

CODE REVIEW PROPOSAL No 0177
Rolling AQ Review
Version 1.0

Date: 01/10/2007

Nature and Purpose of Proposal

The current AQ process has been operating in much the same form and timescales since inception of code. The review was originally for large supply points (LSP) only and extended to cover small supply points (SSP) for October 2000.

The AQ value assigned to each supply point is a fundamental piece of information. It forms the basis of much of the day to day operation of the gas industry from capacity planning, energy balancing, charging and reconciliation. The accuracy of the information is therefore of great importance to User and Transporter alike. Under the current review process the AQ being used as a proxy for future demand is, on average, 18 months old at the time it is used. Where consumption is changing this provides a significant commercial risk to shippers and transporters. This has been particularly evident over the gas years since 2005 where reductions in domestic demand as a reaction to high prices are still feeding through to SSP AQ.

Current recalculation processes are limited due in part to the UK Link system that supports the process. With the UK Link system due for replacement in 2012 this provides an opportunity to review the current process and consider alternatives that may serve the industry better into the future in a cost effective manner.

The industry is currently investigating opportunities offered by AMR technology. Moves to use AMR to its full potential, or indeed any changes to current metering patterns, should provide more information on actual consumption. It would appear sensible to configure the processes supporting transportation and balancing to make optimum use of available information.

Additional discussions on fundamental changes to the settlement process are being discussed through modification and review groups.

- Limitation on retrospective invoicing and invoice correction (Mod 152VB/AV/V)
- Review of IGT Settlement and Reconciliation Arrangements (Review group 157)
- Review of User Suppressed Reconciliation Values' incentive arrangements (Review group 158)
- Individual meter point reconciliation (Review group 168)
- Encouraging participation in the Daily Metered regime (Review proposal)

Each of these seeks to improve the accuracy of settlement to actual consumption or to provide certainty to Users on final settlement values in shorter timeframes. In this context a review looking to potential changes in the timeliness and accuracy of AQ values would seem logical.

Although review group 168 has extended its scope to cover areas including AQ it is felt that a specific review would allow those attending to concentrate on the rolling AQ proposal. AQ is a fundamental building block of the gas balancing and charging mechanism and as such should require concerted effort to ensure any benefits and implications from instigating a rolling AQ calculation systematised to use meter reads as they are received are fully considered. A review group is proposed so that industry experience on the potential problems with read quality can be considered alongside experience of similar processes that were used by British Gas in pre-Network Code regimes and by the current electricity balancing regime. The review group should also consider alternative scenarios that would allow timelier AQ updates if any can be identified. It is suggested that this review group meets on the same day as review group 168 as many of the same industry representatives are likely to be involved.

The terms of reference for the review group are suggested as:

Objectives:

The Review Group is required to:

- Discuss the details around the proposal of putting in place a mechanism to allow Rolling AQ calculation.
- Establish whether such changes would be justified on a cost/benefit basis.
- Take into account similar implementation within the electricity industry.

This work will take place in the following context:

- Many of the current xoserve systems are due for replacement in 2012. With the requirements for these systems due to be initially scoped in the early part of 2008, now is an appropriate time to include any further requirements. The replacement of much of UK Link provides the industry with a unique opportunity to review and amend the existing arrangements.

Scope and Deliverables:

The Group is asked to:

1. Consider the existing AQ annual review and the current issues associated with it.
2. Identify how a rolling change to AQ may be implemented and any potential issues that would need resolving.
3. Consider Independent Gas Transporters' Supply Points as part of the Review.
4. Ensure that consideration is given to the UK Link Replacement timeframe.

A Review Group Report will be produced containing the findings of the Review

Any further information (Optional)

There are benefits anticipated from a more time reflective AQ process, including but not limited to:

- Allows AQ to be more reflective of current consumption patterns. AQ is being used as a proxy for future demand and reflecting consumption changes reduces the commercial risk to shippers.

- Avoids the peak in workload for systems and resources in the industry that an annual process requires.
- Provides benefits in staff training and knowledge through implementing an ongoing process to replace an annual process.
- Reduces the opportunity for shippers to game AQ values.
- An industry consensus at this stage will allow the change to be included in the UKLink system changes in a timely fashion mitigating the high costs such a change would usually incur.
- Increased accuracy in AQ values will minimise scaling factor variation in the allocation process and could lead to lower reconciliation values. This minimises exposure to market prices for LSP shippers and reduces risk for RbD.

Disadvantages include:

- The need to resource AQ validation across the gas year to manage exceptions.
- Processes and action to deal with sites where the AQ is not recalculated over a number of years.
- Processes to cover identification and mitigation of AQ changes from erroneous meter reads. This may include stepped changes to the AQ at each recalculation and tolerance limits around AQ changes. In particular use of erroneous AQ in allocation would need to be prevented.
- Changes in UNC would need to be replicated for IGTs to allow consistent AQ provision for allocation purposes.

Code Concerned, sections and paragraphs

Uniform Network Code

Transportation Principal Document

Section(s) G, H

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