



Enabling Large Scale Utilisation of Class 3

Proposed Urgent Modification

The Challenge



Changes to UIG Weighting Factors for 19/20 gas year.

Significant commercial benefit of a shipper holding a site in Class 3 compared to Class 4.



Our latest customer insight suggests a **vast movement of sites into Class 3 over the coming months.**

As we communicated at last months DSC Change Management and UNC MOD Panel committees, **our system is suddenly presented with the real risk of not being able to handle such inbound meter read volumes without significant financial investment.**



We do not believe that investing significantly in our systems today is value for money for our customers.

We have conducted a thorough mitigation options assessment and **we believe to have identified a medium term solution option that we believe will benefit all industry participants.**



Time is not on our side. We feel we must act immediately as a collective group to safeguard our system estate.

Our primary focus is that of maintaining a service provision as the CDSP.

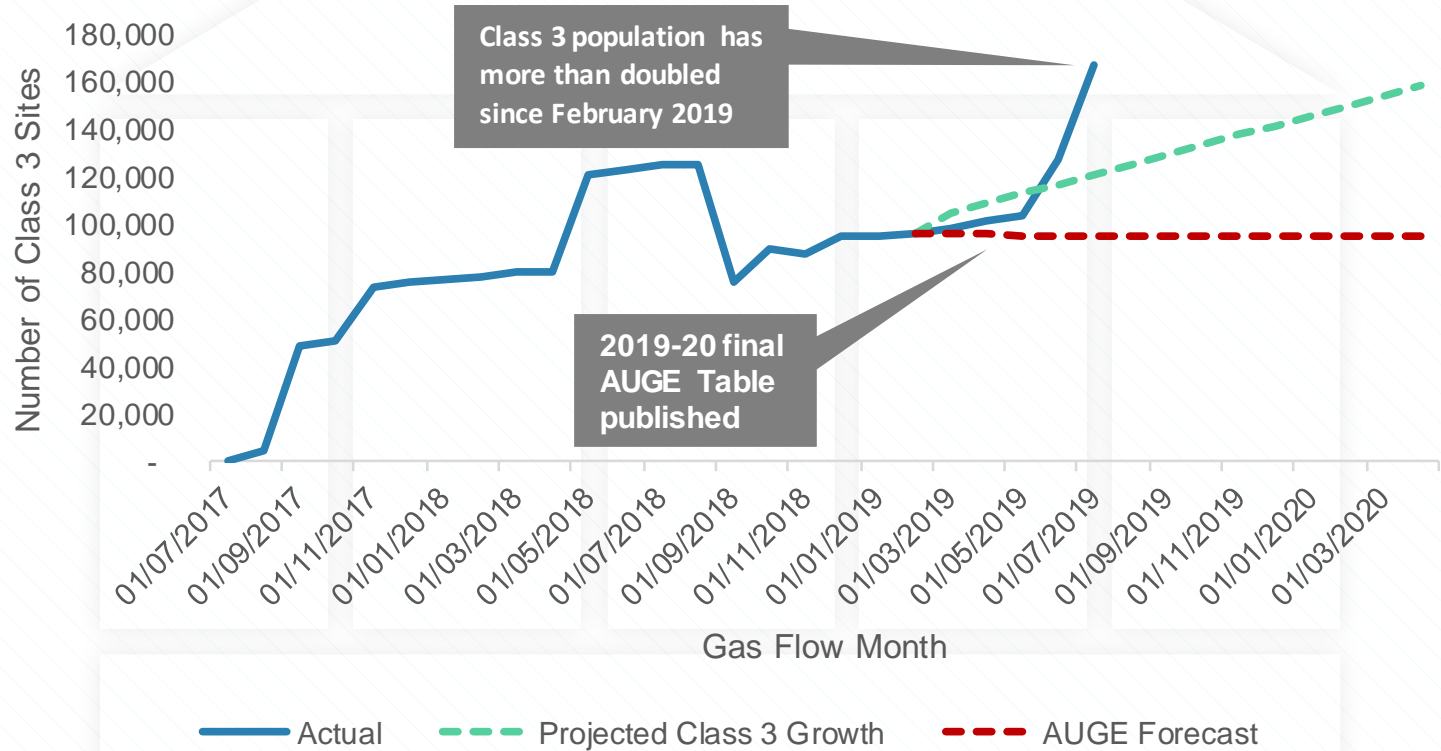
This urgent UNC modification is intended to define the necessary UNC changes to support the proposed mitigations.

Why is this Urgent?

- Prior to publication of the UIG Weighting Factors the CDSP had no indication of significant planned migrations to Class 3 from customers.
- The sudden and unpredictable move to Class 3 poses a capacity risk to industry systems as processing capacity could be consumed by the scale of Meter Readings that could be received.
- This modification proposes changes to UK Link systems that we believe will:
 - Deliver the intent of the UIG Weighting Factors
 - Retain benefits of Class 3 to Larger Supply Points where material benefit may be found
 - Enable efficient utilisation of UK Link processing capability to mitigate the risk of failure

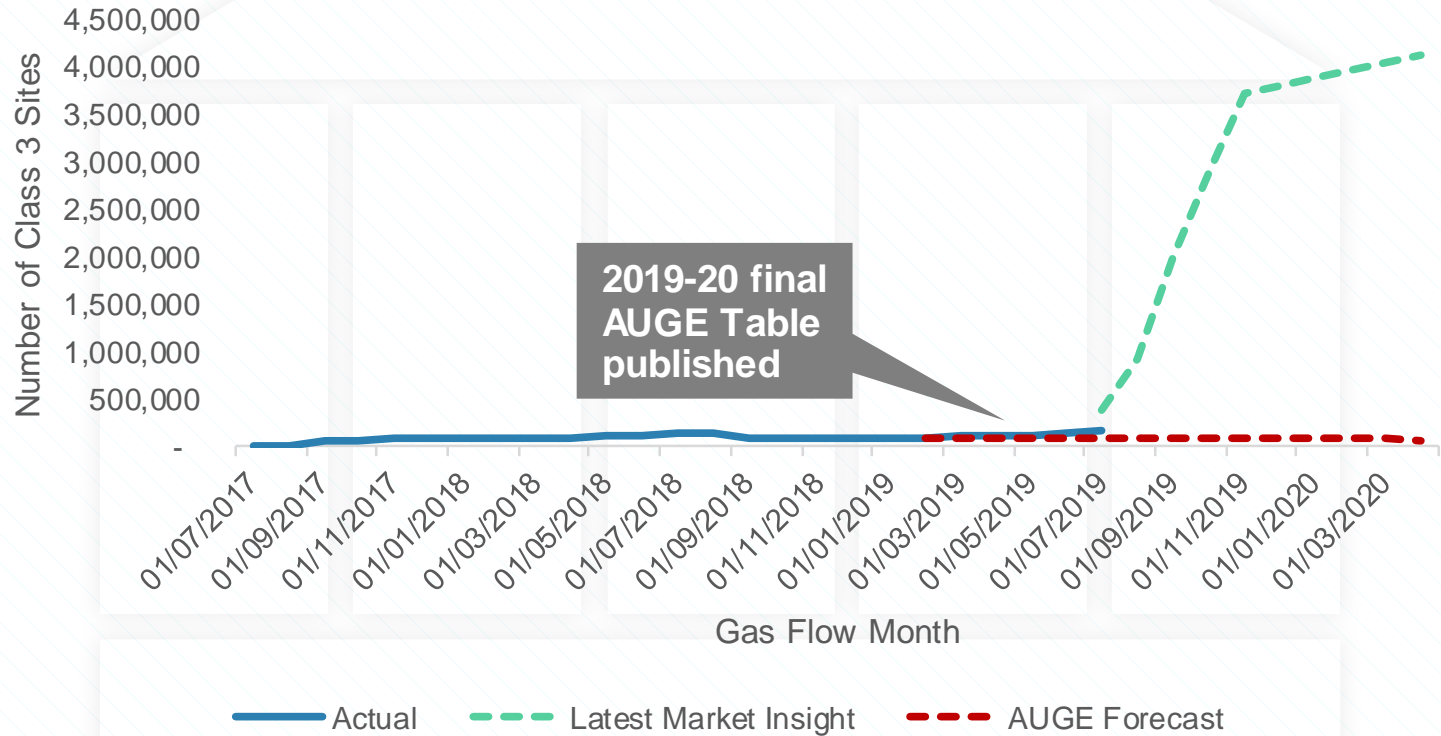
Class 3 Forecast – February 2019

Class 3 Population Forecast - February 2019 - April 2020 Before Factor Publication



Class 3 Forecast – July 2019

Class 3 Population Forecast - February 2019 - April 2020 After Factor Publicaton



Potential Industry System Impacts



IX File Transfers

Can the IX network and each Shipper's terminal handle the projected traffic volumes



Class Change Movements

Can the UK Link system process the desired class change volume without impacting switching



Inbound Meter Read Volumes

Can the UK Link System process the peak daily Class 3 read load – over 120m reads against design spec of 32m



AQ Calculation

More Class 3 sites could mean more AQ calculations every month. Currently ~9m a month.



Reconciliation Calculation

A Class 3 site creates 30x more variances than a Class 4 site...

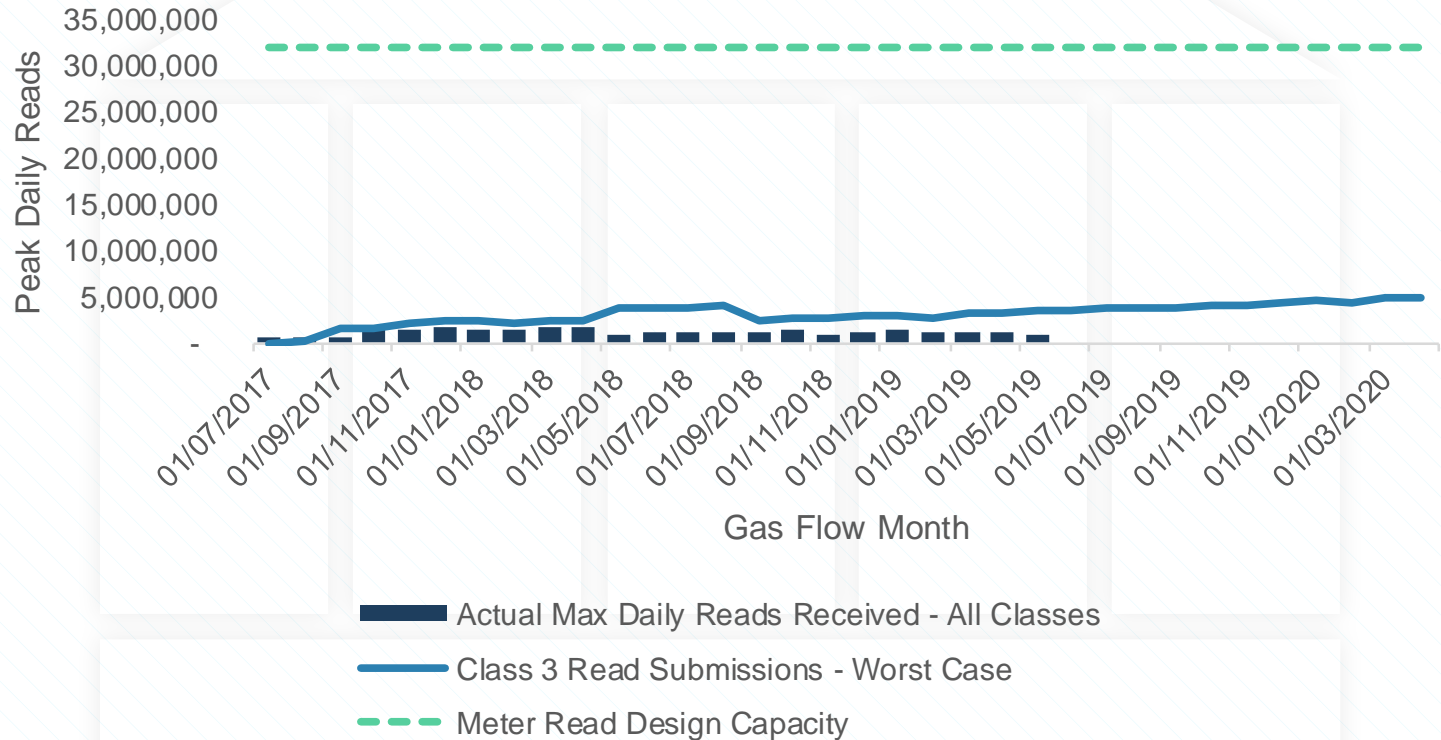


Amendment Invoice Supporting Information

... which means 30x increase in AML records for that site. Potentially 120m+ new records each month.

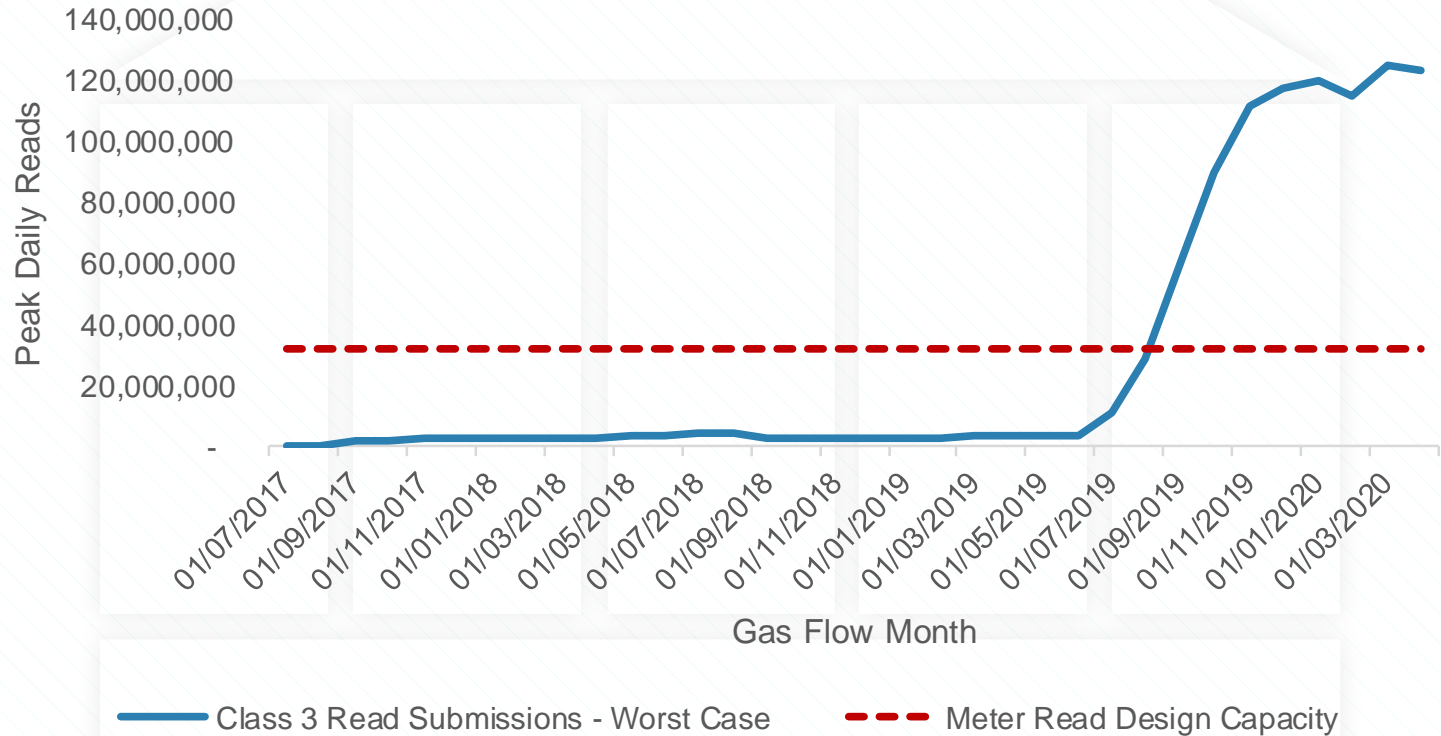
Projected Class 3 Read Volumes

Class 3 Meter Read Volume Forecast - February 2019 - April 2020: Before UIG Factor Publication



Projected Class 3 Read Volumes

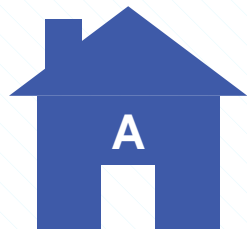
Class 3 Meter Read Volume Forecast - February 2019 - April 2020: After UIG Factor Publicaton



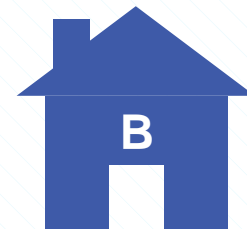
Weighting Factors – Current Example

House A and House B are on the same road. They have the Same AQ and both have Smart Meters.

This example based on national Class 3 AQ as of June 2019 and assumes national annual average UIG of 3.18%



AQ: 11,000 kWh	AQ: 11,000 kWh
EUC Band 01	EUC Band 01
Class 3	Class 4
Weight Factor: 46.41	Weight Factor: 94.64
UIG: 234 kWh (2.13%)	UIG: 477 kWh (4.34%)
UIG Cost at SAP: £4.18	UIG Cost at SAP: £8.53



All Energy and Financial values are simulated based on AQ and are annual figures, Average SAP used is 1.788p / kWh

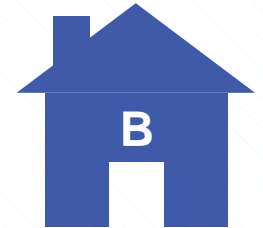
Weighting Factors – October '19 Example

House A and House B are on the same road. They have the Same AQ and both have Smart Meters.

This simulation of 2019-20 factors based on Class 3 AQ as of June 2019 and assumes national annual average UIG of 3.18%



AQ: 11,000 kWh	AQ: 11,000 kWh
EUC Band 01	EUC Band 01
Class 3	Class 4
Weight Factor: 24.23	Weight Factor: 161.68
UIG: 84 kWh (0.76%)	UIG: 567 kWh (5.16%)
UIG Cost at SAP: £1.50	UIG Cost at SAP: £10.15



All Energy and Financial values are simulated based on AQ and are annual figures, Average SAP used is 1.788p / kWh

Mitigation Components Overview

- Following the industry workshop on 12th July:
 - Class 3 Batch Submission rule amendment
 - Enforceable capacity management of Class change
 - Loading of Meter Readings into Staging table
 - EUCs 2-9 – ALL C3 Readings get passed to UKL processes
 - EUC 1 – Only certain Readings get passed to UKL processes
 - Staging table will be used to determine Meter Reading performance and NDM Demand Estimation
 - Class 3 performance management mitigations shall be considered separately under 0664
 - Replacement Readings will be retained for Valid Readings

Short Term Mitigation: Smooth System Load



All Class 3 reads to be sent in a **maximum of weekly batches** and reads must **be no older than 10 calendar days**



Shippers to **agree Class 3 migration volumes in advance** with Xoserve to de-risk switching processes