

UNC Distribution Workgroup Minutes
Monday 14 December 2020
via Microsoft Teams

Attendees		
Alan Raper (Chair)	(AR)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Sonniya Fagan	(SF)	Joint Office
Carl Whitehouse	(CW)	Shell Energy
Chris Hooper	(CH)	E.ON Energy
David Addison	(DA)	Xoserve
David Mitchell	(DM)	SGN
Ellie Rogers	(ER)	Xoserve
Fiona Cottam	(FC)	Xoserve (Workgroup 0693R only)
Fraser Mathieson	(FM)	SPAA/Electralink
Gareth Evans	(GE)	ICoSS
Guv Dosanjh	(GD)	Cadent
India Koller	(IK)	SGN
Joshua Merriweather	(JM)	Cadent (DWG only)
Kirsty Dudley	(KD)	E.ON
Lorna Lewin	(LL)	Orsted
Oorlagh Chapman	(OC)	Centrica
Phil Lucas	(PL)	National Grid
Rebecca Cailles	(RC)	BU-UK
Rose Kimber	(RK)	CNG Ltd
Shiv Singh	(SS)	Cadent (DWG only)
Steve Britton	(SB)	Cornwall Insights
Steve Mulinganie	(SM)	Gazprom Energy
Tim Davis	(TD)	Barrow Shipping Ltd
Tracey Saunders	(TS)	Northern Gas Networks

Copies of all papers are available at: www.gasgovernance.co.uk/dist/261120

1. Introduction and Status Review

Alan Raper (AR) welcomed everyone to the meeting.

1.1. Approval of Minutes (26 November 2020)

The minutes from the previous meetings were agreed.

1.2. Approval of late papers

AR advised Workgroup there were no late papers to consider for Distribution Workgroup.

1.3. Review Outstanding Actions

Action 0103/0104: *Change of Tenancy Flag / CSS issues Original Action:* DA to liaise with SM regarding the possibility of having to raise a Change Request to Ofgem, or Shippers will not be provided the information.

Update: Dave Addison (DA) confirmed there is no update available but will endeavour to provide the information required for the next meeting in January 2021. **Carried Forward to review January 2021**

Action 0801: Ofgem to consider whether there are any further actions open to Ofgem regarding recent AQ Amendments by one Shipper recognising that there has been a material impact on Shippers and whether this can be addressed retrospectively.

Update: AR advised this will be covered within Modification 0746 and will be covered either via the solution in Modification 0746 or as a separate action under Workgroup 0746. **Closed**

Action 1101: *Increased DM SOQ Flexibility* - TD will discuss with AR to agree the best approach.

Update: Action complete. AR confirmed a new Request (www.gasgovernance.co.uk/0749) has been raised to cover this topic and is being presented to UNC Panel on Thursday 21 January 2021. **Closed**

Action 1102: *Modification 0730 - COVID-19 Capacity Retention Process*: SM, DA and subsequently TS, (the legal text provider), to convene and resolve in order to produce a Variation and new legal text.

Update: AR confirmed that Modification 0730 was discussed at an extra ordinary meeting held on 27 November 2020 where it was decided Modification 0730 needs to be varied, therefore a Variation has been raised which includes a revised Business Rule and revised legal text.

AR confirmed it was the consensual view of Workgroup that the Variation should be accepted and the varied Modification (& FMR) be issued for a short re-consultation of 5 Business Days.

In relation to the Panel Action paper (PAN 11/03), DA wanted to draw attention to the caveats included and that everyone is aware that the values are based on information received from shippers to date and that values could change, if more information becomes available. He added that CDSP are unsure what the capacity rebate will do in terms of behaviour and any future lockdowns.

The Workgroup Supplemental Report was updated during the conversation to reflect that the CDSP advised that an updated Panel Action Paper is to be provided to accompany this report and the CDSP underlined that the caveats in the paper should be noted. AR added extra words to the Workgroup Supplemental Report to reinforce the paper is a caveated paper.

Kirsty Dudley (KD) clarified that the Modification was discussed previous Panel meeting where it was confirmed that there would be no requirement for an IGT modification to be raised.

DA clarified that Business Rule 5 may require IGTs to re- consider as IGTs may be party to a process.

Heather Ward (HW) advised that Gemserv took an action at the IGT meeting to investigate the need for an IGT modification. It was discussed that, because the Shippers need to do something, it may have an impact on the IGT UNC.

SM confirmed that this is simply a validation process only and he does not believe the introduction of the extra business rule creates an IGT impact and confirmed he would not be raising an IGT modification. He added there is no logic as to why the final step of a process, where previously it has been stated there is no IGT impact, can now be deemed to have an impact.

AR clarified that Joint Office would contact Gemserv to identify if there are any concerns. This modification will progress on the merits that are presented in the paper now. If there is an IGT impact, this would need to be dealt with separately.

New Action 1201: Joint Office (AR) to contact Gemserv to identify if there are any concerns and if an IGT modification is required.

Post meeting note: The view of the IGT UNC Code Administrator is that, provided LDZ Capacity Charges for supply points downstream of CSEPs are part of the rebate scheme, to accommodate the shipper confirmation process in Business Rule 5, an IGT UNC Modification would be required.

Tracey Saunders (TS) advised, in relation to the legal text, that due to the delays with this modification, changes relating to references to the relevant COVID-19 Regulations have been removed and placed in a Fast-Track Modification which is due to be presented to UNC Panel on Thursday 17 December 2020.

AR confirmed the next steps for modification 0730:

The revised FMR, including the Supplemental Report will be presented to UNC Panel on Thursday 17 December 2020 where Panel will be asked to decide on the materiality of the variation, should it be re-issued to consultation, the view of the Workgroup is that the re-consultation should close to allow the varied Final Modification Report to be presented to UNC Panel in January 2020.

SM advised if this is deemed to go back out to consultation, he would be asking if he can include the following Panel Questions into the Consultation to assist future CDSP analysis:

The likely utilisation of Modification 0730 based on a National Lockdown

1. Aggregate number of Supply Points in Scope
2. Aggregate volume (kWh)
3. % of Supply Points where the relief from Mod 730 would pass directly to the Customer (i.e. pass-through contracts)

This concluded the discussion on Modification 0730 and Action 1102 was closed.

Closed

1.4. Modifications with Ofgem

Max Lambert passed on his apologies for this meeting. AR advised that no further update has been provided and that the information given at last month’s meeting would still stand, as below:

Modification	Ofgem update
0701 - Aligning Capacity booking under the UNC and arrangements set out in relevant NEXAs	A DSC change has been implemented which flags sites with a NEXA so some benefit to sites already, so modification has been deprioritised.
0696V - Addressing inequities between Capacity booking under the UNC and arrangements set out in relevant NEXAs	DSC change has been implemented which flags sites with a NEXA so some benefit to sites already, so modification has been deprioritised.
0687 - Creation of new charge to recover Last Resort Supply Payments	This has been deprioritised whilst an alternative system for recovery of levy payments is developed under the REC.

1.5. Pre-Modification discussions

None for this meeting.

2. Workgroups

2.1. 0693R – Treatment of kWh error arising from statutory volume-energy conversion

(Report to Panel 17 December 2020)

<https://www.gasgovernance.co.uk/0693>

2.2. 0734S – Reporting Valid Confirmed Theft of Gas into Central Systems

(Due to report to Panel 18 February 2021)

<https://www.gasgovernance.co.uk/0734>

2.3. 0746 - Clarificatory change to the AQ amendment process within TPD G2.3

(Report to Panel early on 15 April 2021)

3. UIG Update

3.1. UIG Update

Ellie Rogers (ER) provided an update:

The LDZ National UIG continues to be published on the Xoserve secure section of their website: <https://xoserve.sharepoint.com/sites/XEUKLINKDev/>

- Folder 18
- Subfolder "Demand Estimation Project Nexus" for the daily UIG values - document "LDZ UIG Values"
- Subfolder "UIG" for the Monthly industry portfolio reports

As of last week, daily tracking of National UIG showed that it had been much less negative and volatile during England's second lockdown, mainly between -5% and +5%.

It is assumed this is due to a mixture of more businesses staying open during this second lockdown and having moved beyond the autumn "shoulder period" into more consistently colder weather.

Although the UIG Task Force has been formally closed, the email box is still monitored for UIG queries: uigtaskforce@xoserve.com.

4. COVID-19 Issues

4.1. Update from October 2020 UNC Panel

AR advised there is nothing new to add Nothing new to add under this topic, but it will continue to be a standard agenda item at the Distribution Workgroup.

Tracy Saunders (TS) advised Workgroup of her new Modification 0750 - Amendment to regulations relating to Covid Modifications, which is intended to be Fast Track, is due to be presented to UNC Panel on Thursday 17 December 2020.

The Modification will update the quoted regulations in the Uniform Network Code (UNC) Transitional Arrangements Document Part VI for the devolved governments with the new regulations that replace them, as well providing clarity to obligations and future proofing against further amendments to regulations.

5. CSS Consequential Changes – Detailed Design Report

DA provided the following update:

- The Retail Code Consolidation, (RCC) SCR proposed text was sent to Ofgem last week, which will be deleting TPD V5.14.

Ofgem had hoped to provide a view of their deliberation but have now decided to put this in the consultation document, CDSP will need to wait for the conclusions of the consultation and the 2nd version of RCC for those change to take effect.

- Attention needs to shift to the next Faster Switching consultation, (anticipated during March 2021), and there will be an action to review the proposed enabling text to ensure it still aligns with the design.
- Changes to GTD and Transitional Rules, there will be a need to make sure Code supports those changes.
- When RP asked if the consultation on the Modification Rules is due out shortly, DA confirmed this.

RP also clarified that a comment made from the last consultation that everyone was broadly in agreement with Ofgem proposals, although RP noted, as evidenced by a second consultation, this may not necessarily be the case.

DA advised he believes the latest change to the modification rules is to propose any Code Administrator can raise any change to any Code and that this has been challenged by the CDSP, since as drafted, for example, the BSC could raise a UNC modification whereas it would be much simpler if each Code Administrator could just make changes to their own Code.

When RP asked, regarding the Faster Switching rules, if there is a year to get the rules in to Code, DA confirmed that is the case but added that nominations run for 6 months and he is yet to see the detail on the Transitional Rules, although the CSS Program office are confident they are well defined. It is the Transitional Rules that are expected to be delivered in the next set of text.

DA advised he is starting to collate questions with regards to what has been included in previous versions of UNC but Industry has moved since those baselines were set.

New Action 1202: CSS Consequential Changes – Detailed Design Report - DA to provide a view of the issues that he is thinking through in relation to CSS Consequential Changes ahead of next meeting for review in Workgroup.

6. Issues

None raised.

7. Any Other Business

7.1. Update on the CDSP's consultation on the NDM Algorithm

Mark Perry (MP) provided an update on the CDSP consultation on the NDM Algorithm; a summary of the key message from the industry responses and conclusions; an update on the recent enhancements to Demand Modelling and suggested next steps and the indicative timeline.

MP explained the objective of the consultation on the NDM Algorithm was to gather quantitative feedback on the level of support for improvements in the Non-Daily Metered (NDM) gas allocation algorithm; gather additional information on whether there is a requirement to retain the existing NDM gas allocation formula; gather views on the future direction of the NDM sector of the GB gas market, and to quantify any financial benefits of a reduction in UIG due to improvements in the NDM allocation algorithm.

MP advised 8 responses were received and, where permission was granted, the individual responses are published on the Joint Office website here: www.gasgovernance.co.uk/DESC/ConsultationIndustryResponses. A summarised conclusions document has been produced and can be found here: www.gasgovernance.co.uk/DESC/Consultation.

The headline conclusions from the consultation are as follows:

- Strong support from all respondents to seek improvements to the performance of the NDM Algorithm, with many referencing the consequential benefits of lower/less volatile UIG

- Qualified support for Machine Learning (M/L). Most responses happy to consider an option where M/L is used to improve the existing parameters (i.e. ALPs/DAFs) but NOT to move to a fully 'Blackbox' approach
- Any significant changes from the current approach to Demand Modelling which results in the use of advanced analytical techniques (e.g. Machine Learning) should be proven using simulation and/or parallel running with clear benefits to the industry demonstrated
- Strong support from most respondents to continue with the current NDM Algorithm and to retain its existing parameters i.e. ALPs and DAFs. Very clear that these are embedded across the industry for not just NDM allocation but several other processes
- Responses suggest there will continue to be a requirement to estimate NDM demand for several years to come and so investigating alternative options would not be wasted effort

KD asked where the decisions likely to be made and what happens next. MP suggested now CDSP have a narrower idea of how to take this forward and there may be a requirement for a UNC Review Group, that meets every month and sits alongside DESC.

KD clarified this could be a Review Group that is more open to all Industry participants rather than, at DESC, participants are more technically focussed.

Next Steps

MP summarised the next steps as being:

- Assess feedback from customers at industry forums in December
- DESC's review of the NDM Algorithm will be difficult to complete during its 'normal business' and current meeting schedule in 2021 (not frequent enough)
- To keep focus, quick progress and to increase visibility of options and discussions the CDSP is recommending a UNC Review Group be established
- Objective would be to investigate whether the use of advanced analytical technique options e.g. Machine Learning, in the derivation of the parameters used in the current NDM Algorithm could further improve the accuracy of the NDM allocation and subsequent UIG
- Simulation and parallel running, similar to the results on slides 17/18, would be necessary to demonstrate the benefits of any alternative options
- An industry party would be required to sponsor the UNC Review Group

Workgroup discussed the viability of creating a Review Group and concluded it would be preferable to look at drafting either in the form of a modification and/or the terms of reference for discussion at the next meeting in January 2021, where a pre-modification discussion could take place. A modification could then be raised ready for the February 2021 UNC Panel.

For more detail please refer to the published presentation on the [meeting page](#).

7.2. AQ Calculations pre-modification

SM provided a brief view of a modification he is considering for submission to the January 2021 UNC Panel.

Problem statement: *The dynamic nature of the rolling AQ means that Supply Points in Class 1 & 2 with a relatively large SOQ but reducing AQ could end up falling below the Customer Charge threshold, 25,000 Therms, after which a much higher Customer Charge is applied.*

Proposal: *Gazprom Energy proposes that for Class 1 & 2 sites the Customer Charge is linked to the Formula Year AQ (FYAQ) and not the Rolling AQ. In Class 1 & 2 the SOQ cannot be*

changed dynamically throughout the year to match the Rolling AQ and thus it creates this position of a reducing Rolling AQ whilst the SOQ remains artificially high.

This is not a problem in Class 3 & 4 were the SOQ is a function of the Rolling AQ.

SM explained when an AQ moves below certain thresholds it derives a different calculation.

When RP asked if this is to do with the 732,000 kWh when a higher customer charge is applied, SM confirmed that it was: 25,000 therms roughly equates to 732,000 kWh.

SM requested feedback before it is presented as a new modification to the January UNC Panel.

No further questions raised.

8. Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Time / Date	Venue	Workgroup Programme
Thursday 28 January 2021	Teleconference	Distribution Workgroup standard Agenda

Action Table (as of 14 December 2020)						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0103 & 0104	23/01/20	3.0	Change of Tenancy Flag / CSS issues: (Original Action: DA to liaise with SM regarding the possibility of having to raise a Change Request to Ofgem, or Shippers will not be provided the information.)	January 2021	CDSP (ER)	Carried Forward
0801	27/08/20	1.5	Ofgem to consider whether there are any further actions open to Ofgem regarding recent AQ Amendments by one Shipper recognising that there has been a material impact on Shippers and whether this can be addressed retrospectively.	December 2020	Ofgem (JD)	Closed
1101	26/11/20	1.5	Increased DM SOQ Flexibility - TD will discuss with AR to agree the best approach.	December 2020	Joint Office (AR)	Closed
1102	26/11/20	4.0	Modification 0730 - COVID-19 Capacity Retention Process SM, DA and subsequently TS, (the legal text provider), to convene and resolve in order to produce a Variation and new legal text.	December 2020	Steve Mulinganie; Dave Addison and Tracy Saunders	Closed
1201	14/12/20	1.3	Joint Office (AR) to contact Gemserv to identify if there are any concerns and if an IGT modification is required.	As soon as possible	Joint Office (AR)	Pending

1202	14/12/20	5.0	CSS Consequential Changes – Detailed Design Report CDSP (DA) to provide a view of the issues that he is thinking through in relation to CSS Consequential Changes ahead of next meeting for review in Workgroup.	January 2021	CDSP (DA)	Pending
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