

Stage 04: Final Modification Report

0392:

Proposal to amend Annex A of the CSEP NExA table, by replacing the current version of the AQ table.

Update the NExA table in CSEP NExA, Annex A Part 8, to reflect more up to date information



Panel recommended implementation.



Medium Impact:
Users (Shippers), iGTs and DNOs.

What stage is this document in the process?



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About this document:

This document is a Final Modification Report, presented to the Panel on 15 December 2011. The Authority will consider the Panel's Recommendation and decide whether or not this change should be made.



3 Any questions?

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1 Summary

Is this a Self-Governance Modification

The Modification Panel determined that this modification should not follow Self-Governance procedures.

Why Change?

There has been no change to the CSEP NExA table values since 2006. Analysis demonstrates that the AQ values have moved to such a level that the current table merits updating with more accurate and up to date information.

The CSEP NExA values are fixed, and are the basis of the Transportation charges issued by the IGT. The IGT transportation charges are not affected by changes in the AQ following the review process. It is therefore imperative that these values reflect changes in the market.

Solution

It is proposed that the current CSEP NExA Table is updated with up to date values, as detailed in section 2.

Impacts & Costs

There have been no costs identified to the Large Transporters.

Implementation

While no specific timescale is proposed for implementation, coinciding with the implementation of the equivalent IGT Modification (IGT040) would be beneficial.

The Case for Change

This proposal has been raised to align with the IGT Mod 040

The purpose of this Modification is to:

1. Facilitate an amendment to the CSEP NExA, Annex A Part 8 by replacing the current published version of the AQ Table with the version provided below.

It was recognised and agreed at the iGT030 Workgroup that the proposed CSEP NExA Table is more reflective of the current market and the existing values should be amended to reflect this.

2 Why Change?

IGTs are required to adopt the AQ values present within the NExA AQ Table for the purpose of calculating domestic transportation charges through the Relative Price Control (RPC) Charging Methodology.

Under Annex A, Part 1 of the NExA, iGTs are required to undertake an AQ Review for all Large and Small Supply Points, the procedure following the same process and timescales as those applied by Large Gas Transporters in accordance with the Uniform Network Code. However the movement in any AQs following a review do not change the IGT charging (as this is set on the basis of the CSEP NExA table).

Annually, following the completion of an AQ Review, analysis of the AQ values present within the AQ Table is performed to ensure that they remain fit for purpose and a reasonable estimate of the value of gas consumed in accordance with house type and geographical location.

Work group IGT030

A review of the present AQ values was undertaken by the Review Group (IGT030) and, as a consequence of this review, a revised AQ Table has been produced. General consensus has been reached between iGTs and Shippers that Annex A, Part 8, of the NExA should be amended and that the current AQ Table should be replaced with the revised version. A copy of the AQ Table which it is proposed should replace that presently within the NExA is provided in section 3.

The methodology used by all iGTs in the calculation of the revised AQ is detailed as follows:

IGTs individually collated AQ data using a standard template (C1) using the following rules This is a format that they have utilised on other forms of data collation for Ofgem.

One tab was used per licence held, inputting the average AQ per property type for each of the three geographic areas and the number of individual supply points used to derive that average.

IGTs reported from the AQ review output files, not from the overall portfolio.

If an AQ had not been reviewed, it was not included in the dataset.

The AQ used was the final AQ that was taken as the revised AQ value. Where an iGT has no values for a type of property the cell AQ and number were left blank

The following were excluded from the AQ data:

- Infill domestic property AQs.
- Non-domestic property AQs.
- Where an installation read was used in the AQ calculation.
- There was no AQ change because the site became live less than 26 weeks prior to the cut off read date.
- There were no reads with which to calculate the AQ.
- The AQ changed outside the +100% / -50% tolerance and the Calculated AQ is used as it was not challenged, or challenged unsuccessfully.
- AQs changed using the Large Transporter's agent adjustment factors based on the change from the old to new weather correction data.

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The following were included in the AQ data:

- Only properties deemed to be new housing when first connected to a gas connection.
- The AQ changed outside the +100% / -50% tolerance, but the new AQ is used as the shipper successfully challenged the old AQ being used.
- All other AQ values calculated as part of the most recently completed AQ Review using meter reads (for clarity it also includes those above the 2,500 therm threshold).
- Only house types that are listed in Table 1 in Appendix CI-1 of the Code.

In terms of the volume of MPRNs included in the calculation, this is included in the table below

Band	House Type	South SW, NT, WS, SO		Average WN, SE, NW, EA, EM, WM, NE		North NO, SC	
		AQ (kWh)	Number	AQ (kWh)	Number	AQ (kWh)	Number
A	1 Bed	6,473	12,167	7,022	14,210	7,718	3,167
B	2BF, 2BT	7,989	54,965	8,383	82,049	8,684	32,705
C	2BS, 2BD, 3BT, 3BF	10,776	37,236	11,304	76,964	11,372	17,821
D	3BS, 2BB	11,748	39,182	12,221	93,752	12,596	21,069
E	3BD, 3BB	13,429	20,549	14,468	51,950	16,276	24,883
F	4BD, 4BT, 4BS, 4BB	16,256	60,393	17,655	158,584	19,296	53,089
G	5BD, 5BS, 6BD	22,644	8,799	24,423	23,175	25,606	6,169

In summary

The purpose of this Modification is to:

1. Facilitate an amendment to the CSEP NExA, Annex A, Part 8, by replacing the current published version of the AQ Table with the version inserted below.

3 Solution

This Modification proposes to bring the UNC in line with the CSEP nexa table agreed under modification IGT040

Replace existing CSEP NExA Table:

Band	House Type	South SW, NT, WS, SO		Average WN, SE, NW, EA, EM, WM, NE		North NO, SC	
		AQ (kWh)		AQ (kWh)		AQ (kWh)	
A	1 Bed	8,815		9,585		10,127	
B	2BF, 2BT	10,639		11,270		11,659	
C	2BS, 2BD, 3BT, 3BF	13,120		13,530		14,255	
D	3BS, 2BB	14,348		14,611		15,871	
E	3BD, 3BB	16,180		17,303		19,758	
F	4BD, 4BT, 4BS, 4BB	19,823		21,195		22,690	
G	5BD, 5BS, 6BD	28,077		30,035		31,176	

with Revised version below

Band	House Type	South SW, NT, WS, SO		Average WN, SE, NW, EA, EM, WM, NE		North NO, SC	
		AQ (kWh)		AQ (kWh)		AQ (kWh)	
A	1 Bed	6,473		7,022		7,718	
B	2BF, 2BT	7,989		8,383		8,684	
C	2BS, 2BD, 3BT, 3BF	10,776		11,304		11,372	
D	3BS, 2BB	11,748		12,221		12,596	
E	3BD, 3BB	13,429		14,468		16,276	
F	4BD, 4BT, 4BS, 4BB	16,256		17,655		19,296	
G	5BD, 5BS, 6BD	22,644		24,423		25,606	

4 Relevant Objectives

Implementation is expected to better facilitate the achievement of **Relevant Objective d**

Proposer's view of the benefits against the Code Relevant Objectives

Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None identified
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 identified
c) Efficient discharge of the licensee's obligations.	None identified
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.	Yes
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 identified
f) Promotion of efficiency in the implementation and administration of the Code	None identified
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 identified

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.

Increased accuracy of AQ values as a result of bringing them up to date, reflecting changes such as energy efficiency requirements under Building Regulations, will change the allocation of energy and transportation costs between Shippers. More appropriate targeting of costs is consistent with facilitating the securing of effective competition between Shippers.

Scotia Gas Networks also believed that the improved initial energy allocation for new built properties can also lead to better estimations of offtake quantities at the CSEP.

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5 Impacts and Costs

Consideration of Wider Industry Impacts

Wider industry impacts have been discussed as part of the IGT Review group (IGT030), which preceded the raising of Modification IGT040.

The impacts identified have been discussed, and the group agreed that the revised table is more reflective of the current AQ consumption across the market.

Costs

Indicative industry costs – User Pays	
Classification of the proposal as User Pays or not and justification for classification	
This Proposal is not User Pays because no user pays service is created or amended, and no Transporter Agency costs are anticipated as a result of implementation.	
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification	
N/A	
Proposed charge(s) for application of Users Pays charges to Shippers	
N/A	
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve	
N/A	

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	• N/A
Operational Processes	• N/A
User Pays implications	• This proposal is not user pays

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	• N/A
Development, capital and operating costs	• N/A



Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
www.gasgovernance.co.uk/sites/default/files/0565.zip

Impact on Users	
Contractual risks	<ul style="list-style-type: none">• N/A
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• N/A

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none">• N/A
Development, capital and operating costs	<ul style="list-style-type: none">• N/A
Recovery of costs	<ul style="list-style-type: none">• N/A
Price regulation	<ul style="list-style-type: none">• N/A
Contractual risks	<ul style="list-style-type: none">• N/A
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• N/A
Standards of service	<ul style="list-style-type: none">• N/A

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none">• N/A
UNC Committees	<ul style="list-style-type: none">• N/A
General administration	<ul style="list-style-type: none">• N/A

Impact on Code	
Code section	Potential impact
N/A	<ul style="list-style-type: none">•

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none">• N/A
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	<ul style="list-style-type: none">• CSEP NExA, Annex A Part 8
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none">• N/A
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none">• N/A

Impact on UNC Related Documents and Other Referenced Documents	
Network Code Operations Reporting Manual (TPD V12)	• N/A
Network Code Validation Rules (TPD V12)	• N/A
ECQ Methodology (TPD V12)	• N/A
Measurement Error Notification Guidelines (TPD V12)	• N/A
Energy Balancing Credit Rules (TPD X2.1)	• N/A
Uniform Network Code Standards of Service (Various)	• N/A

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	• N/A
Gas Transporter Licence	• N/A

Other Impacts	
Item impacted	Potential impact
Security of Supply	• N/A
Operation of the Total System	• N/A
Industry fragmentation	• N/A
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	• IGTs would need to make the necessary change to IUNC to allow alignment of process (this is being addressed under Mod 040).

6 Implementation

No specific implementation timescale is proposed.

Since IGTs calculated and developed the revised CSEP NExA table, with input from Shippers, and the intention was clear at the IGT Workgroup that the output was the development of modifications to facilitate amending the current table, it is assumed that IGTs will be in a position to accommodate the revised table in their charge calculations on a forward looking basis.

EDF Energy, RWE npower and SSE would like to see this modification being implemented in time for the revised CSEP NExA table to be able to come into effect from 01 January 2012.

EDF Energy suggests an alternative date 01 April 2012 to coincide with the Distribution Networks changing their prices.

7 The Case for Change

None in addition to that identified the above

8 Legal Text

The legal text is essentially the revised CSEP NExA Table provided in Section 3 above, with no change to the UNC itself.

National Grid Distribution noted that the Modification Proposal refers on four occasions to proposed changes to the AQ table in TPD Annex G3 of the UNC. They understand it was not the Proposer's intention to seek to amend Annex G3 but multiple references in the Modification remain.

9 Consultation Responses

Representations were received from the following parties:

Respondent	
Company/Organisation Name	Support Implementation or not?
A Betts	Comments
British Gas	Supports
EDF Energy	Supports
E.ON UK	Supports
National Grid Distribution	Supports
Northern Gas Networks	Supports
RWE Npower	Supports
Scotia Gas Networks	Supports
Scottish Power	Supports
SSE	Supports

In summary, of the ten representations received, 9 supported implementation and 1 offered comments.

Summary Comments

A Betts advises that if there is an intention to further reduce NExA valuations, consideration should be given to the need to carry out further research on the validity of currently used formulae for the calculation of diversity and peak gas loads. This exercise would need to be carried out at a number of sample estates to validate the data.

A Betts considers it is possible to get into a situation where estate mains designed using the new valuations may not be robust enough to meet instances where developments employing the use of "combination type" instantaneous boilers are a significant part of the users population group. iGT's would need to give additional guidance on the validity of currently used software /equations to designing UIP's for gas networks.

British Gas would prefer a transition to a more effective settlement regime for iGT sites, based on convergence with the proposed framework for non-iGT sites, however they recognise that this may not be achievable in the short term. They therefore welcome short term changes which improve the accuracy of the current iGT process.

EDF Energy considers implementation of more accurate AQ values will result in increased accuracy of costs with regards to CSEP off-take. It will also result in fairer gas transportation costs on IGT pipelines as the initial AQ assigned to newly connected sites is a key determinant of future costs under the Relative Price Control approach.

RWE npower noted as part of the discussion at the IGT030 workgroup, the group agreed that the revised table is more reflective of the current AQ consumption across the market. Therefore, the increased accuracy of AQ values as a result of bringing

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them up to date will most likely change the allocation of energy and transportation costs between shippers.

Both RWE npower and SSE, in support of the modification, comment that there has been no change to the CSEP NExA table for a number of years. They believe revision will ensure the table remains fit for purpose.

10 Panel Discussions

The Panel Chair summarised that this modification seeks to allow updating of a table in Annex A of the LDZ CSEP NExA. IGTs are required to adopt the AQ values present within this table for the purpose of calculating domestic transportation charges, and updating the values will make them more reflective of present consumption patterns, reflecting changes such as energy efficiency requirements under Building Regulations.

Increased accuracy of AQ values as a result of bringing them up to date will change the allocation of energy and transportation costs between Shippers. More appropriate targeting of costs is consistent with facilitating the securing of effective competition between Shippers.

Panel Members then voted unanimously in favour of recommending implementation.

11 Recommendations

Panel Recommendation

Having considered the 0392 Modification Report, the Panel recommends:

- that proposed Modification 0392 should be made.