

UNC Final Modification Report	At what stage is this document in the process?
<h1>UNC 0690S:</h1> <h2>Reduce qualifying period for Class 1</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #008080; padding: 2px; display: flex; align-items: center; gap: 5px;"><span style="border: 1px solid #008080; border-radius: 50%; padding: 2px 5px;">01</span> Modification</div> <div style="border: 1px solid #008080; padding: 2px; display: flex; align-items: center; gap: 5px;"><span style="border: 1px solid #008080; border-radius: 50%; padding: 2px 5px;">02</span> Workgroup Report</div> <div style="border: 1px solid #800080; padding: 2px; display: flex; align-items: center; gap: 5px;"><span style="border: 1px solid #800080; border-radius: 50%; padding: 2px 5px;">03</span> Draft Modification Report</div> <div style="border: 1px solid #FF8C00; padding: 2px; display: flex; align-items: center; gap: 5px;"><span style="border: 1px solid #FF8C00; border-radius: 50%; padding: 2px 5px;">04</span> Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>This Modification proposes that the qualifying period for the requirement for a meter point to become Class 1 is reduced, to limit the time period when very large sites are subject to NDM Demand Estimation, as opposed to being Daily Metered.</p> <p>The Modification also proposes a new Performance Assurance report of sites which have met the qualifying criteria for Class 1 but are in Class 2, Class 3 or Class 4.</p>	
	Panel consideration is due on <b>20 February 2020</b> .
	High Impact: None
	Medium Impact: Shippers, CDSP, DM Service Providers
	Low Impact: Gas Transporters, affected End Consumers

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Timetable		
<b>Modification timetable:</b>		
Initial consideration by Workgroup	29 April 2019	
Workgroup Report presented to Panel	19 December 2019	
Draft Modification Report issued for consultation	19 December 2019	
Consultation Close-out for representations	24 January 2020	
Final Modification Report available for Panel	27 January 2020	
Modification Panel decision	20 February 2020	

 Any questions?

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## 1 Summary

### What

This Modification proposes that the qualifying period for the requirement for a meter point to become Class 1 is reduced, to limit the time period when very large sites are subject to NDM Demand Estimation, as opposed to being Daily Metered.

### Why

The Unidentified Gas Task Force (as established by UNC Modification 0658) has determined that very large sites which are above the Class 1 threshold but remain as either Class 3 or Class 4 can contribute to daily UIG volatility. This is because their daily gas allocation will be determined using the Non-Daily Metered (NDM) Demand Estimation Algorithm rather than using their actual metered consumption.

Although any differences between allocated and actual consumption will be corrected by meter point reconciliation, these sites may have an irregular usage pattern and NDM Algorithm may not be a good estimate of the actual consumption, with any difference being a component of UIG each day.

Based on the findings of the UIG Task Force, as at December 2018 just 12 sites were contributing 0.85% of national LDZ throughput to annualised UIG and up to 0.3% of national LDZ throughput to daily UIG volatility. Several of these large sites had multiple consecutive Rolling AQ calculations above the Class 1 threshold of 58,600,000 kWh but had not yet met the G1.6.15 conditions:

*Where it is a condition of a change in classification (under any provision of the Code) of a Supply Point or Supply Meter Point that the Annual Quantity of such System Exit Point is or has become greater than, not less than, less than or not greater than a specified quantity (the “threshold requirement”), the condition shall be treated as satisfied, with effect from the first Day of the month following an AQ Calculation Month (‘M’), if and only if:*

- (a) each AQ Calculation Month in the preceding period of 6 months is a qualifying AQ Calculation Month; and*
- (b) there are at least 3 consecutive qualifying AQ Calculation Months (including month M), or if there are fewer than 3 AQ Calculation Months in the preceding period of 18 months, each AQ Calculation Month in that 18 month period is a qualifying AQ Calculation Month.*

### How

This Modification proposes that the qualifying period for the requirement for a meter point to become Class 1 is reduced, to limit the time period when very large sites are subject to NDM Demand Estimation as opposed to being Daily Metered. The qualifying number of calculations will remain unchanged (at 3) to minimise the risk of sites “bouncing” in and out of Class 1 due to Rolling AQ volatility.

This Modification also seeks to introduce an additional report to Performance Assurance Committee (and a corresponding anonymised report) in the Performance Assurance Report Register of meter points which have met the qualifying period requirement but are not in Class 1, with details of the current rolling AQ and the number of AQ calculations above the threshold.

## 2 Governance

### Justification for Self-Governance

This Modification is recommended for self-governance procedures, on the basis that it is a minor change to industry governance and seeks to improve take-up of Class 1, and thereby reduce UIG volatility.

This Modification does not seek to prescribe any change to end consumer billing arrangements, which are at the discretion of the Supplier. Meter points with an AQ above 732,000 kWh should already have a daily reading capability.

### Requested Next Steps

This self-governance modification should proceed to consultation.

## 3 Why Change?

The current arrangements allow for an unacceptable delay between the AQ increasing above the Class 1 threshold, and the site being moved to a Class 1 service. During this delay, the meter point will be subject to NDM Allocation, based on a standard national profile, rather than being allocated energy based on its actual daily usage.

Based on the findings of the UIG Task Force, as at December 2018 just 12 sites were contributing 0.85% of national LDZ throughput to annualised UIG and up to 0.3% of national LDZ throughput to daily UIG volatility.

## 4 Code Specific Matters

### Reference Documents

UIG Task Force findings:

<https://www.xoserve.com/media/1492/321-inaccurate-or-out-of-date-aqs-non-daily-metered-euc09-sites.pdf>

### Knowledge/Skills

A knowledge of the daily reading process would be useful.

## 5 Solution

This Modification proposes that the qualifying period for the requirement for a meter point to become Class 1 is reduced, to limit the time period when very large sites are subject to NDM Demand Estimation, as opposed to being Daily Metered.

The proposal is to change the conditional triggers to the following:

- where there have been at least 3 consecutive qualifying AQ calculations above the Class 1 threshold (not necessarily in consecutive months) then the conditions for Class 1 are met, or failing that;
- if the AQ has remained above the threshold for **12 months**, regardless of the number of consecutive qualifying AQ calculations, then the conditions for Class 1 are met.

This Modification also seeks to introduce an additional report to Performance Assurance Committee (and a corresponding anonymised report) in the Performance Assurance Report Register of meter points which have met the qualifying period requirement but are not in Class 1, with details of the current rolling AQ and the number of AQ calculations above the threshold. For reference the reporting data items specified by the pre-existing Change Request XRN4867 is as below:

- *MPRN*
- *Shipper Short Code*
- *Network Operator*
- *End User Category*
- *Confirmation status*
- *Meter status*
- *Meter point status*
- *Site Type*
- *Rolling AQ effective date*
- *Rolling AQ*
- *Meter Link Code*
- *LDZ*
- *Meter read frequency*
- *Previous Rolling AQ*
- *Formula Year AQ*
- *Rolling SOQ volume*

For the avoidance of doubt, this Modification only proposes to change the qualifying period rules as far as they relate to the Class 1 requirement.

Although the UIG Task Force findings referred only to Class 3 and 4 sites which had breached the threshold for Class 1, this Modification is intended to also apply to Class 2 sites and requires that they are converted to Class 1 on satisfying the revised qualification criteria.

## 6 Impacts & Other Considerations

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

None

### Consumer Impacts

This Modification does not seek to prescribe any change to end consumer billing arrangements, which are at the discretion of the Supplier. Meter points with an AQ above 732,000 kWh should already have a daily reading capability.

### Cross Code Impacts

The Proposer clarified for Workgroup that the Modification should apply to IGT sites and that he did not expect a separate IGT Modification to be required since the section of Code likely to be amended is referenced in the IGT-UNC at a sufficiently high level. It is not anticipated a SPAA change would be required.

## EU Code Impacts

None

## Central Systems Impacts

CDSP systems will need to be changed to identify sites which have met or are approaching the qualifying threshold and to produce the additional reports.

A CDSP internal Change Request (XRN4867) has already been raised to automate the monthly reporting of EUC09, categorised as Red/Amber/Green against the UNC obligations.

## Rough Order of Magnitude (ROM) Assessment

A ROM was received on 10 June 2019 and can be found here: <https://www.gasgovernance.co.uk/0690>

The details of the ROM are as follows:

- Change Costs (implementation): No implementation costs identified
- Change Costs (on-going): No on-going costs identified
- Timescales: Performance Assurance Committee report to be implemented as a Minor Enhancement

## Workgroup Impact Assessment

Workgroup Participants did not believe there were any Greenhouse gas emission impacts because the amount of gas consumed is not thought to be directly affected by this Modification.

Workgroup Participants very briefly noted that the Retail Code Consolidation Significant Change Review has not yet been launched and dependent on the UNC Legal Text for this Modification, there may be some linkages which could be identified at a later date.

In reviewing the Legal Text, Workgroup Participants noted that the way month M is designated in G1.6 means that a read from 11 months before the implementation date could lead to the conclusion that a move to Class 1 is required upon Implementation or shortly after. Workgroup noted that Modification 0691S also acts upon this information.

Workgroup Participants considered that the Business Rules as drafted do not result in any retrospective requirements.

Workgroup Participants wished to highlight that there is no delayed implementation envisaged so the new rules will apply from date of implementation and that a site could therefore need to be re-nominated into Class 1 upon implementation or soon after.

However, Workgroup Participants suggested a question for Panel to ask consultation respondents to consider whether there are any unintended consequences of the timings of the implementation as drafted.

Workgroup Participants suggested a longer consultation period as this Modification will likely be at consultation over the Christmas period.

## Consumer Impacts

Consumer Impact Assessment	
Criteria	Extent of Impact
Which Consumer groups are affected?	The Proposer and Workgroup agreed that the only group affected would be Very Large Consumers.
What costs or benefits will pass through to them?	Proposer and Workgroup agreed there is the potential for improvement to UIG positions because these sites will be obligated to be on daily metered consumption rather than subject to the NDM algorithm. Therefore, the daily allocation will be more accurate. Settlement overall should thus be more accurate.
When will these costs/benefits impact upon consumers?	This Modification will obligate sites to be moved into Class 1 earlier than if this Modification did not exist. For the consumer to benefit, any change must be first passed down by Shippers to Suppliers and from Suppliers to consumers. There may also be costs passed down in the same manner.
Are there any other Consumer Impacts?	Workgroup did not identify any other impacts.

## 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.	<b>Positive</b>
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.	<b>Positive</b>
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.	<b>Positive</b>
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.	None
g) Compliance with the Regulation and any relevant legally binding decisions of	None

the European Commission and/or the Agency for the Co-operation of Energy Regulators.

The main impacted objective is d). The Use of Class 1 instead of Classes 2, 3 and 4 for the largest sites in the market would lead to greater accuracy of daily allocation, less UIG volatility and lower levels of subsequent meter point reconciliation.

The Modification also has positive benefits for Relevant Objectives a) and b) as ensuring daily visibility of consumption from the largest loads on the system would improve the operation and coordination of the pipeline systems and allow more informed capacity planning.

Workgroup Participants agreed with the case set out by the Proposer for Relevant Objective d). Workgroup discussed whether the changes will have an effect on network planning in order to positively impact Relevant Objective a). On balance there is likely to be a small positive impact here.

## 8 Implementation

After a Modification Panel decision to implement, subject to no Appeal being raised, the CDSP would need to confirm the delivery for the provision of the required reports. However, the change to the qualifying period could be implemented with immediate effect if desired.

## 9 Legal Text

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

### Text Commentary

Reference	Explanation
<b>Transportation Principal Document</b>	
<b>Section G – Supply Points</b>	
1.16.5(a)	<p>Introduction of new definition of 'relevant month' as satisfying the threshold requirement test for the purposes of:</p> <ul style="list-style-type: none"> <li>- paragraphs 1.6.5(a) and in relation to a change to Class 1 only in paragraph 1.16.5(b)(i) depends on month M being an AQ Calculation Month (so the approach is only to look backwards from an AQ Calculation Month);</li> <li>- in relation to a change to Class 1 only in paragraph 1.16.5(b)(ii) depends on there being a 12 month period since a qualifying AQ Calculation Month during which there were no other AQ Calculation Months, or if there were, they were all qualifying AQ Calculation Months (so here the approach is look backwards after every month).</li> </ul>

1.6.15(b)	Introduces the two new change to Class 1 only tests; where the last three AQ Calculation Months were all qualifying AQ Calculation Months or where there has been a period of 12 months following a qualifying AQ Calculation Month during which there have been no further AQ Calculation Months, or if there have been, they have all been qualifying AQ Calculation Months.
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## Text

### TRANSPORTATION PRINCIPAL DOCUMENT

#### SECTION G – SUPPLY POINTS

Amend paragraph 1.6.15 and 1.6.16 to read as follows:

1.6.15 Where it is a condition of a change in classification (under any provision of the Code) of a Supply Point or Supply Meter Point that the Annual Quantity of such System Exit Point is or has become greater than, not less than, less than or not greater than a specified quantity (the “**threshold requirement**”), the condition shall be treated as satisfied with effect from the first Day of the month following ~~an AQ Calculation Month~~ a relevant month (‘M’), if and only if:

(a) except where paragraph (b) applies:

- (i) each AQ Calculation Month in the preceding period of 6 months is a qualifying AQ Calculation Month; and
- (ii) there are at least 3 consecutive qualifying AQ Calculation Months (including month M), or if there are fewer than 3 AQ Calculation Months in the preceding period of 18 months, each AQ Calculation Month in that 18 month period is a qualifying AQ Calculation Month;

(b) in the case of a requirement for a change in classification to Class 1 by reason of the Annual Quantity of the Supply Meter Point being not less than the threshold requirement, if:

- (i) the last 3 AQ Calculation Months were qualifying AQ Calculation Months (including Month M); or
- (ii) the last AQ Calculation Month prior to the commencement of the preceding period of 12 months was a qualifying AQ Calculation Month, and any AQ Calculation Month in that period is a qualifying AQ Calculation Month.

1.6.16 For the purposes of paragraph 1.6:

- (a) an AQ Calculation Month is a qualifying AQ Calculation Month if the Annual Quantity calculated in such month satisfies the relevant threshold requirement;
- (b) a preceding period is a period ending with and including month (M);
- (c) a relevant month is:
  - (i) in relation to paragraph 1.6.15(a) and (b)(i), an AQ Calculation Month;
  - (ii) in relation to paragraph 1.6.15(b)(ii), the last month in the preceding period.

## 10 Consultation

Panel invited representations from interested parties on 19 December 2019. The summaries in the following table are provided for reference on a reasonable endeavours' basis only. It is recommended that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 7 representations received 5 supported implementation, 1 offered qualified support and 1 provided comments.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Cadent Gas	Support	a – positive b – positive d – positive	<ul style="list-style-type: none"> <li>This Modification would move Supply Points into Class 1 more quickly than at present once the AQ reaches the AQ threshold. This should ensure a reduction in Unidentified Gas (UIG).</li> <li>Implementation of the Modification should take place as soon as any changes to relevant parties' systems/processes are in place.</li> </ul>
Northern Gas Networks	Support	d – positive	<ul style="list-style-type: none"> <li>Accelerated movement of qualifying sites into Class 1 should result in an increased number of meter reads being submitted to the Central Data Services Provider (CDSP) which could improve daily allocation, meter point reconciliation and Unidentified Gas (UIG) calculations, thus furthering Relevant Objective d).</li> <li>This change should follow Self-Governance procedures as it only seeks to improve the timeline in which a site will become Class 1 without any significant change in cost or process.</li> <li>Implementation of the Modification could be implemented 16 Business days after Modification panel approval, subject to no appeal being raised.</li> </ul>
Sembcorp Energy UK	Qualified Support	a – none b – none d – none	<ul style="list-style-type: none"> <li>Although Sembcorp agree with the rationale and purpose of the Modification, they believe the suggested arrangements should be limited to Class 3 and 4 meter points transitioning to Class 1 (Non-Daily Metered (NDM) to Daily Metered (DM). They do not see the inclusion of Class 2 meter points as necessary, given they are already subject to DM arrangements.</li> <li>Sembcorp appreciate the view that the inclusion of Class 2 acts as a failsafe. However, they feel there would be greater benefit in encouraging sites to move into Class 2 rather than away, in order to improve allocation accuracy</li> </ul>

			<p>and reduce UIG.</p> <ul style="list-style-type: none"> <li>• Agree the change should follow Self-Governance procedures, however they believe the lead-time on implementation should take the practicality of the change into account. The move to DM necessitates the installation of equipment and systems. Relevant parties should therefore ensure that the required processes are in place to implement the modification for their portfolios.</li> </ul>
SGN	Support	<p>a – none b – none d – positive</p>	<ul style="list-style-type: none"> <li>• Supports the Modification which proposes that the qualifying period for the requirement for a meter point to become Class 1 is reduced. SGN also supports the creation of additional reporting to help facilitate this change.</li> <li>• SGN believes this Modification will help increase the number of meter reads being supplied to the Central Data Services Provider (CDSP), which in turn will support the allocation of gas to the correct Supply Point. The Unidentified Gas (UIG) Task Force has identified that low rates of meter read performance can be a significant contributing factor to UIG. They feel this Modification will help address this issue, which in turn will help in the securing of effective competition between relevant Shippers.</li> <li>• Agrees with Self-Governance and that implementation should be as reasonably practicable. SGN note that the Central Data Services Provider (CDSP) and Shippers will need to dedicate time to implement the changes and calibrate reporting.</li> </ul>
SSE	Support	<p>a – none b – none d – positive</p>	<ul style="list-style-type: none"> <li>• Agree that very large sites which are above the Class 1 threshold but remain as either Class 3 or Class 4 can contribute to daily UIG volatility. This Modification will reduce the period over which these sites have the potential to contribute to this UIG volatility.</li> <li>• Agrees with Self-Governance and that the Modification should be implemented as soon as possible in line with the Self-Governance timescales.</li> </ul>
Utilita	Comments	<p>a – none b – none d – none</p>	<ul style="list-style-type: none"> <li>• Support the proposal for a reduction in timescale for the class 2, 3 and 4 sites to move into class 1 upon reaching a class 1 threshold.</li> <li>• Agree that this will support the UIG taskforce in their overall efforts to reduce UIG.</li> <li>• Agree with the additional reporting needed.</li> <li>• Support the Modification is suitable for Self-Governance</li> </ul>

			<p>procedures.</p> <ul style="list-style-type: none"> <li>Implementation should be carried out after Shippers are able to review their processes and systems in order to implement this on their meter point portfolio.</li> </ul>
Wales and West Utilities	Support	d- positive	<ul style="list-style-type: none"> <li>Support the Modification as it will mean that Supply Points transfer into Class 1 faster. This should result in a reduction in UIG due to gas being correctly allocated to the correct Supply Point and in turn support competition between Shippers.</li> <li>Agrees Self-Governance agree that this modification could be implemented 16 business days after a panel determination.</li> <li>Support implementation as soon as possible once CDSP and Shippers have had time to make any system changes required.</li> </ul>

Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

## 11 Panel Discussions

## 12 Recommendations

### Panel Determination

Members agreed that Modification 0690S **should [not]** be implemented.