

UNC Workgroup Report	At what stage is this document in the process?
<h1>UNC 0625:</h1> <h2>Extension of 4 months to 10 months to transfer non-mandatory sites from Class 1</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">01</span> Modification         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">02</span> Workgroup Report         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">03</span> Draft Modification Report         </div> <div style="border: 1px solid #ccc; border-radius: 5px; padding: 5px; display: flex; align-items: center; gap: 5px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 5px;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b></p> <p>This modification proposes to extend the current <b>6 month</b> deadline for moving non mandatory DM sites from Class 1 to <b>10 months</b> to address delays caused by ongoing issues relating to Class 1 sites following NEXUS Go Live thus allowing for an orderly transfer of arrangements</p>	
	<p>The Workgroup recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>considered a material change and not subject to self-governance</li> <li>proceed to Consultation</li> </ul> <p>The Panel will consider this Workgroup Report on <b>19 October 2017</b>. The Panel will consider the recommendations and determine the appropriate next steps.</p>
	<p>High Impact: Shipper Users</p>
	<p>Medium Impact: Transporters and CDSP</p>
	<p>Low Impact: None</p>

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## Timetable

### Modification timetable:

Initial consideration by Workgroup	24 August 2017
Amended Modification considered by Workgroup	28 September 2017
Workgroup Report presented to Panel	19 October 2017
Draft Modification Report issued for consultation	19 October 2017
Consultation Close-out for representations	06 November 2017
Final Modification Report available for Panel	07 November 2017
Modification Panel decision or recommendation	08 November 2017

 Any questions?

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# 1 Summary

## What

As part of the Project Nexus Solution it was agreed that Class 1 sites would include only Mandatory Daily Metered (DM) Supply Points i.e. Supply Points with an Annual Quantity (AQ) that is greater than 58,600,000kWh (2 million Therms) per annum.

DM Supply Points with an AQ of less than 58,600,000kWh (2 million Therms) per annum were migrated into Class 1 and are currently required to transfer to another Class within 6 months of NEXUS Go Live.

This means that under the current arrangements non mandatory DM sites will need to be migrated from Class 1 by 1<sup>st</sup> December 2017. Failure to proactively move sites ahead of this deadline will mean these sites default into Class 4.

## Why

The 6 month soft landing was agreed on the basis that the transfer to post NEXUS arrangements would be reasonably straightforward. This was based on the fact that the existing DM arrangements would be “lifted and shifted” from legacy arrangements and that the pre-existing unbundled DM Read Services would not be subject to any disruption.

However, post NEXUS Go Live the industry has experienced significant volatility with the Unidentified Gas (UIG) energy smearing. Large numbers of DM reads, which hitherto have been successfully loading in the Legacy Environment have been rejected when the monopoly DM Service Providers (DMSP) have submitted data into Central Systems. Further analysis has identified that changes in data item validation has led to large numbers of these DM reads being rejected by Central Systems.

Xoserve have now proactively taken steps to help address these issues and work is ongoing to facilitate normal operation.

However, this disruption has meant that Shippers projects for arranging and scheduling the transfer of Supply Points away from Class 1 have been delayed.

It should also be noted that all Supply Points with an Annual Quantity (AQ) in excess of 732,000kWh (25,000 Therms) must be advanced and so irrelevant to which Class a Supply Point transfers the vast majority will require the installation of a suitable advanced meter

The latest information from Xoserve is that the plan commenced in August-17 resolved some of the issues, however it is likely a number of more complex issues will take longer to complete. Based on this latest information an additional 4 month extension to arrange the transfer of sites out of Class 1 would be prudent when taking into account the time taken to remedy the issues and that the extension proposed will include the Christmas and New Year which will impact access to larger commercial sites affected by the issue.

## How

It is proposed that the Transition Document Part IIF – Nexus Implementation is amended to replace the current 6 month deadline with 10 months.

## 2 Governance

### Justification for Self-Governance, Authority Direction or Urgency

Panel determined the modification is likely to have a material effect on either existing or future gas consumers because it extends the existing transitional arrangements for DMV consumers who are currently in Class 1 and which should be reclassified as Class 2, 3 or 4 sites. This is likely to have a transitional effect on competition between Shippers as it is likely impact the allocation of unidentified gas.

Modification 0625 will therefore follow Authority Direction procedures.

### Requested Next Steps

This modification should:

- be considered a material change and not subject to self-governance
- proceed to Consultation

There was no overall consensus within the Workgroup when they were asked to consider the materiality of this modification and if it should continue to follow Authority direction. However, the Workgroup recommends that if this modification is issued to consultation, Panel requests respondents to consider the materiality of the proposed modification and provide evidence (where available) to demonstrate the potential impacts should it be implemented. Following consideration of representations, it is recommended that Panel test the materiality of the modification against the self-governance criteria, prior to making a recommendation/determination on the Final Modification Report.

## 3 Why Change?

As part of the Project Nexus Solution it was agreed that Class 1 sites would include only Mandatory Daily Metered (DM) Supply Points i.e. Supply Points with an Annual Quantity (AQ) is greater than 58,600,000kWh (2 million Therms) per annum. DM Supply Points with an AQ of less than 58,600,000kWh (2 million Therms) per annum were migrated into Class 1 and then are currently required to transfer to another Class within 6 months of NEXUS Go Live. This means that under the current arrangements non mandatory DM sites will need to be migrated from Class 1 by 1<sup>st</sup> December 2017. Failure to proactively move sites ahead of this deadline will mean these sites default into Class 4.

The 6 month soft landing was agreed on the basis that the transfer to post NEXUS arrangements would be reasonably straightforward. This was based on the fact that the existing DM arrangements would be “lifted and shifted” from legacy arrangements and that the pre-existing unbundled DM Read Services would not be subject to any disruption.

However, post NEXUS Go Live the industry has experienced significant volatility with the Unidentified Gas (UIG) energy smearing. Large numbers of DM reads which hitherto have been successfully loading in the Legacy Environment have been rejected when the monopoly DM Service Providers (DMSP) have submitted data into Central Systems. Further analysis has identified that changes in data item validation has led to large numbers of these DM reads being rejected by Central Systems.

Xoserve have now proactively taken steps to help address these issues and work is ongoing to facilitate normal operation.

However, this disruption has meant that Shippers projects for arranging and scheduling the transfer of Supply Points away from Class 1 have been delayed. Shippers had intended to undertake an orderly transfer of arrangements during the 6 month period from NEXUS Go Live however due to the problems encountered with the DM arrangements parties have instead been focused on fixing the current arrangements to enable DM reads to successfully load in the post NEXUS arrangements.

It is prudent that making changes to existing arrangements can only commence once these issues have been successfully addressed. This has impacted on putting in place third party services and scheduling the replacement of in-situ DM Reading equipment with competitive Automated Meter Reading Equipment.

For the avoidance of doubt this modification will not affect parties' ability to transfer arrangements ahead of the deadline.

## 4 Code Specific Matters

### Reference Documents

None identified.

### Knowledge/Skills

No specific skills or knowledge are necessary.

## 5 Solution

It is proposed that the Transition Document Part IIF – Nexus Implementation is amended to replace the current 6 month deadline with 10 months.

Suggested Legal Text has been provided in section 9 below.

## 6 Impacts & Other Considerations

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

No impact.

### Consumer Impacts

Some consider this modification should support the orderly migration of non-mandatory DM Class 1 sites and reduce the risk of large number of sites automatically defaulting into Class 4 due to time constraints around scheduling and installing third party Automated Meter Reading (AMR) solutions, required to enable Class 2 & 3 choices, following completing the remedial work arising from NEXUS implementation. This would prevent Shippers from nominating directly into Gemini, this might impact their final daily position and impact Shipper/Consumer contracts. However, some consider this is a Shipper settlement issue and would not directly impact consumers.

Some consider this modification should ensure that the process of replacing meter reading equipment at Consumers sites can be facilitated in a timely fashion and not undertaken in a time constrained manner and at times which might inconvenience a consumer.

From a broader industry perspective, the automatic transfer of existing DM sites to Class 4 (NDM) is likely to reduce the level of accuracy in the daily allocation of unidentified gas (UIG), as it will remove large volumes of DM read information from the market. However, some consider this is a Shipper settlement issue and would not directly impact consumers.

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none"> <li>• Domestic Consumers</li> <li>• Small non-domestic Consumers</li> <li>• Large non-domestic Consumers</li> <li>• Very Large Consumers</li> </ul>
What costs or benefits will pass through to them?	Some consider this change should allow the orderly transfer of DMV sites into Class 2 following consideration of Post Nexus implementation issues; and should ensure consumers are not unnecessarily impacted by being unnecessarily placed into Class 4 due to an unachievable transition date. However, some consider this is a Shipper settlement issue and would not directly impact consumers.
When will these costs/benefits impact upon consumers?	These impacts would be effective on the date the modification is implemented.
Are there any other Consumer Impacts?	None identified.

### Cross Code Impacts

No impacts identified.

### EU Code Impacts

No impacts identified.

### Central Systems Impacts

No impacts identified.

### Workgroup Impact Assessment

Some consider this modification would impact the UIG allocation between different Product Classes as it would delay the transfer of DMV sites from Product Class 1 to other Product Classes, this is due to the UIG allocation for Product Class 1 being proportionally lower than for other Product Classes. This could be considered detrimental to Shippers who have no DMV sites and would be a benefit to those Shippers who have a DMV site with a positive UIG allocation. However, others felt this impact should not be considered material as the overall allocation of UIG would not be significantly impacted by this modification.

Some consider this change has been proposed for the operational benefit of DMV Shippers who would be allowed more time to resolve the transfer of DMV sites from Product Class 1 to other Product Classes,

thereby gaining a financial benefit. Whereas others felt the issues were unforeseen following Nexus implementation, which DMV Shippers are attempting to resolve for the benefit of the wider industry and is a significant impact on available resources.

## 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.	Impacted
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.	Positive
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

Some participants consider this modification should support the orderly migration of non-mandatory DM Product Class 1 sites and reduce the risk of large number of sites automatically defaulting into Product Class 4, due to time constraints around scheduling and installing third party AMR solutions required to enable Class 2 & 3 choices, following completing the remedial work arising from NEXUS implementation. An orderly transition should allow Shippers the opportunity to utilise competitive DM services and therefore further relevant objective d) by securing effective competition.

However, some felt that as the changes proposed would allow DMV sites to continue to receive the proportionally lower UIG associated with Product Class 1 sites, rather than that associated with other Product Classes. These UIG costs would then be allocated to other Shippers which might have a negative impact on competition.

Some participants considered this modification would further relevant objective f), as it would facilitate the

orderly transfer of DMV sites from Product Class 1 to another Product Class by allowing parties more time to correct the current issues with the DM read submission process following Nexus implementation; and then for them to arrange for the replacement of Transporter daily read equipment.

## 8 Implementation

No implementation date is proposed. However, it is anticipated that implementation would occur prior to expiry of transitional period for the transfer of DMV sites from Product Class 1 which is currently set as 01 December 2017.

## 9 Legal Text

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

Scotia Gas Networks has confirmed that they intend to adopt the Suggested Text provided.

### Suggested Text

The Transition Document Part IIF – Nexus Implementation shall be amended as follows:

- 5.2.2 In respect of each Supply Meter Point which on the Last Pre-Nexus Day is classified as a DM Supply Meter Point with Transporter Daily Read Equipment installed pursuant to an election by the Registered User:
- (a) subject to paragraph (b), with effect from the Implementation Date, the Supply Meter Point shall be in Class 1;
  - (b) unless by the date falling ~~ten six~~ (€10) months after the Implementation Date (“**relevant date**”) the Supply Point:
    - (i) becomes in Class 1 because the Class 1 Requirement applies; or
    - (ii) is re-classified as Class 2, 3 or 4 pursuant to an election by the Registered User,

the Supply Meter Point shall be re-classified in Class 4 with effect from a date, no later than one (1) month after the relevant date, determined by the CDSP.

## 10 Recommendations

### Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This modification should proceed to consultation.
- That the consultation period should be reduced to 10 Days.
- That Panel consider the Final Modification Report at an extraordinary meeting to be held on 08 November.

The Workgroup recommends that if this modification is issued to consultation, Panel requests respondents to consider the materiality of the proposed modification and provide evidence (where available) to demonstrate the potential impacts should it be implemented. Following consideration of representations, it is recommended that Panel test the materiality of the modification against the self-governance criteria, prior to making a recommendation/determination on the Final Modification Report.