that UIG in total is material.

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. The 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 by Xoserve as a result of an action placed in it by Workgroup (Action 0802) that on Peak Winter days the UIG level associated with these sites would be 0.7% of throughput.

Question 2. Consider whether the Modification should be 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 (the estimated contributing factor for UIG is set out in Q1 response above). This will also mean the amount needing to be bought by a Shipper on the wholesale market will change due to improved and more accurate allocations and cost targeting, therefore it is likely to have a positive material impact UIG which would support competition. The Workgroup therefore considered that the Modification impact should be considered material and not suitable Self Governance procedures.

Coverage of DM sites

The obligation to provide winter consumption applies to all supply Points with AQ >293,000 kWh. For purposes of reporting the CDSP will use the criteria as EUC 03-09. This will include EUC09 which is Daily Metered although this is unlikely to trigger the follow-up obligation under this Modification, however in the event that it does this is because a DM site is not submitting enough reads and will therefore likely fall out Product Class 1 or 2 into Product Class 4 (where the WAR band will be helpful).

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 DSC 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 (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

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 (see Workgroup Impact Assessment Section 6 above).

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 consider this Modification should be implemented in time for Winter 2019/20.

9 Legal Text

Legal Text has been provided by Northern Gas Networks and is published alongside this report. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

Text Commentary

The provided Legal Text, as per the Solution detailed in Modification 0652, defines Winter Consumption Data and introduces a new obligation on Shipper Users to submit retrospective winter consumption data when no consumption data is available. The provision of this data allows the CDSP to more accurately calculate End User Category Winter Annual Ratio (EUC WAR) Bands.

Text

TRANSPORTATION PRINCIPAL DOCUMENT

SECTION M: SUPPLY POINT METERING

Add new paragraphs 5.9.16 and 5.9.17 to read as follows:

5.9.16 In respect of a Supply Point with an Annual Quantity greater than 293,000 kWh "**Winter Consumption Data**" means data which is required by the CDSP to enable it to determine the quantity of gas which is offtaken from the Total System at the Supply Meter Point in the period December to March in a Gas Year.

5.9.17 Where the Registered User of a Supply Point with an Annual Quantity greater than 293,000 kWh is notified by the CDSP in May in a Gas Year that Winter Consumption Data is not available in respect of the Supply Meter, the Registered User~~,~~ shall take all reasonable steps to, no earlier than 14 Supply Point Systems Business Days prior to 01 September in a year and no later than15 Supply Point Systems Business Days prior to 01 October in that year, send to the CDSP Winter Consumption Data for the Supply Meter. The CDSP shall use such data for the purposes of determining the End User Category for the NDM Supply Point in which the Supply Meter is comprised in accordance with Section H.

10 Consultation

Panel invited representations from interested parties on 21 February 2019. The summaries in the following table are provided for reference on a reasonable endeavours basis only. We recommend that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 8 representations received 7 supported implementation and 1 offered qualified support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
E.ON	Qualified Support	d) - positive	• Support the proposed Modification as they feel that the benefits of ensuring winter reads are entered into settlement within the November/December & February/March windows will achieve the goal of ensuring more accurate WAR banding allocation.

			• Support is qualified due to the implementation date proposed which they oppose, should this date be revised they would look to support the change.
			  ○ Do not support the implementation date and propose an alternative implementation date which sees the change take effect from 2020/21 charging year.
			  ○ This is on the basis that the Smart/AMR metering will need to be installed by the end of 2020 under a supplier licence mandate, which will go a long way to ensuring timely meter reads are retrieved within these periods in EUC03.
			  ○ As there is currently no mandate to remotely read meters in EUC03 combined with the DCC infrastructure issues hindering the roll plans in the north of the UK a 2019/20 implementation date will create an enhanced reliance on either pedestrian meter reads within these months or customer provided reads.
			• Believes that implementing the change for the 2019/20 charging year could require meter reading frequency changes to ensure pedestrian reads are taken within the months including an allowance to allow time to revisit failed cyclic reads within the windows outlined, as well as a small system change.
			• Feels this would inevitably increase cost & effort to meet the required read submissions windows outlined, so a cost of approx. £50K (further quantification of this would be still be required) to cover the 2019/20 charging year. Furthermore, much of the cost is avoidable if implementation was delayed until charging year 2020/21 therefore, would better enable the read requirement as it's closer to the license condition mandate.

First Utility	Support	d) - positive	• Believes that the number of supply points currently within EUC bands 3 to 8 in a default WAR band is unacceptable and has been the case since the upgrade of UK Link central systems, and that this Modification will help alleviate the issue of Shippers not submitting "winter" consumption reads and consequently reducing daily Unidentified Gas volumes. • Supports immediate implementation following a direction from Authority.
Northern Gas Networks	Support	d) - positive	• Believes that the Modification should improve the accuracy of demand estimation by placing an obligation on Shippers to take all reasonable steps to ensure that accurate Winter Consumption Data is provided within key consumption calculation months, with the intention of preventing default Winter Annual Ratio (WAR) Bands from being assigned. As

			per the UIG Task force findings, this Modification should also aid in a slight reduction in UIG. • Agrees that the Modification could be implemented as soon as Authority approval is received, with the aim that this should allow the CDSP to create the reports in time for the Winter 2019/20 cycle.
npower	Support	d) - positive	• Supports the Modification as it looks to improve data submission levels for more accurate usage of WAR band profiles, by adding additional weight to pre-existing processes. In conjunction with the introduction of reports through a linked DSC change proposal, this will make these pre-existing processes more visible and robust. In turn, this will have the effect of improving data accuracy in an area that contributes to levels and volatility of D+5 UIG. • Supports immediate implementation of the Modification, which would mean the obligation to supply winter data (where reads were not submitted but data is available) would be applicable from September 2019. The report to be circulated in May (noted in the obligation) already exists, as does the process and mechanism to supply winter data, so there is no need for any additional development here.
Opus Energy Limited	Support	d) - positive	• Supports the proposed Modification because the current assigned default Winter Annual Ratio is adversely impacting levels of Unidentified gas (UIG). • Believes that the Modification should reduce the levels of UIG. • Requests a 6 months implementation lead time on the grounds that this is a commonly recognised minimum timescale amongst some Industry Codes. • In noting that some additional costs would be incurred (full internal analysis not yet completed), believes that the benefits in reduced levels of UIG would justify this.
ScottishPower	Support	d) - positive	• In noting that the error in the profiling of consumption is a contributor to Unidentified Gas, believes that this Modification will reduce UIG by providing better winter profiling for EUC03-09 sites. • Supports implementation as soon as practicably possible on the grounds that the sooner the Modification is implemented, the more time Shippers have to ensure they can comply and improve winter profiling. • Observes that for those sites that are targeted by this Modification, there should be no additional costs, other than those required to comply with the existing UNC obligations (where those meters are >293 MWh) or the existing CDSP

			process for all other meters.
SSE	Support	d) - positive	• Support the proposed Modification as they agree that it will help avoid the assignment of default WAR bands, and may also reduce UIG. • Requests a minimum of 6 months lead time for implementation. • In noting that there may be impacts and costs associated with possible internal system or process changes, believes that it is difficult to quantify these at this time.
Wales & West Utilities	Support	d) - positive	• Supports the Modification because it implements further measures to encourage Shippers to provide meter reads to enable calculation of Winter Consumption and hence the winter annual ratios (WARs). Accurate WARs should enable a more accurate allocation of gas to Non-Daily Metered Supply Meter Points and hence a reduction in Unidentified Gas (UIG) which is calculated on D+5. • Supports implementation as soon as possible, noting that the timings are tight to enable the report to be provided in May 2019. • Does not believe it would face any direct costs associated with the implementation of the Modification. • Points out that there are already provisions in the UNC requiring meter reads to be provided and it is not clear that provision of a report will greatly improve the situation. If the failure to provide reads is caused by lack of awareness of the impact then the report should help, if the failure to provide reads is caused by a deliberate decision it will not have an effect.

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

Discussion

Panel Members noted that Modification 0652 would 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.

Panel Members noted the eight representations received and that seven supported implementation and 1 offered qualified support. Panel Members noted that all representations agreed with the Workgroup that Relevant Objective d) is furthered by this Modification Proposal.

Panel Members noted that no additional meter reading obligations are imposed by this Modification.

Consideration of Relevant Objectives

Panel Members unanimously agreed with the representations that Relevant Objective d) is furthered by this Modification Proposal as outlined in the Workgroup Report.

Determination

Panel Members unanimously agreed that no new issues were raised within the consultation.

12 Recommendations

Panel Recommendation

Panel Members unanimously recommended:

- that Modification 0652 should be implemented.