UNC 0783R – Review of AQ Correction Processes

MI Pack

Overview

- **Introduction**
- **Background**
- **Scope of Review:**
  - Current AQ correction process (and analysis)
  - Existing eligible causes (reason codes) set out within UNC (and analysis)
    - Validation currently set out within TPD G2.3 for each eligible cause
    - Consideration of further eligible causes
  - Further considerations
    - Current backstop date which an AQ correction introduces
    - Role of Performance Assurance Committee (PAC) in monitoring and or potentially validating AQ corrections
    - Consider the need for remedies or resolution where there has been incorrect use of AQ corrections process
- **Appendix:**
  - Terminology
  - AQ Process flow

Introduction

- This slide deck will demonstrate how the AQ correction process has been used by the Industry to challenge the current Rolling & Formula Year AQ/SOQ values in UK Link

- All accepted AQ correction submissions received between **'01/08/2018* to 01/05/2021'** have been included in this analysis provided by Correla.

- This analysis has been pulled together to support the scope of the AQ correction Review and highlight the areas of focus.

**Please note that data prior to 01/08/2018 cannot be included as it is not held within the relevant data table required to carry out this analysis.*

Background

- The automated AQ correction process was introduced as part of Project Nexus (PN) and replaced the Legacy AQ Appeal & Amendment processes.
- Prior to PN the AQ process was an annual review where new values were made effective on 01st October
- PN introduced the concept of a monthly 'Rolling' AQ review, and a static Formula Year AQ (for Class 3 and 4 SMPs only)
- A site's Rolling AQ is used for allocation purposes, and the Formula Year AQ sets a site's transportation charges
- Two of the four AQ correction reasons were available to Shippers prior to PN via a manual/offline process (BTU Form). The reasons being:
  - Change of Consumer Plant
  - Commencement of New Business

Background Continued

- The AQ correction process is available to the registered gas Shipper of a site and challenges both the current Rolling and Formula Year AQ values, and sets a new backstop date
- There are four bespoke AQ reason codes (eligible causes), with set criteria for each outlined in UNC (these are covered later within the slide deck)
- A successful AQ correction locks a site out of a new Rolling AQ calculation for the minimum of nine months

AQ correction – Process steps

The following process steps are how an AQ correction request is made:

- Requests are submitted via the UK Link system in the form of an .AQI (C41) file and record through the IX
- The User will then receive a notification in the system as to whether that request has been accepted or rejected. The response is issued via the IX in the form of a .AQR (C43) file and record
- The new AQ value will apply from the first of the month following acceptance of the new value
- If the correction submission is accepted after M-15 (the AQ correction submission deadline), the new AQ/SOQ values will apply in 2 months' time. For example, an AQ Correction value accepted on 16 April will be applied on 01 June.

Current AQ correction process

AQ Correction Process Flow

AQ Correction monthly timeline:

- The above timeline details the monthly key dates used within the AQ Correction process
- M = the AQ go-live day (1st of the month)
- M-15 = the latest date an AQ Correction can be submitted prior to the next go-live date, in order to become effective from the start of the following month
- M-8 = the latest date which a submitted AQ Correction can be cancelled prior to next go-live date

Existing eligible causes (reason codes)

AQ correction reasons (Eligible Causes)

- **Reason Code 1 – Theft of Gas**
- **Reason Code 2 – Change in Consumer Plant**
- **Reason Code 3 – Commencement of New Business**
- **Reason Code 4 – Tolerance Change**

The below extract is within the C41 Record Format Document:

POSTCODE_INCODE	M	T	4	0	Standard PAF incode as defined in the PAF digest.
REQUEST_REASON	M	N	2	0	1 -Confirmed Theft of Gas, 2- Change in Consumers Plant, 3 - Commencement of a new business activity, 4 - Tolerance change, 5 - Winter Consumption
REQUESTED_ESTIMATED_AQ	O	N	15	0	Mandatory where REQUEST_REASON is 1 to 4

Please note, that '5 – Winter Consumption' is used to challenge the Winter Consumption of a site, not the AQ value.

Eligible Causes in UNC (Reason Codes)

Eligible causes are detailed in TPD Section G:

2.3.21 For the purpose of paragraph 2.3.20 **"eligible cause"** means:

(a) the confirmed theft of gas (which resulted in the metered consumption in the AQ Metered Period at the Supply Meter Point being less than the actual consumption);

(b) the installation, replacement or removal of Consumer's Plant which results in a material change in the basis on which gas is consumed; or

(c) the commencement of a new business activity or discontinuance of an existing business activity at the consumer's premises.

2.3.22 A Registered User may also request a change to the Annual Quantity of a Supply Meter Point where the Uniform Network Code Validation Rules prescribe the wider tolerance band referred to in Section M5.3.4(b) by reference to the Annual Quantity of the Supply Meter Point and;

(a) the User submits a Meter Reading (**"Rejected Meter Reading"**) for such Supply Meter Point which fails validation because it falls outside the wider tolerance band, but which all other respects is Valid; and

(b) the User is satisfied that the Meter Reading is valid (and would not fail validation if the Annual Quantity were so changed).

AQ correction reasons (Eligible Causes)

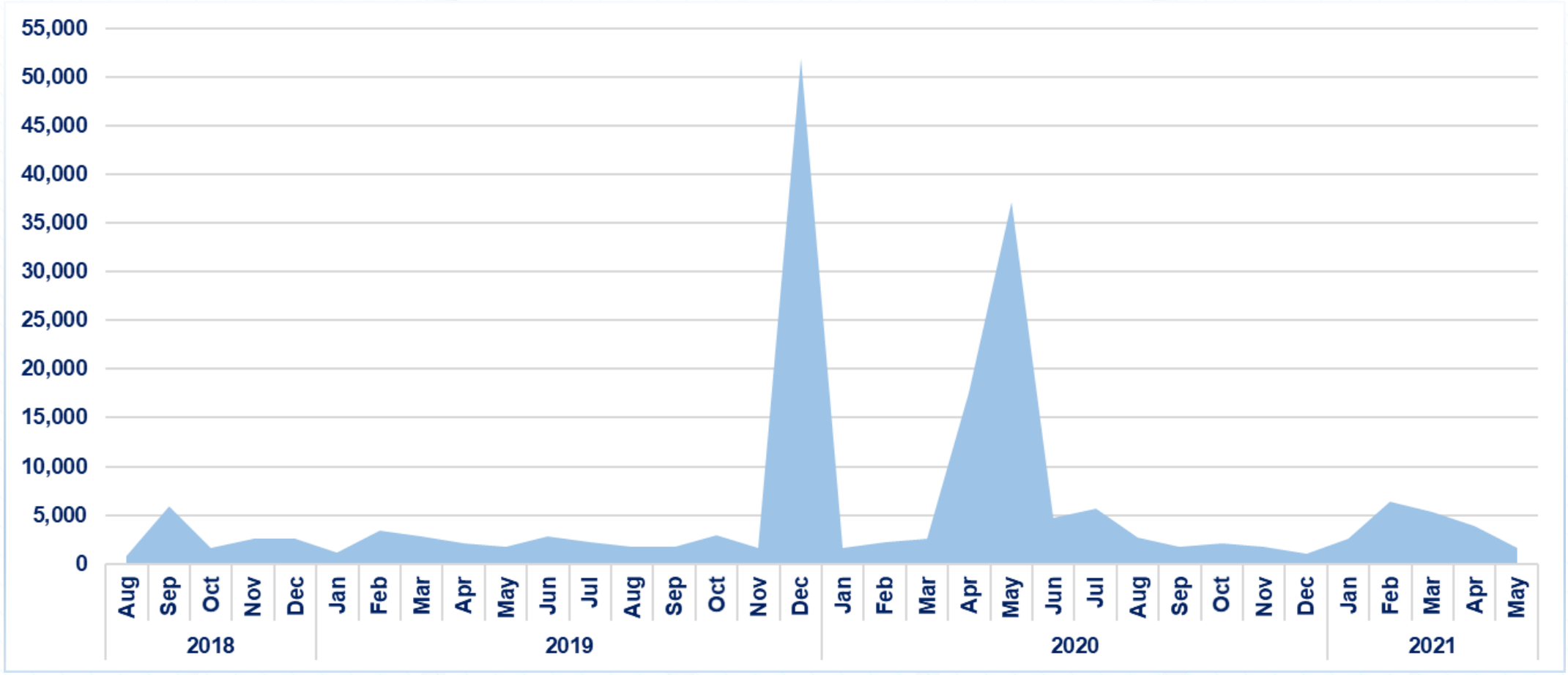
- **Reason Code 1 – Theft of Gas**
  - Subject to validation that there is a confirmed valid Theft of Gas contact exists for the AQ correction
- **Reason Code 2 – Change in Consumer Plant**
  - Mandatory system check to ensure 'Supporting Information' field to be populated
- **Reason Code 3 – Commencement of New Business or Discontinuance of an existing Business activity**
  - System validation applied to verify that the confirmation effective date is within the previous 3 months of the AQ correction
  - Validation applied to check that the submitting User is not a 25% or more Affiliate with the previous User (introduced under Modification 0736)
- **Reason Code 4 – Tolerance Change**
  - System validation applied to verify that there is a U01 file present for that site or a system check that a U01 file would be created if submitted

AQ corrections process

- Do the Review Group have any questions or views on the current AQ Correction process?

Analysis of AQ Correction Utilisation

Total AQ Correction Submissions by Year/Month



AQ Correction Analysis Summary
01/08/2018 - 01/05/2021

Total AQ Correction Submissions:	189,961
Total Corrections requesting an Increase in AQ:	30,261 (15.93%)
Total Corrections requesting a Decrease in AQ:	154,887 (81.54%)
Total Corrections requesting No Change in AQ:	4,813 (2.53%)

Total AQ pre AQ Corrections:	15,088,299,772
Total AQ post AQ Corrections:	13,327,030,411
Total Overall Change in AQ:	-1,761,269,361

Please note, the figures in this slide include the volumes submitted during the spike in usage in December 2019 and April/May 2020 seen in the previous slide.

ADDITIONAL SLIDE

AQ Correction Analysis Summary
01/08/2018 - 01/02/2022

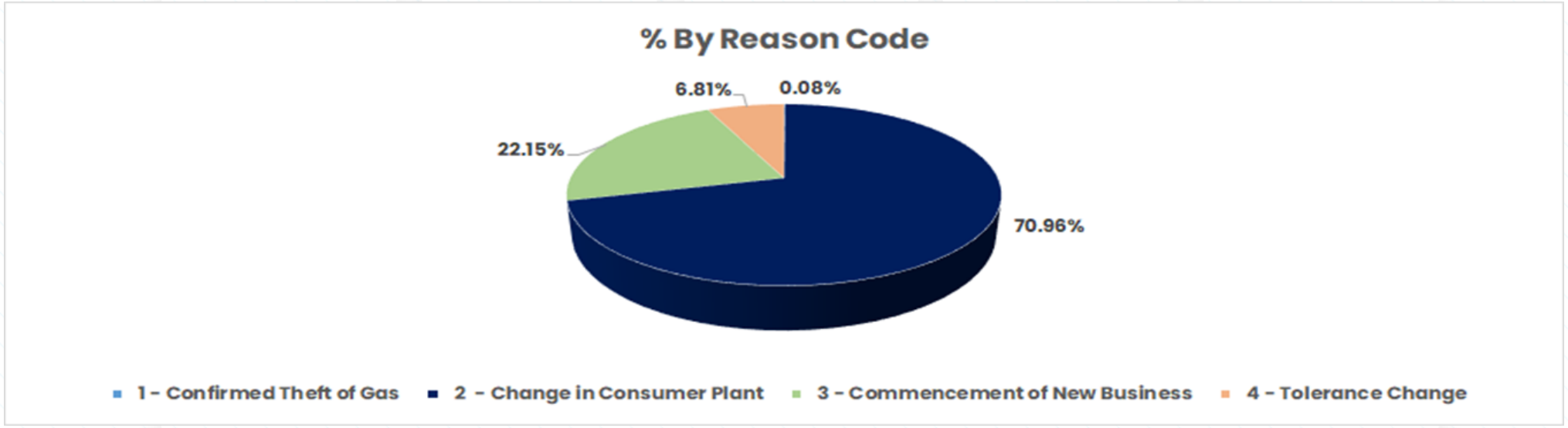
Total AQ Correction Submissions	**112,545**

Total Corrections requesting Increases in AQ	**37,090 (32.96%)**
Total Corrections requesting Decreases in AQ	**70,824 (62.93%)**
Total Corrections requesting No Change in AQ	**4,631 (4.11%)**

Please note, the figures in this slide exclude the volumes submitted during the spike in usage in December 2019 and April/May 2020 seen in the previous slide. It also extends to period to January 2022.

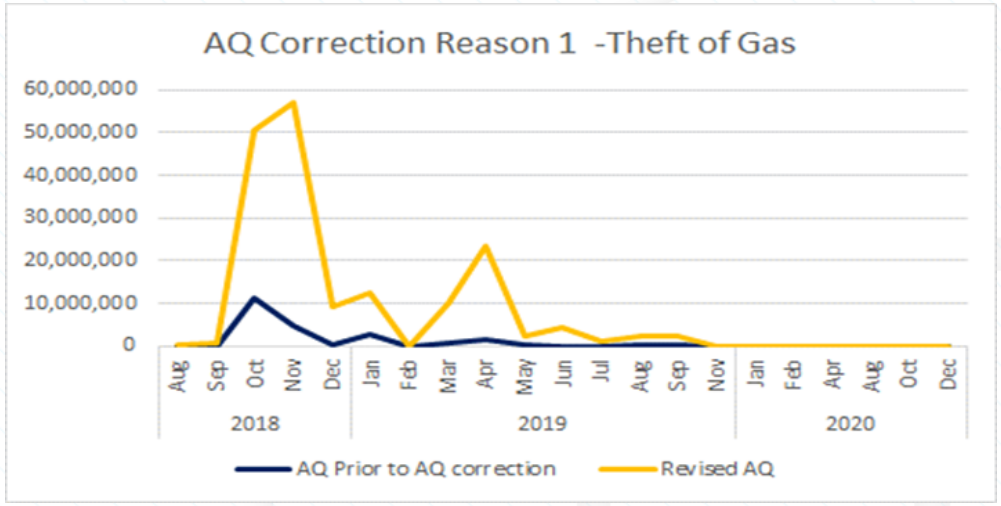
AQ Corrections by Reason Code

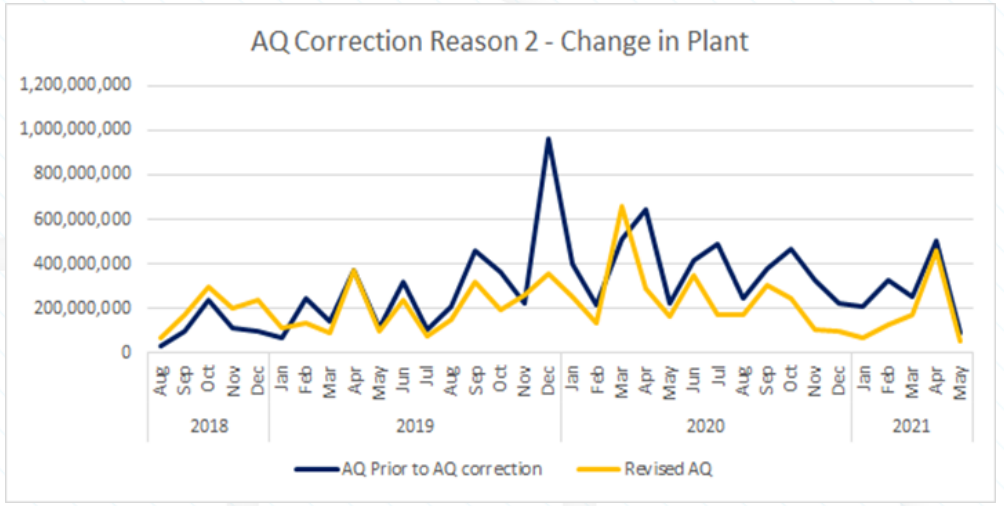
AQ Correction Reason	AQ Corrections	% By Reason Code	Total AQ Prior to Correction	Total Revised AQ	AQ Change	% Change
1 - Confirmed Theft of Gas	155	0.08%	21,879,627	176,543,666	154,664,039	706.89%
2 - Change in Consumer Plant	134,790	70.96%	10,050,629,321	7,204,810,946	-2,845,818,375	-28.31%
3 - Commencement of New Business	42,071	22.15%	4,594,676,317	2,517,014,171	-2,077,662,146	-45.22%
4 - Tolerance Change	12,945	6.81%	421,114,507	3,428,661,628	3,007,547,121	714.19%
Total	189,961	100%	15,088,299,772	13,327,030,411	-1,761,269,361	-11.67%

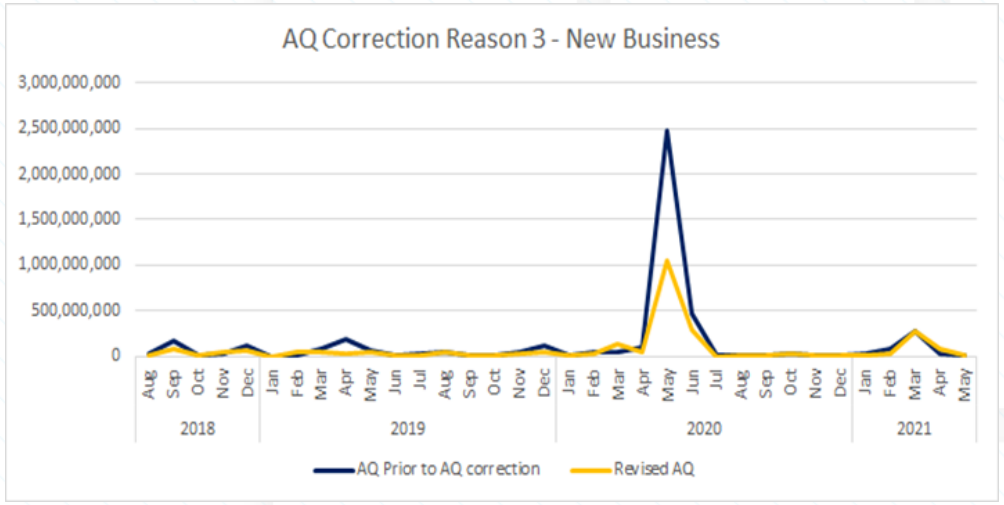


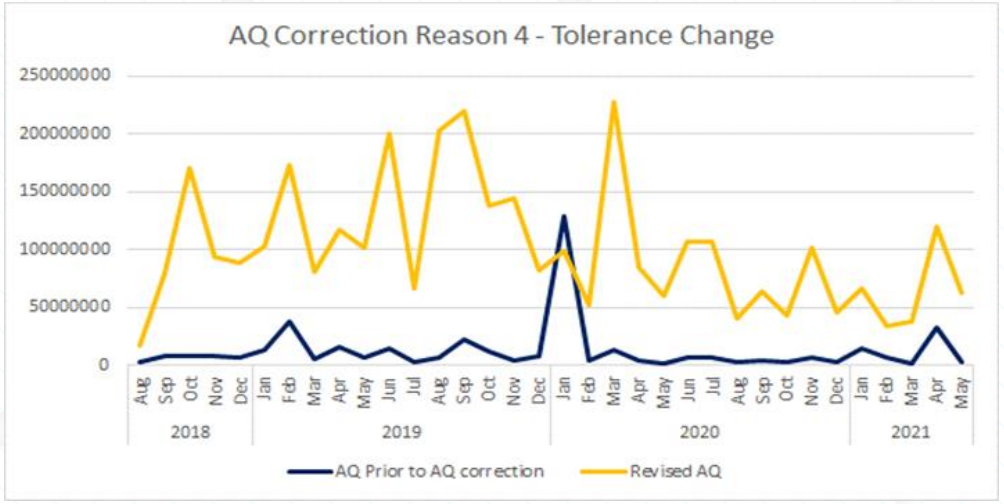
Please note, the figures in this slide include the volumes submitted during the spike in usage in December 2019 and April/May 2020 seen in the previous slide.

Total AQ change by Month / Reason





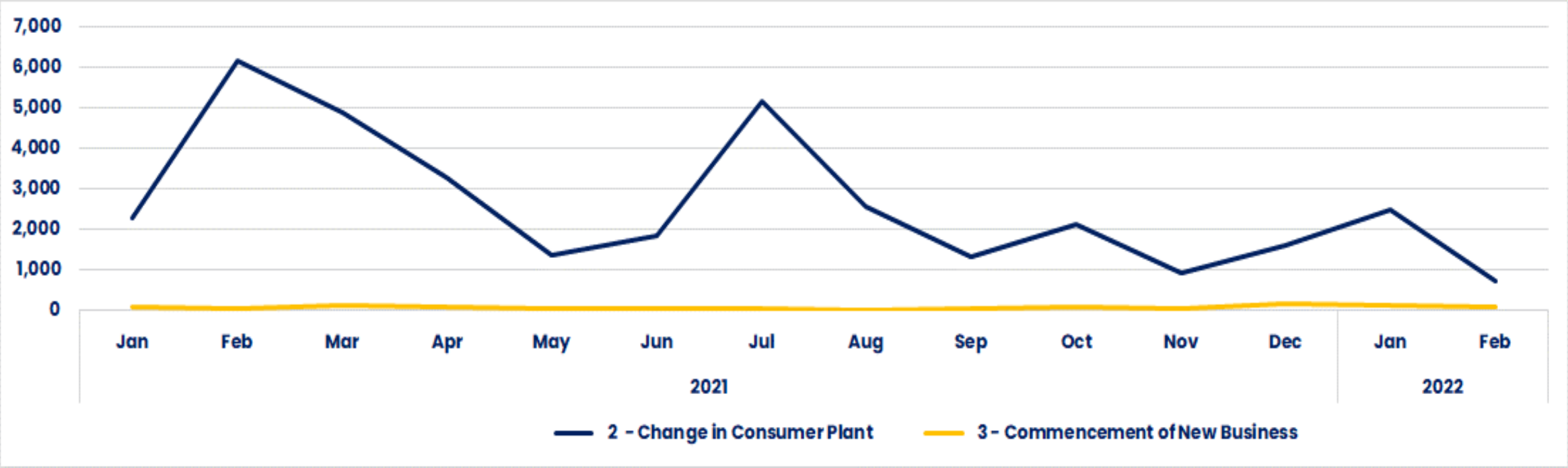




ADDITIONAL SLIDE

AQ Correction Submissions
Reason Codes 2 & 3 – Jan'21 to Feb'22

	2021												2022	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
2 - Change in Consumer Plant	2,278	6,158	4,863	3,294	1,352	1,841	5,155	2,566	1,327	2,127	943	1,587	2,476	737
3 - Commencement of New Business	73	65	114	78	39	32	53	28	32	75	47	168	109	97
Total	2,351	6,223	4,977	3,372	1,391	1,873	5,208	2,594	1,359	2,202	990	1,755	2,585	834



Please note, this data has been provided to show the behaviour for AQ corrections Reason Code 2 or 3 following the implementation of Modification 0736.

Scope of the Review Group

AQ Correction Review Scope

- The AQ Correction Review Group was raised to consider the following questions:

- Scope of Review:
  - Current AQ correction process (and analysis)
  - Existing eligible causes (reason codes) set out within UNC (and analysis)
    - Validation currently set out within TPD G2.3 for each eligible cause
    - Consideration of further eligible causes
  - Further considerations
    - Current backstop date which an AQ correction introduces
    - Role of Performance Assurance Committee (PAC) in monitoring and or potentially validating AQ corrections
    - Consider the need for remedies or resolution where there has been incorrect use of AQ corrections process
- Are these the correct questions to consider?

Eligible Cause – Change in Consumer Plant (Reason Code 2)

- Based on the analysis, Reason Code 2 has the highest volume of AQ correction submissions.
- When submitting an AQ correction using Reason Code 2, the User is required to populate a free text box to provide 'Supporting Information'.

Below are the top 7 'Supporting Information' reasons provided:

- Miscellaneous
- Meterless new connection site
- To reflect property type
- Excessive AQ caused by incorrect MEX reading, issue prior to supply or override flag sent in error. Unable to adjust via Read Replacement
- Erroneous AQ creating settlement imbalance and billing issues
- Market breaker read failure
- The AQ has been overinflated

Views on Eligible Causes (Reason Codes)

- Do the Review Group have any views on the current eligible causes (reason codes)?
  - Are the current eligible causes (reason codes) fit for purpose and sufficiently cover the valid reasons for submitting an AQ Correction?

- Do the Review Group have any views on the current validation applied to eligible causes (reason codes) by the CDSP?
  - Are there views on what role the CDSP should play in validating AQ corrections?

- What other instances arise that might need to be considered as a valid reason to amend the AQ? Are there any further eligible causes (reason codes) which are required?
  - If so, what validation / verification / oversight could be required on these? And by whom?

Further considerations

- **Backstop date:**
  - UK Link will not currently calculate a new AQ for 9 months after an AQ correction goes live, although further AQ corrections can be submitted.
  - Do the Review Group have views on the backstop date which an AQ correction currently introduces for system AQ corrections?

- **Role of Oversight**
  - Do the Review Group have views on whether an oversight role is required? If so, what body would be best placed to do this – e.g. is this part of the role of PAC in terms of monitoring and/or potentially validating AQ corrections?

- **Does Workgroup need to consider need for remedies or resolution where there has been incorrect use of the AQ correction process?**

February Review Group Meeting

Topics for Review Group Meeting 2:

- Assessment of existing eligible causes (and their validation)
- Consider whether further eligible causes are required
- Assess the backstop date which an AQ correction currently introduces for system AQ calculations
- Clarify the role of the CDSP in validating AQ corrections (existing eligible causes and any new proposed causes).

Current Reason Code Validation

- Current validation applied to the four existing Reason Codes are detailed in slide 12.
- Based on the analysis, we know the highest volume of AQ correction submissions are via Reason Code 2.
- The Supporting Information field in the AQI file is mandatory for Reason Code 2 but this is currently free text.
- Are the Review Group comfortable with the current validation for Reason Code 2?
  - Should the SI be an agreed statement that the Shipper warrants the submission is for a Change in Consumer Plant and the requested AQ is a accurate/true reflection on the sites future consumption?
- From the analysis we've seen, there are some AQ corrections submitted with no AQ change. Do the Review Group have a view on these?
  - Should there be a validation applied to reject AQ corrections with 1. no change to AQ, 2. requests for AQs of '1', 3. requests for an AQ less than a de minimis amount e.g. [10%]?

Potential Future Reason Codes

- Based on analysis, we are aware of reasons for requesting an AQ change which may not necessarily fit exactly into one of the current Reason Codes.

- Potential future Reason Codes discussed at the last meeting:
  - Change in use
  - Vacant sites
    - *Potential new process being developed under 0778R which could proposal the utilisation of the AQ correction process.*
  - Spurious historic reads impacting AQ calculation

- Do the Review Group have views on these potential future Reason Codes? Views on what validation should apply?

Current AQ Backstop Date

- What is the AQ Backstop Date:
  - When an AQ has been corrected via the AQ Correction process, a 'backstop date' is automatically created. This means that no read/consumption data prior to this date will be considered for the Rolling AQ process. This will apply for 9 months.

- The purpose of the backstop date is to prevent historical/incorrect/old consumption data from being considered for future Rolling AQ calculations.

- The purpose of the AQ correction process and Reason Codes is because the sites consumption has changed and this must be reflected in the sites current AQ, now and going forward. Going back prior to the new AQ effective date would revert the AQ to its previous value.

- The 9 months is also the minimum requirement for the system to carry out the Rolling AQ process. In this period, the expectation is for a good Read history being developed for the subsequent AQ calculation.

- Do the Review Group have any views on the current AQ Backstop Date process?

Appendix

Rolling AQ:

- Annual Quantity represents the expected levels of average gas consumption for each Supply Meter Point over a 12 month period under Seasonal Normal weather conditions. The AQ plays an important role of providing stability for the industry in its various calculations.

Formula Year AQ (FYAQ):

- The Formula Year AQ sets a Supply Meter Point's Transportation charges for the forthcoming gas year. The Formula Year runs for a 12 month period beginning 1st April to 31st March in the following calendar year. The snapshot for the FYAQ is taken on 1st December each year. The use of a single value for a Financial Year and four-month lead time help to ensure stability in Capacity charges and accurate revenue recovery for Network Operators.

Supply Offtake Quantity (SOQ):

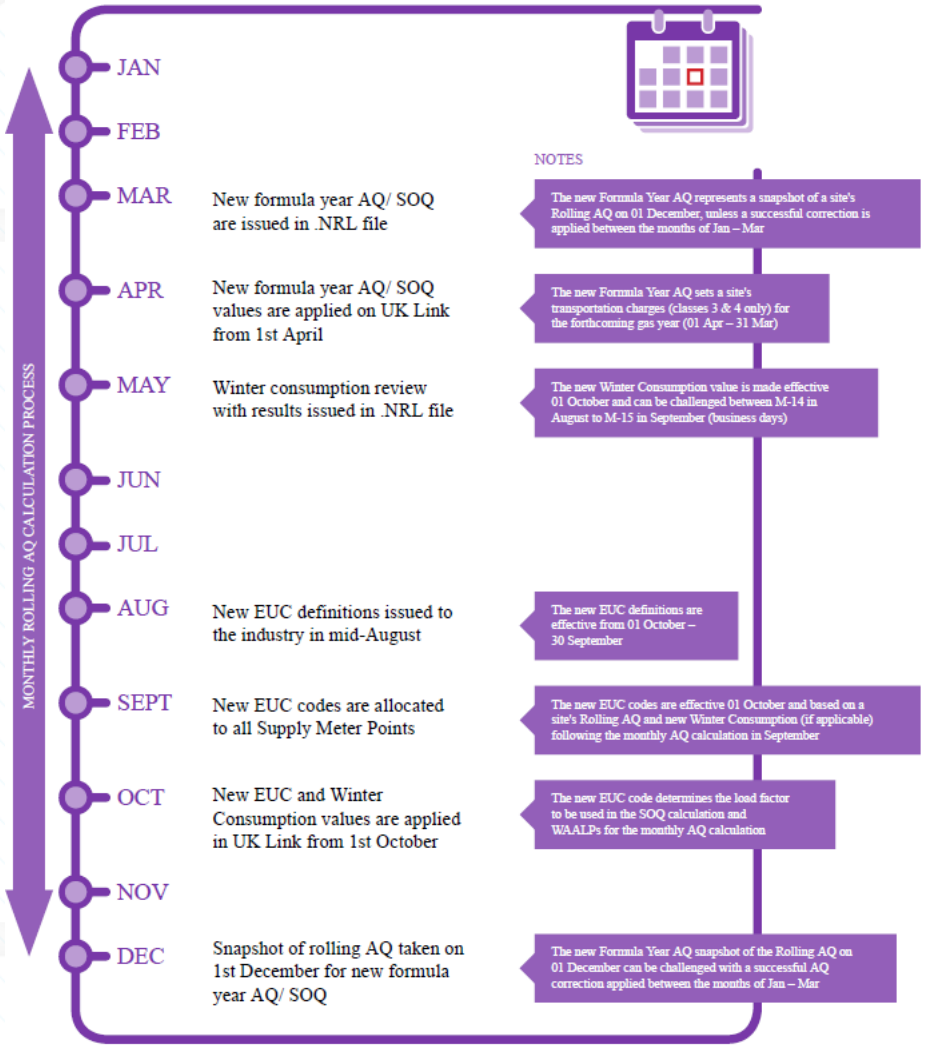
- Supply Offtake Quantity for Class 1 and 2 Supply Meter Points is the maximum amount of gas a site is expected to use on a given day. It ensures that gas usage is managed, invoiced and planned correctly. For Class 3 and 4 Supply Meter Points the Supply Offtake Quantity (SOQ) represents the expected peak consumption in a day during extreme cold weather.

Backstop date:

- When an AQ has been corrected via the AQ Correction process, a 'backstop date' is automatically created. This means that no read/consumption data prior to this date will be considered for the Rolling AQ process.

AQ Process Flow

- AQ process flow:



Thank you

Any further points or questions?