













UNC Draft Modification Report	At what stage is this document in the process?
<h1>UNC 0690S:</h1> <h2>Reduce qualifying period for Class 1</h2>	<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p><b>Purpose of Modification:</b></p> <p>This Modification proposes that the qualifying period for the requirement for a meter point to become Class 1 is reduced, to limit the time period when very large sites are subject to NDM Demand Estimation, as opposed to being Daily Metered.</p> <p>The Modification also proposes a new Performance Assurance report of sites which have met the qualifying criteria for Class 1 but are in Class 2, Class 3 or Class 4.</p>	
	<p>This Draft Modification Report is issued for consultation responses at the request of the Panel. All parties are invited to consider whether they wish to submit views regarding this self-governance modification.</p> <p>The close-out date for responses is <b>24 January 2020</b>, which should be sent to <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>. A response template, which you may wish to use, is at <a href="http://www.gasgovernance.co.uk/0690">www.gasgovernance.co.uk/0690</a>.</p> <p>The Panel will consider the responses and agree whether or not this self-governance modification should be made.</p>
	<p>High Impact:</p> <p>None</p>
	<p>Medium Impact:</p> <p>Shippers, CDSP, DM Service Providers</p>
	<p>Low Impact:</p> <p>Gas Transporters, affected End Consumers</p>

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Timetable		 0121 288 2107
<b>Modification timetable:</b>		Proposer: <b>Rhys Kealley</b>
Initial consideration by Workgroup	29 April 2019	 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
Workgroup Report presented to Panel	19 December 2019	 <a href="mailto:rhys.kealley@britishgas.co.uk">rhys.kealley@britishgas.co.uk</a>
Draft Modification Report issued for consultation	19 December 2019	 0755 7610443
Consultation Close-out for representations	24 January 2020	Transporter: <b>Cadent</b>
Final Modification Report available for Panel	30 January 2020	 <a href="mailto:Gurvinder.Dosanjh@cadentgas.com">Gurvinder.Dosanjh@cadentgas.com</a>
Modification Panel decision	20 February 2020	 0773 151 572
		Systems Provider: <b>Xoserve</b>
		 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>

# 1 Summary

## What

This Modification proposes that the qualifying period for the requirement for a meter point to become Class 1 is reduced, to limit the time period when very large sites are subject to NDM Demand Estimation, as opposed to being Daily Metered.

## Why

The Unidentified Gas Task Force (as established by UNC Modification 0658) has determined that very large sites which are above the Class 1 threshold but remain as either Class 3 or Class 4 can contribute to daily UIG volatility. This is because their daily gas allocation will be determined using the Non-Daily Metered (NDM) Demand Estimation Algorithm rather than using their actual metered consumption.

Although any differences between allocated and actual consumption will be corrected by meter point reconciliation, these sites may have an irregular usage pattern and NDM Algorithm may not be a good estimate of the actual consumption, with any difference being a component of UIG each day.

Based on the findings of the UIG Task Force, as at December 2018 just 12 sites were contributing 0.85% of national LDZ throughput to annualised UIG and up to 0.3% of national LDZ throughput to daily UIG volatility. Several of these large sites had multiple consecutive Rolling AQ calculations above the Class 1 threshold of 58,600,000 kWh but had not yet met the G1.6.15 conditions:

*Where it is a condition of a change in classification (under any provision of the Code) of a Supply Point or Supply Meter Point that the Annual Quantity of such System Exit Point is or has become greater than, not less than, less than or not greater than a specified quantity (the “threshold requirement”), the condition shall be treated as satisfied, with effect from the first Day of the month following an AQ Calculation Month (‘M’), if and only if:*

- (a) each AQ Calculation Month in the preceding period of 6 months is a qualifying AQ Calculation Month; and*
- (b) there are at least 3 consecutive qualifying AQ Calculation Months (including month M), or if there are fewer than 3 AQ Calculation Months in the preceding period of 18 months, each AQ Calculation Month in that 18 month period is a qualifying AQ Calculation Month.*

## How

This Modification proposes that the qualifying period for the requirement for a meter point to become Class 1 is reduced, to limit the time period when very large sites are subject to NDM Demand Estimation as opposed to being Daily Metered. The qualifying number of calculations will remain unchanged (at 3) to minimise the risk of sites “bouncing” in and out of Class 1 due to Rolling AQ volatility.

This Modification also seeks to introduce an additional report to Performance Assurance Committee (and a corresponding anonymised report) in the Performance Assurance Report Register of meter points which have met the qualifying period requirement but are not in Class 1, with details of the current rolling AQ and the number of AQ calculations above the threshold.

## 2 Governance

### Justification for Self-Governance

This Modification is recommended for self-governance procedures, on the basis that it is a minor change to industry governance and seeks to improve take-up of Class 1, and thereby reduce UIG volatility.

This Modification does not seek to prescribe any change to end consumer billing arrangements, which are at the discretion of the Supplier. Meter points with an AQ above 732,000 kWh should already have a daily reading capability.

### Requested Next Steps

This self-governance modification should proceed to consultation.

## 3 Why Change?

The current arrangements allow for an unacceptable delay between the AQ increasing above the Class 1 threshold, and the site being moved to a Class 1 service. During this delay, the meter point will be subject to NDM Allocation, based on a standard national profile, rather than being allocated energy based on its actual daily usage.

Based on the findings of the UIG Task Force, as at December 2018 just 12 sites were contributing 0.85% of national LDZ throughput to annualised UIG and up to 0.3% of national LDZ throughput to daily UIG volatility.

## 4 Code Specific Matters

### Reference Documents

UIG Task Force findings:

<https://www.xoserve.com/media/1492/321-inaccurate-or-out-of-date-aqs-non-daily-metered-euc09-sites.pdf>

### Knowledge/Skills

A knowledge of the daily reading process would be useful.

## 5 Solution

This Modification proposes that the qualifying period for the requirement for a meter point to become Class 1 is reduced, to limit the time period when very large sites are subject to NDM Demand Estimation, as opposed to being Daily Metered.

The proposal is to change the conditional triggers to the following:

- where there have been at least 3 consecutive qualifying AQ calculations above the Class 1 threshold (not necessarily in consecutive months) then the conditions for Class 1 are met, or failing that;
- if the AQ has remained above the threshold for **12 months**, regardless of the number of consecutive qualifying AQ calculations, then the conditions for Class 1 are met.

This Modification also seeks to introduce an additional report to Performance Assurance Committee (and a corresponding anonymised report) in the Performance Assurance Report Register of meter points which have met the qualifying period requirement but are not in Class 1, with details of the current rolling AQ and the number of AQ calculations above the threshold. For reference the reporting data items specified by the pre-existing Change Request XRN4867 is as below:

- *MPRN*
- *Shipper Short Code*
- *Network Operator*
- *End User Category*
- *Confirmation status*
- *Meter status*
- *Meter point status*
- *Site Type*
- *Rolling AQ effective date*
- *Rolling AQ*
- *Meter Link Code*
- *LDZ*
- *Meter read frequency*
- *Previous Rolling AQ*
- *Formula Year AQ*
- *Rolling SOQ volume*

For the avoidance of doubt, this Modification only proposes to change the qualifying period rules as far as they relate to the Class 1 requirement.

Although the UIG Task Force findings referred only to Class 3 and 4 sites which had breached the threshold for Class 1, this Modification is intended to also apply to Class 2 sites and requires that they are converted to Class 1 on satisfying the revised qualification criteria.

## 6 Impacts & Other Considerations

### Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

None

### Consumer Impacts

This Modification does not seek to prescribe any change to end consumer billing arrangements, which are at the discretion of the Supplier. Meter points with an AQ above 732,000 kWh should already have a daily reading capability.

### Cross Code Impacts

The Proposer clarified for Workgroup that the Modification should apply to IGT sites and that he did not expect a separate IGT Modification to be required since the section of Code likely to be amended is referenced in the IGT-UNC at a sufficiently high level. It is not anticipated a SPAA change would be required.

## EU Code Impacts

None

## Central Systems Impacts

CDSP systems will need to be changed to identify sites which have met or are approaching the qualifying threshold and to produce the additional reports.

A CDSP internal Change Request (XRN4867) has already been raised to automate the monthly reporting of EUC09, categorised as Red/Amber/Green against the UNC obligations.

## Rough Order of Magnitude (ROM) Assessment

A ROM was received on 10 June 2019 and can be found here: <https://www.gasgovernance.co.uk/0690>

The details of the ROM are as follows:

- Change Costs (implementation): No implementation costs identified
- Change Costs (on-going): No on-going costs identified
- Timescales: Performance Assurance Committee report to be implemented as a Minor Enhancement

## Workgroup Impact Assessment

Workgroup Participants did not believe there were any Greenhouse gas emission impacts because the amount of gas consumed is not thought to be directly affected by this Modification.

Workgroup Participants very briefly noted that the Retail Code Consolidation Significant Change Review has not yet been launched and dependent on the UNC Legal Text for this Modification, there may be some linkages which could be identified at a later date.

In reviewing the Legal Text, Workgroup Participants noted that the way month M is designated in G1.6 means that a read from 11 months before the implementation date could lead to the conclusion that a move to Class 1 is required upon Implementation or shortly after. Workgroup noted that Modification 0691S also acts upon this information.

Workgroup Participants considered that the Business Rules as drafted do not result in any retrospective requirements.

Workgroup Participants wished to highlight that there is no delayed implementation envisaged so the new rules will apply from date of implementation and that a site could therefore need to be re-nominated into Class 1 upon implementation or soon after.

However, Workgroup Participants suggested a question for Panel to ask consultation respondents to consider whether there are any unintended consequences of the timings of the implementation as drafted.

Workgroup Participants suggested a longer consultation period as this Modification will likely be at consultation over the Christmas period.

## Consumer Impacts

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	The Proposer and Workgroup agreed that the only group affected would be Very Large Consumers.
What costs or benefits will pass through to them?	Proposer and Workgroup agreed there is the potential for improvement to UIG positions because these sites will be obligated to be on daily metered consumption rather than subject to the NDM algorithm. Therefore, the daily allocation will be more accurate. Settlement overall should thus be more accurate.
When will these costs/benefits impact upon consumers?	This Modification will obligate sites to be moved into Class 1 earlier than if this Modification did not exist. For the consumer to benefit, any change must be first passed down by Shippers to Suppliers and from Suppliers to consumers. There may also be costs passed down in the same manner.
Are there any other Consumer Impacts?	Workgroup did not identify any other impacts.

## 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.	<b>Positive</b>
b) Coordinated, efficient and economic operation of <ul style="list-style-type: none"> <li>(i) the combined pipe-line system, and/ or</li> <li>(ii) the pipe-line system of one or more other relevant gas transporters.</li> </ul>	<b>Positive</b>
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: <ul style="list-style-type: none"> <li>(i) between relevant shippers;</li> <li>(ii) between relevant suppliers; and/or</li> <li>(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.</li> </ul>	<b>Positive</b>

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 main impacted objective is d). The Use of Class 1 instead of Classes 2, 3 and 4 for the largest sites in the market would lead to greater accuracy of daily allocation, less UIG volatility and lower levels of subsequent meter point reconciliation.

The Modification also has positive benefits for Relevant Objectives a) and b) as ensuring daily visibility of consumption from the largest loads on the system would improve the operation and coordination of the pipeline systems and allow more informed capacity planning.

Workgroup Participants agreed with the case set out by the Proposer for Relevant Objective d). Workgroup discussed whether the changes will have an effect on network planning in order to positively impact Relevant Objective a). On balance there is likely to be a small positive impact here.

## 8 Implementation

After a Modification Panel decision to implement, subject to no Appeal being raised, the CDSP would need to confirm the delivery for the provision of the required reports. However, the change to the qualifying period could be implemented with immediate effect if desired.

## 9 Legal Text

Legal Text has been provided by Cadent and is included below. The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution.

### Text Commentary

Reference	Explanation
<b>Transportation Principal Document</b>	
<b>Section G – Supply Points</b>	
1.16.5(a)	<p>Introduction of new definition of 'relevant month' as satisfying the threshold requirement test for the purposes of:</p> <ul style="list-style-type: none"> <li>paragraphs 1.6.5(a) and in relation to a change to Class 1 only in paragraph 1.16.5(b)(i) depends on month M being an AQ Calculation Month (so the approach is only to look backwards from an AQ Calculation Month);</li> <li>in relation to a change to Class 1 only in</li> </ul>



	paragraph 1.16.5(b)(ii) depends on there being a 12 month period since a qualifying AQ Calculation Month during which there were no other AQ Calculation Months, or if there were, they were all qualifying AQ Calculation Months (so here the approach is look backwards after every month).
1.6.15(b)	Introduces the two new change to Class 1 only tests; where the last three AQ Calculation Months were all qualifying AQ Calculation Months or where there has been a period of 12 months following a qualifying AQ Calculation Month during which there have been no further AQ Calculation Months, or if there have been, they have all been qualifying AQ Calculation Months.

## Text

### TRANSPORTATION PRINCIPAL DOCUMENT

#### SECTION G – SUPPLY POINTS

*Amend paragraph 1.6.15 and 1.6.16 to read as follows:*

1.6.15 Where it is a condition of a change in classification (under any provision of the Code) of a Supply Point or Supply Meter Point that the Annual Quantity of such System Exit Point is or has become greater than, not less than, less than or not greater than a specified quantity (the “**threshold requirement**”), the condition shall be treated as satisfied with effect from the first Day of the month following a relevant month (‘M’), if and only if:

- (a) except where paragraph (b) applies:
  - (i) each AQ Calculation Month in the preceding period of 6 months is a qualifying AQ Calculation Month; and
  - (ii) there are at least 3 consecutive qualifying AQ Calculation Months (including month M), or if there are fewer than 3 AQ Calculation Months in the preceding period of 18 months, each AQ Calculation Month in that 18 month period is a qualifying AQ Calculation Month;
- (b) in the case of a requirement for a change in classification to Class 1 by reason of the Annual Quantity of the Supply Meter Point being not less than the threshold requirement, if:
  - (i) the last 3 AQ Calculation Months were qualifying AQ Calculation Months (including Month M); or
  - (ii) the last AQ Calculation Month prior to the commencement of the preceding period of 12 months was a qualifying AQ Calculation Month, and any AQ Calculation Month in that period is a qualifying AQ Calculation Month.

1.6.16 For the purposes of paragraph 1.6:

- (a) an AQ Calculation Month is a qualifying AQ Calculation Month if the Annual Quantity calculated in such month satisfies the relevant threshold requirement;
- (b) a preceding period is a period ending with and including month (M);
- (c) a relevant month is:
  - (i) in relation to paragraph 1.6.15(a) and (b)(i), an AQ Calculation Month;
  - (ii) in relation to paragraph 1.6.15(b)(ii), the last month in the preceding period.

## 10 Recommendations

### Panel's Recommendation to Interested Parties

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