





UNC Modification		At what stage is this document in the process?
<h1>UNC 0644:</h1> <h2>Improvements to nomination and reconciliation through the introduction of new EUC bands and improvements for the ALP and DAF</h2>		<div>01Modification</div> <div>02Workgroup Report</div> <div>03Draft Modification Report</div> <div>04Final Modification Report</div>
<p>Purpose of Modification:</p> <p>This modification seeks to split the End User Categories (EUC) EUC01B and EUC02B into three and grouping by prepayment, market sector code of industrial and commercial and finally all remaining meter point reference numbers. It also seeks to amend the Daily Adjustment Factors (DAF) where they reach defined tolerances. These amendments would provide a more accurate profile to that which is in place today and would work towards improved nominations which in turn would reduce reconciliation and Unidentified Gas (UIG).</p>		
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none">assessed by a Workgroup <p>This modification <u>was</u> be presented by the Proposer to the Panel on 21 December 2017.</p>	
	<p>High Impact:</p> <p>Shippers</p>	
	<p>Medium Impact:</p> <p>Transporters CDSP</p>	
	<p>Low Impact:</p> <p>NA</p>	

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Timetable

The Proposer recommends the following timetable:

Initial consideration by Workgroup	05 January 2018
Amended Modification considered by Workgroup	22 May 2018
Workgroup Report presented to Panel	19 July 2018
Draft Modification Report issued for consultation	19 July 2018
Consultation Close-out for representations	09 August 2018
Final Modification Report available for Panel	13 August 2018
Modification Panel decision	16 August 2018



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1 Summary

What

Recently there has been excessive volatility in nominations, reconciliation and unidentified gas (UIG) since the implementation of Project Nexus, which has affected Shippers. The volatility could be reduced through amendments to the EUC01B/EUC02B as this EUC band relates to majority of consumer MPRNs.

The Daily Adjustment Factor (DAF) and the Annual Load Profile (ALP) will be optimised based on historic UIG values to improve responsiveness of the allocation. DAF adjustments will minimise volatility and ALP adjustments will improve allocation level.

This change would create profiles which consider different behaviours that can be vastly different based on the time of year and the sector applied to.

The proposed changes are parameter changes within the current calculations rather than the calculations themselves, these remain as currently defined.

Why

The benefit of making this change would be the improvements to nominations and subsequently reconciliation because the profiled volume would be closer to the actual consumer consumption so as such UIG would be less volatile. This would also be a cost-effective approach as it would impact both nominations ahead of and on the day, making energy purchasing less volatile for all Shippers, and reconciliation after close out.

This approach would allocate the energy to the right place resulting in reduced UIG and less reconciliation at a later date.

The proposed amendments would improve the shaping of the profiles. There could be different shapes per profile, each being more reflective of the actual usage.

How

This has been determined based on analysis of actual data supplied to DESC and Parties have been involved throughout. Energy allocation can be improved in the following areas:

1. Introduction of three End User Categories for what was EUC01B/EUC02B:
 - i. EUC01P/EUC02P – For prepayment heating load
 - ii. EUC01I/EUC02I – For Market Sector Code of Industrial & Commercial (I&C) heating load
 - iii. EUC01B/EUC02B – All remaining MPRs
2. To create wider parameters for the DAF and to create adjusted ALP and DAF parameters to incorporate the weather movement more effectively. Given the limitations of the system and the cost involved in code changes we are targeting the final ALP/DAF parameters which can be loaded without system change.

2 Governance

Justification Authority Direction

The UIG impacts which have triggered Request 0631R and this Modification proposal are due to the material commercial impacts which relate to the shipping of gas which Shippers have seen since project Nexus was implemented. The changes proposed can be approved via the Demand Estimation Sub-Committee (DESC) but due to the nature and the materiality of UIG it is recommended these changes are progressed as a Modification for transparency and to ensure all parties are aware of the changes.

Additionally, Modifications 0642, 0642A, 0643 are still awaiting the final decision and with 0644 seeking to introduce a root cause fix and For this reason, it is recommended that this modification should progress requiring Authority direction rather than be considered as Self-Governance.

Requested Next Steps

This modification should:

- be assessed by a Workgroup

Due to the significant industry concerns surrounding UIG, the proposer requests that this modification is considered at short notice to allow the assessment process to start as soon as possible and provide an opportunity to address these concerns.

It should be noted DESC are currently defining the analysis for the standard profile updates. The current DESC timeline for review concludes in April, however, this may require a review as it is recommended this modification development is completed in conjunction with the current analysis work.

3 Why Change?

There has been excessive volatility in nominations, reconciliation and UIG since the implementation of Project Nexus, this has affected Gas Shippers.

The NDM Demand Estimation Methodology is a UNC related document and contains the relevant formulas which are proposed for change in this Modification.

If the changes proposed are not made then Gas Shippers will continue to experience excessive levels of volatility.

Why Change EUC Bands?

Prior to Nexus splitting EUC01B/EUC02 into further segments was not possible due to the complexity of Reconciliation by Difference (RbD). Post Nexus the design allows such enhancements, and will have the benefits of increasing the accuracy of profiling.

Why make changes to the DAF and the ALP?

UIG is volatile and larger than anticipated. This is, in a large part, due to the allocation formula not incorporating enough weather effect. While the most accurate mechanism would be an adjustment to the CWV and the WCF; given the system constraints and the need to improve allocation we are targeting the variables that can be adjusted without system change. The more accurate CWV amendment will be subject to another Mod that has also been raised.

The benefit of this method is that it can improve UIG volatility and level. ALP and DAF can be adjusted for allocation, without impacting the AQ process and there will not be a risk of double counting the effect.

This process is also flexible enough for DESC to replicate annually if the requirement still exists past CWV improvements.

The DAF parameter influences the weather reaction – this can be optimised to help reduce volatility. The ALP parameter can be adjusted to influence allocation volumes. UIG evidence since Nexus go live shows that allocation is understated for all EUCs and therefore UIG can be minimised by improving the initial energy allocation. Initial analysis has shown a double % improvement in UIG levels can be expected.

These changes would help with on the day balancing and gas purchasing by improving the accuracy of nominations. This will promote certainty and would be an improvement on the current position. It would ensure energy is in the right place (both nominations and allocations) and would address UIG, it would help prepayment biased portfolios and niche I&C smaller customer volume shippers, as it would improve on the day purchasing through improved accuracy.

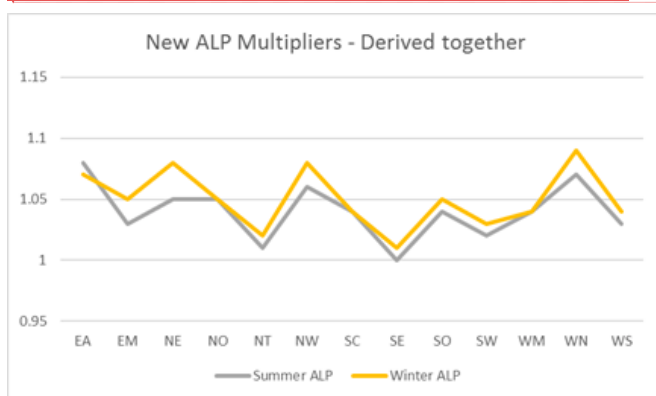
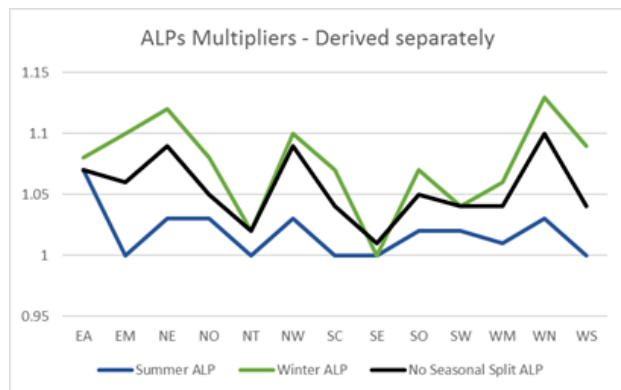
Outcomes from other review groups and medications may also be of interest e.g. Review Group 0178 and Modification 0451 because they have shown that profiles differ depending on the meter and the sector type.

[Analysis has been conducted](#)

[01/05/2018 - https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2018-04/Mod644_Analysis.pptx](https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2018-04/Mod644_Analysis.pptx)

[22/05/2018 - https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2018-05/Mod644%20Analysis%20Stage%202%20%28provided%20by%20EON%29.pdf](https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2018-05/Mod644%20Analysis%20Stage%202%20%28provided%20by%20EON%29.pdf)

The solution proposers 2018/2019 ALP and DAF values - The values are the most optimum combined Winter ALP, Summer ALP and DAF multipliers based on our previous analysis for improving the volatility of UIG over the entire time period. As ALPs and DAFs are not independent in their relationships to UIG, this approach provides an improved methodology for 2018/2019 and gives DESC the remit to review and refine in further years. The new values can be seen below as moving the ALP multipliers for the different seasons closer together.



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4 Code Specific Matters

Reference Documents

NDM Demand Estimation Methodology

TPD Section H

Knowledge/Skills

These would include UIG, statistical analysis and demand modelling, nomination process and the reconciliation process.

5 Solution

The solution is broken into the following parts:

1. Introduction of three End User Categories for what was EUC01B/EUC02B as outlined in XRN4665 – high-level this includes dividing EUCs as follows:
 - i. EUC01P/EUC02P – For prepayment heating load
 - ii. EUC01I/EUC02I – For Market Sector Code of Industrial & Commercial (I&C) heating load
 - iii. EUC01B/EUC02B – All remaining MPRs
3. To create adjusted ALP and DAF parameters to incorporate the weather movement more effectively. Given the limitations of the system and the cost involved in code changes we are targeting the final ALP/DAF parameters which can be loaded without system change.

Amendments to ALP would be for EUC01B only and DAF updates would be by EUC, WCF will be unaffected due to system constraints via this modification.

For the EUC01B/EUC02B; the business rule would be if they are not prepayment and are not a market sector code of I&C then they would be classified as EUC01B/EUC02B.

Creation of the EUC01I/EUC02I may result in data cleansing activity to ensure accuracy of this data item. Also, definitions relating to the new EUCs (prepayment and I&C) may be required either in code or the DESC.

The solution doesn't intend to make any changes to NDM Algorithms booklet; however, it is recognised the proposed amendments would create additional profiles.

The solution will need for DSC changes and XRN4665 has been submitted and it is suggested to be developed in parallel to this modification to strive to meet the implementation date referenced.

The ALP and DAF amendments would not be following the standard timings as outlined in the DESC documentation, therefore there is a requirement for transition text/sunset clause which obligates the use of the ALPs and DAFs specified for the 2018/2019 gas year only. Subsequent years will be developed via the standard DESC processes.

The ALP /DAF values for 2018/2019 are as follows:

LDZ	ALP			DAF
	E01 Winter	E01 Summer	E02+	All
EA	1.07	1.08	1	1.04
EM	1.05	1.03	1	1.06
NE	1.08	1.05	1	1.09
NO	1.05	1.05	1	1.09
NT	1.02	1.01	1	1.04
NW	1.08	1.06	1	1

SC	1.04	1.04	1	1.09
SE	1.01	1	1	1.07
SO	1.05	1.04	1	1.07
SW	1.03	1.02	1	1.08
WM	1.04	1.04	1	1.02
WN	1.09	1.07	1	1
WS	1.04	1.03	1	1.05

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

No direct impacts identified – although improved allocation will ensure a closer match between Transporters invoiced charges and customer actual demand, minimising reconciliation flows and improving volatility in the energy purchasing area.

Cross Code Impacts

None identified – it is not believed any SPAA or iGT UNC changes are required to complement this modification, however this assumption should be ratified by the Workgroup.

EU Code Impacts

None

Central Systems Impacts

Changes would be required to central systems to introduce the new EUCs so input from the CDSP would be required and XRN4665 has been sponsored by E.ON.

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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

This modification delivers positive impacts to Objective (d) as it improves accuracy in nominations and reduces reconciliation and UIG. It would therefore promote accurate cost targeting and improve effective competition furthering relevant objective d).

8 Implementation

No implementation timescales are proposed. However, it would be beneficial if the modification were approved sufficiently ahead of 30 September 2018 to allow effective system implementation by the start of the 2018 gas year on 01 October 2018.

The change could also need to align with the changes being delivered through the DSC Change Management process.

9 Legal Text

Text Commentary

To be provided by Transporters.

Text

To be provided by Transporters.

10 Recommendations

Proposer's Recommendation to [Workgroup](#)

[Workgroup](#) is asked to:

- [Assess this modification and agree it should be issued to consultation.](#)