UNC Workgroup Report	At what stage is this document in the process?
# UNC 0672: ## Target, Measure and Reporting Product Class 4 Read Performance	01 Modification 02 Workgroup Report 03 Draft Modification Report 04 Final Modification Report

Purpose of Modification:

This Modification seeks to reduce Unidentified Gas (UIG) volume by providing a target for read submission performance for Product Class 4 sites against total kWh settled. This Modification proposes to target and measure performance against an agreed percentage for Energy reconciled after a defined period and provide PAC with a report which will enable them to target Shippers whose performance is below the target threshold.

	The Workgroup recommends that this Modification should be: • be returned to Workgroup for further assessment. The Panel will consider this Workgroup Report on 19 September 2019. The Panel will consider the recommendations and determine the appropriate next steps.
	High Impact: None
	Medium Impact: CDSP/Shipper
	Low Impact: Transporters

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Timetable

Modification timetable:

Initial consideration by Workgroup	31 October 2018
Amended Modification considered by Workgroup	23 July 2019
Workgroup Report presented to Panel	19 December 2019
Draft Modification Report issued for consultation	19 December 2019
Consultation Close-out for representations	23 January 2020
Final Modification Report available for Panel	23 January 2020
Modification Panel decision	20 February 2020

Any questions?

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1 Summary

What

There have been excessive levels and volatility in Unidentified Gas (UIG) since the implementation of Project Nexus 01 June 2017. To ensure the accuracy of energy calculations it is extremely important that regular meter reads are submitted for all Supply Points. Supply Points with no read accepted by Xoserve in 12+ months increase the risk of inaccurate deemed energy volumes, which drive volatility in UIG allocation and reconciliation.

UIG levels could be reduced by ensuring that Shippers are submitting as many regular and valid meter reads as possible for sites within Product Class 4. Providing shippers with a read performance target against total kWh settled and complementing reporting will result in a more accurate deemed energy volumes and in turn will reduce the volatility in UIG allocation and reconciliation.

Why

Ofgem have highlighted in response to previous Modifications, (notably UNC 0619 & 0642/0643) that they consider meter read submission performance is a significant influencing factor in UIG, which is further commented on by UIG Task Force (as established by UNC Modification 0658).

The proposer of this Modification agrees that more frequent meter read submission and a greater percentage of reads against the overall kWh settled will reduce levels of UIG exposure for all shippers.

At present there are read submission performance reports and targets set out in the UNC but there is insufficient reporting detail to show performance against total kWh settled.

The benefit of this change would be to increase confidence in the accuracy of nominations, allocations, reconciliations, energy charges and UIG arising from Product Class 4 sites, which should reduce volatility across the market.

How

It is proposed that Reporting and Measuring performance is enhanced, and specifically that current Xoserve reconciliation reports be enhanced to provide information split by:

- ⇨ Individual Product Class
- ⇨ Shipper
- ⇨ Supplier
- ⇨ LDZ
- ⇨ SSP/LSP
- ⇨ Annually read sites
- ⇨ Monthly read sites

Current reports are available: : https://www.xoserve.com/media/1782/reconciliation-by-month-march-2019-with-chart.xlsx

See Figures 1 and 2 which show percentage of allocation reconciled for classes 3 & 4.

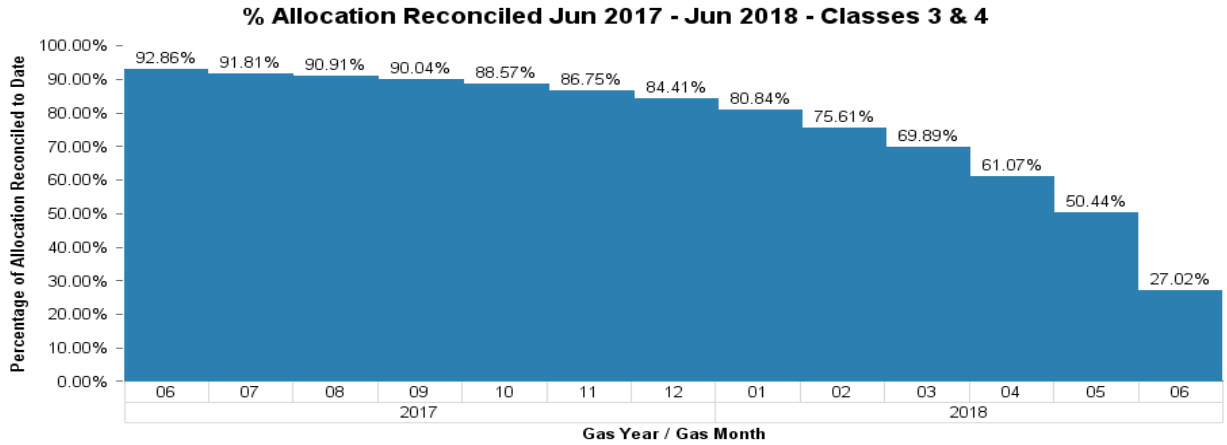

Figure 1: % of allocation reconciled for classes 3 & 4

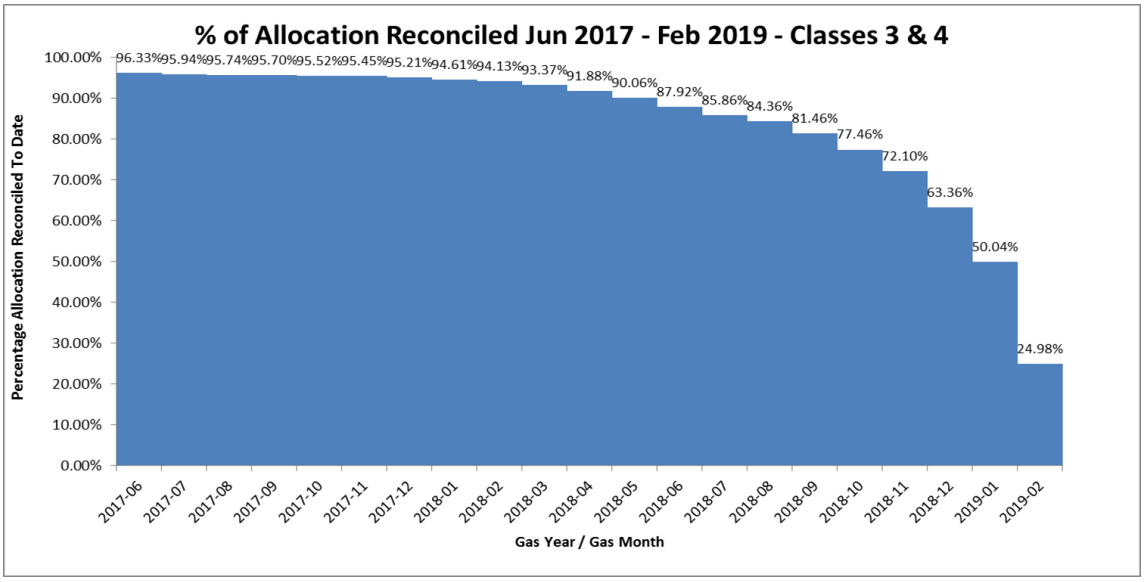

Figure 2: % of allocation reconciled for classes 3 & 4 (updated)

New reporting would be required to:

- ⇨ Calculate the shipper performance vs target by product class
- ⇨ Calculate the shipper performance by SSP/LSP
- ⇨ Calculate the shipper performance by LDZ
- ⇨ Calculate the shipper performance by annually read sites
- ⇨ Calculate the shipper performance by monthly read sites

Using these reports Shippers will be measured against a target of % of Allocation energy volume reconciled to an actual read:

a) Annual read sites - the previous 12 months period.

b) Monthly read/ sites – the previous 4 month period

This target would provide shippers with 12 months to submit a read for annually read sites and 4 months for monthly sites to achieve the agreed target.

It is proposed that Xoserve provide PAC with un-anonymised industry data showing current performance. This will provide PAC with the information to define fair and reasonable targets.

The % energy reconciled target should be set at an agreed level by PAC prior to consultation based on current industry performance and be subject to annual review as part of the PAC process. PAC would have the authority to make the decision on setting the target for the year in question.

2 Governance

Justification for Self-Governance, Authority Direction or Urgency

The Modification Panel initially determined that this Modification could have a material impact on Shippers and so should be sent to the Authority for decision because it seeks to apply charges based on Shipper read performance at 12months; this could result in additional costs and could therefore have a material impact on competition.

However. the Proposer has amended this Modification so that it now seeks to provide reporting and a target performance measure based on industry standard, it is therefore suggested that self-governance should be reconsidered as it will not result in additional costs or have any material impact on competition.

Requested Next Steps

At this stage Panel re-consideration of self-governance is not requested as Workgroup will discuss this further.

This Modification should:

- Be returned to Workgroup for further assessment.

3 Why Change?

There has been excessive levels and volatility in nominations, reconciliations and UIG since implementation of Nexus. Supply Points with no read accepted by Xoserve in 12+ months are at high risk of having inaccurate deemed energy volumes and thereby creating UIG and uncertainty.

Change is required as there is insufficient detail showing Read Performance by Shipper, Product Class and Read Frequency. Change will allow visibility of performance against target, in line with UNC requirements.

By identifying and reporting read performance this will ensure Shippers submit reads in a timely manner, ensuring accurate energy calculations take place. It will provide PAC with an additional measure which they can use to monitor shipper performance and challenge where this does not meet the required standard. This will help reduce volatility of nominations, allocations, reconciliations and UIG. This change will also provide confidence in these measures for Product Class 4.

If this change is not implemented, then UIG volatility will remain and confidence in the volumes attributed to Product Class 4 sites will remain a concern.

Analysis

Working from the following assumption:

- The more recent the read, the more recent the Annual Quantity (AQ) Calculation
- The more recent the AQ Calculation, the more accurate the AQ
- The more accurate the AQ, the more accurate the NDM allocation
- The more accurate the NDM allocation, the less volatile the UIG.

Analysis was carried out by ScottishPower on AQs which calculated on 1st July 2018 to confirm the volatility of AQ movement based on the last time the AQ calculated.

The data was all Product Class 4 Meter Point Reference Numbers (MPRN) taken from T04 records which met the following criteria:

- REVISED_SUPPLY_METER_POINT_AQ_EFFECTIVE_DATE = 01/07/2018
- CONFIRMATION EFFECTIVE_DATE < 01/07/2017 - to ensure supply period > 1 year
- AQ_CORRECTION_REASON_CODE = null

The MPRN list was then compared against T04 records from July 17 – June 18 to confirm the previous calculation date.

NOTE: October / April list only included meter points where REVISED_SUPPLY_METER_POINT_AQ_EFFECTIVE_DATE was populated.

The data was then grouped into 3 categories based on PERCENTAGE_AQ_CHANGE on 01/07/2018:

- Where the AQ has moved under +/- 10% - low volatility to the AQ, pre-01/07/2018 AQ would still have been accurate
- Where the AQ has moved between +/- 10% to +/-50%
- Where the AQ has moved over +/- 50% - high volatility with AQ movement, pre-01/07/2018 AQ not have been accurate

The % of MPRNs calculating in each of the 3 categories based on the last calculation date:

The 01/06/2017 date is used as a default, as an AQ had not calculated since Project Nexus Go-Live but last calculation date could be any time pre-01/06/2017.

Figure 3 is a graph located below which highlights the link between the AQ % movement and the time between read submissions.

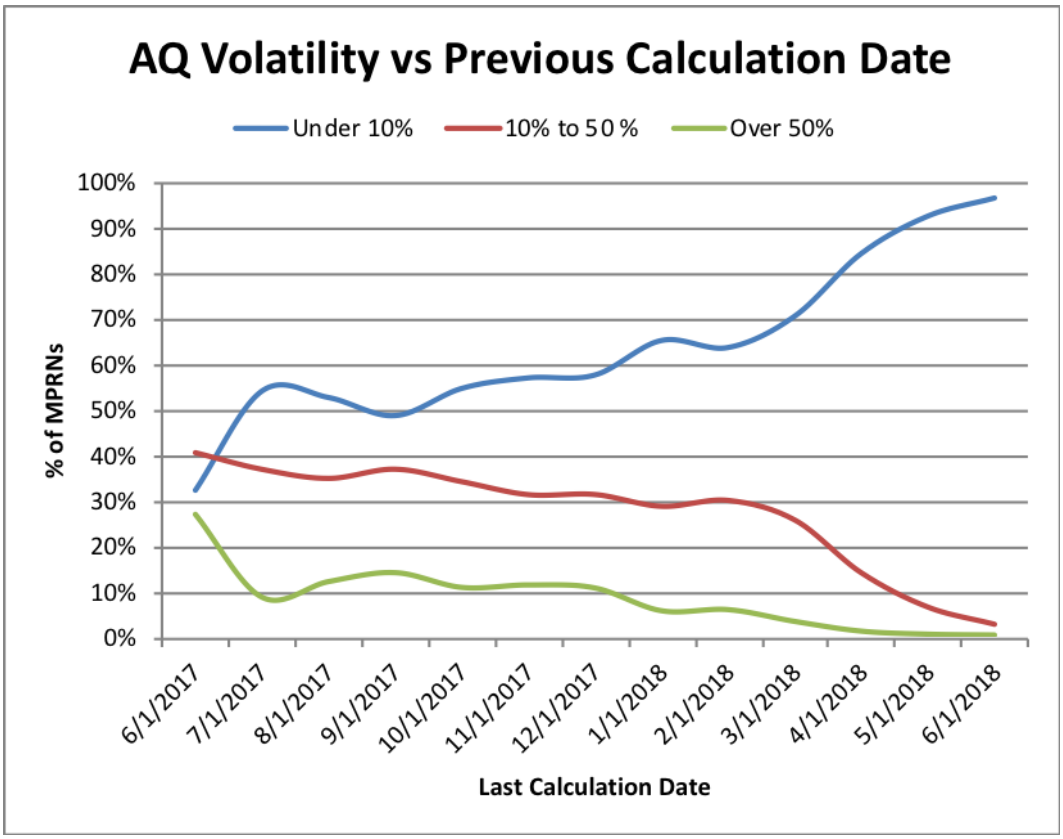

Figure 3: Link between the AQ % movement and the time between read submissions.

Key points are:

- Low volatility where the last AQ was calculated within the last 3 months as 84 – 96% of MPRNs moved by <10%
- There is some volatility where the last AQ calculated within the last 4 -12 months as 50 – 70% of MPRNs moved by <10%, though only C10% of MPRNs moved by >50%
- Much higher volatility where the last calculation date is > 12 months as 27% of MPRNs moved by >50%. Only 32% of AQ's moved by <10%.

If the new AQs on 1st July had not calculated, the meter points that had not calculated > 12 months ago would have caused higher UIG volatility than a site calculated more recently.

It is anticipated that Xoserve will be able to produce UK-wide analysis to back up ScottishPower analysis and this could be included in the Workgroup Report.

4 Code Specific Matters

Reference Documents

UNC Transportation Principle Document (TPD) Sections M & S https://www.gasgovernance.co.uk/TPD

5 Solution

This proposal seeks to amend UNC TPD Sections M & S.

Reporting and measuring performance

It is proposed that current Xoserve reconciliation reports will be enhanced to provide information split by:

- ⇨ Individual Product Class
- ⇨ Shipper
- ⇨ Supplier
- ⇨ LDZ
- ⇨ SSP/LSP
- ⇨ Annually read sites
- ⇨ Monthly read sites
- ⇨ AMR
- ⇨ SMART

New reporting would be required to:

- ⇨ Calculate the shipper performance vs target by product class
- ⇨ Calculate the shipper performance by supplier
- ⇨ Calculate the shipper performance by SSP/LSP
- ⇨ Calculate the shipper performance by LDZ
- ⇨ Calculate the shipper performance by annually read sites
- ⇨ Calculate the shipper performance by monthly read sites

Using these reports Shippers will be measured against a target of % of Allocation energy volume reconciled to an actual read:

a) Annual read sites - the previous 12 month period.

b) Monthly read sites – the previous 4 month period.

This target would provide shippers with 12 months to submit a read for annually read sites and 4 months for monthly/ sites to achieve the agreed target

The report is to be produced monthly for a rolling period produced the month following the end of the Incentive period.

Shippers will receive details via the Reconciliation By Month report published by Xoserve (Current reports are available: https://www.xoserve.com/media/1782/reconciliation-by-month-march-2019-with-chart.xlsx

A report of all shippers' performance will also be produced at PAC.

6 Impacts & Other Considerations

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

No impacts identified.

Consumer Impacts

No direct consumer impacts identified. However, by increasing the visibility of Shipper performance for the submission of valid Meter Reads for Product Class 4 sites, these proposals should indirectly reduce the levels, volatility and unpredictability of UIG, reduce uncertainty in estimation and improve the accuracy of cost targeting and therefore improve competition between Shippers and Suppliers.

Consumer Impact Assessment

Criteria	Extent of Impact
Which Consumer groups are affected?	• Domestic Consumers • Small non-domestic Consumers • Large non-domestic Consumers • ~~Very Large Consumers~~
What costs or benefits will pass through to them?	No direct costs or benefits will pass through to customers.
When will these costs/benefits impact upon consumers?	Not applicable.
Are there any other Consumer Impacts?	No identified.

Cross Code Impacts

There may be IGT UNC impacts to be considered by the Workgroup.

EU Code Impacts

No impacts identified

Central Systems Impacts

To be advised

Workgroup Impact Assessment *(Joint Office to complete)*

Insert text here

Is Xoserve analysis required to back up ScottishPower analysis?

AQ at risk analysis see PAC pages https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/2019-08/3.%20AQ%20At%20Risk%20Statistics%20August%20%2812%20August%202019%29.pdf

As at 01 August 2019 Class 4 spilt into three categories

- *17.5 tWh*
- *12.5 tWh*
- *12.5 tWh*

Areas remaining to work on:

- *Target initial value?*
- *Target name*
- *Process for PAC to set target (annual – similar to Modification 0664?)*
- *Reporting for PAC to action against this target? Are these enough - PARR 2A.5 and 2A.7? with AQ at risk monthly data*
- *Shipper reporting: Consider requirement for additional information in the Shipper MI reporting – in DDP? MPRN level data backing data for those sites which have not been read since x (1,2,3 and 4 years?) Is this in drop 2 DDP? Effect of volume restrictions (possibly 50,000 data items), can these be removed/extended?*

Rough Order of Magnitude (ROM) Assessment *(Cost estimate from CDSP)*

Cost estimate from CDSP where the Modification relates to a change to a CDSP Service Document

As at 20 August not yet ready.

OR

Rough Order of Magnitude (ROM) Assessment *(Workgroup assessment of costs)*	
Cost estimate from CDSP	Insert text here
Insert Subheading here	Insert text here

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.	None
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
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.	**Positive**

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 the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

This Modification proposes that by incentivising the submission of valid Meter Reads for Product Class 4 sites, it should reduce the levels, volatility and unpredictability of UIG, reduce uncertainty in estimation and improve the accuracy of cost targeting and therefore further Relevant Objective d) Securing of effective competition between Shippers and Suppliers.

Workgroup response to Relevant Objectives needs to be discussed.

8 Implementation

No implementation timescales are proposed; however, implementation could be as soon after an Authority decision to implement has been received. This would allow for the reporting to be implemented and the first incentive charges to be applied 12 months from first report for annual read sites and 4 months for monthly read sites.

9 Legal Text

As at 20 August 2019, Legal Text has not yet been requested for the current requirement of the solution (Modification v5.0 dated 22 July 2019).

Legal Text has been provided by [name] and is [included below/published alongside this report]. [The Workgroup has considered the Legal Text and is satisfied that it meets the intent of the Solution].

Text Commentary

Insert text here

Text

Insert text here

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that this Modification should:

- Be returned to Workgroup for further assessment.