





UNC Modification		At what stage is this document in the process?
<h1>UNC 0699:</h1> <h2>Incentivise <u>Read Submission</u> Performance using additional Charges</h2>		<div>01 Modification</div> <div>02 Workgroup Report</div> <div>03 Draft Modification Report</div> <div>04 Final Modification Report</div>
<p>Purpose of Modification:</p> <p>To create a Shipper incentive mechanism, which encourages the <u>submission of valid meter readings into settlement through achievement of UNC targets and obligations</u>. A charge will be levied in each retrospective month, to Shippers where performance has not met a set of pre-determined UNC targets.</p>		
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none">considered a material change and not subject to self-governanceassessed by a Workgroup <p>This modification will be presented by the Proposer to the Panel on 18 July 2019. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>CDSP and Shippers</p>	
	<p>Low Impact:</p> <p>Gas Transporters</p>	

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? Any questions?

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Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	23 July 2019
Workgroup Report presented to Panel	16 January 2020
Draft Modification Report issued for consultation	16 January 2020
Consultation Close-out for representations	06 February 2020
Final Modification Report available for Panel	11 February 2020
Modification Panel decision	20 February 2020

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1 Summary

What

This modification proposes a new Shipper incentive mechanism to levy a charge each retrospective calendar month, for a pre-determined set of UNC targets, where Shipper performance has not met the UNC target.

These charges will be re-distributed to Shippers within each profile class where they have exceeded these targets.

The list of performance targets and associated charges would be set out in a UNC Related Document with amendments being proposed by the Performance Assurance Committee (PAC) and approved by a majority vote of the Uniform Network Code Committee (UNCC).

Why

The UIG Task Force (as established by UNC Modification 0658 (Urgent) - CDSP to identify and develop improvements to LDZ settlement processes) has identified a number of areas where Shipper performance against existing UNC obligations can significantly affect the level and/or volatility of UIG including with Valid Meter Read Submission Levels being one of the main factors.

One of the UIG Task Force findings demonstrated that the longer the gap between the accepted meter readings, the greater the volatility of the re-calculated rolling Annual Quantity (AQ). As at May 2019 there are over 2million Supply Meter Points which are overdue a meter reading against their UNC obligations, and over 600,000 Supply Meter Points which have not had a valid meter reading since Project Nexus Implementation.

How

This Modification proposes a new Shipper incentive mechanism to levy a charge each retrospective calendar month where Shipper performance has not met the UNC target for the Submission of Valid Meter Reads.

Incentive would be applied to the Read Performance Targets in line with TPD Section M obligations for Product Class 1, Product Class 2 and Product Class 3 these will be monthly, Product Class 4 will be monthly and annually.

A charge per MPRN will be applied to the volume of meters that have not been read below the target

The charge per MPRN will be defined by Product Class and will be the average cost to read the meter in that class, this will be reviewed and amended on an [annual] basis.

Only Shippers who exceed the read performance target will receive the re-share.

The re-share will be paid to shippers who have exceeded the performance target and will be based on the volume of MPRNs over the target where a reading has been supplied. This will be calculated across Product Class.

The list of performance targets and the charges would be set out in a UNC Related Document, with amendments being proposed by PAC and approved by a majority UNCC vote.

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Incorrect Conversion Factor
Incorrect Meter Read Frequency

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Following the aforementioned performance assessment, the charges would be re-distributed to all Shippers within each LDZ using the existing UIG reconciliation process. ...

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2 Governance

Justification for Self-Governance, Authority Direction or Urgency

This modification seeks to introduce an additional charge and places an incentive for Shippers to meet key UNC performance targets. Therefore, it is not recommended for self-governance as this modification will have additional cost implications for some Shippers and has the potential to have a material impact on competition. Authority Direction is therefore suggested.

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Requested Next Steps

- This modification should:
- be considered a material change and not subject to self-governance
 - be assessed by a Workgroup

3 Why Change?

There are currently no measures within the UNC to encourage Shippers to meet their UNC performance targets. Many of those performance areas can have a significant impact on the data items which drive UIG.

Performance in areas such as valid meter reading submission, as well as some areas of data accuracy, are currently well below target levels set out in UNC.

The incentive mechanism would need to be set out in UNC to ensure that the charges are valid and can be collected by or on behalf of the Network Operators.

Without the introduction of a formal incentive mechanism, the industry will not have any concrete levers and will have to rely on persuasion and influencing by parties such as PAFA Performance Assurance Framework Administrator (PAFA) and the Central Data Services Provider (CDSP).

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4 Code Specific Matters

Reference Documents

UNC obligations, especially Section M. Xoserve UIG Task Force findings and recommendations: <https://www.xoserve.com/services/issue-management/unidentified-gas-uig/#task-force-findings-etc>

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Knowledge/Skills

Knowledge of existing UNC obligations, appreciation of UIG drivers.

5 Solution

- This modification proposes three elements:
- A UNC Related Document which shall include a table of performance areas and the applicable,
 - Rules for calculating the charges.
 - Rules for sharing out the charges to Shippers who exceed performance targets,

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Cross Code Impacts

A corresponding IGT UNC Modification would be required to allow these incentive charges to be raised against IGT Shippers; otherwise these charges would only apply to Directly Connected DNO Shippers.

EU Code Impacts

None

Central Systems Impacts

Changes to Central Systems will be required in order to add new and additional charge types.

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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

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The aim of this change is to keep systems impact to a minimum. Daily UIG allocation rules will be unchanged.¶
Billing of UIG incentives will be monthly in arrears and would require a new calculation mechanism.¶
The use of the existing UIG Amendment invoice process for the re-sharing of the collected funds is designed to reduce the UK Link systems impact.¶

These incentives are intended to increase performance levels for key Shipper obligations, which should in turn result in more accurate AQs and therefore more accurate gas allocation and reconciliation and will promote competition by reducing the barrier to entry that is currently being created by the high, unexplained levels of Unidentified Gas (UIG) (objective (d)).

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8 Implementation

No implementation timescales are proposed. However, this Modification could be implemented prior to a system solution being ready, if industry parties supported being billed/credited incentive charges in arrears, once the system solution was available.

9 Legal Text

Text Commentary

To be provided by Transporters

Text

To be provided by Transporters

10 Recommendations

Proposer’s Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply
- Refer this proposal to a Workgroup for assessment.

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The worked example below uses an example of actual shipper performance where Meter Read Performance did not meet UNC obligations.¶

Worked

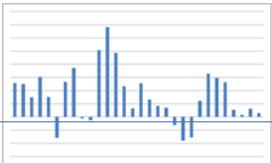
- Shipper A has 11,000,000,0 of AQ in Class 3
- Meter read performance ta 90%
- Actual read performance 6
- UIG charge = 11 tWh/12 x 0.643) x 3.5% x 2 x 1.62p* £265,151
- Equal and opposite shared UIG sharing on Amendmen

* Average SAP price for February 2019
¶ Appendix 2¶
The timeline below shows how the charging mechanism relates to UIG, specifically that the incentive does not look to impact or amend the way in which UIG is allocated.¶

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Within Month:

- Daily UIG calculation is unchanged
- Shared out using the UIG Weighting Factors



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