



UIG Based Incentive Mechanism

Draft for Discussion

v 0.4

Background

- A number of likely UIG causes can be attributed to UNC performance standards or targets not being met
- Performance Assurance Committee is monitoring performance against key standards and targets and considering whether any incentive mechanisms are required
- These slides suggest using UIG itself as a simplified incentive mechanism

High Level Principle

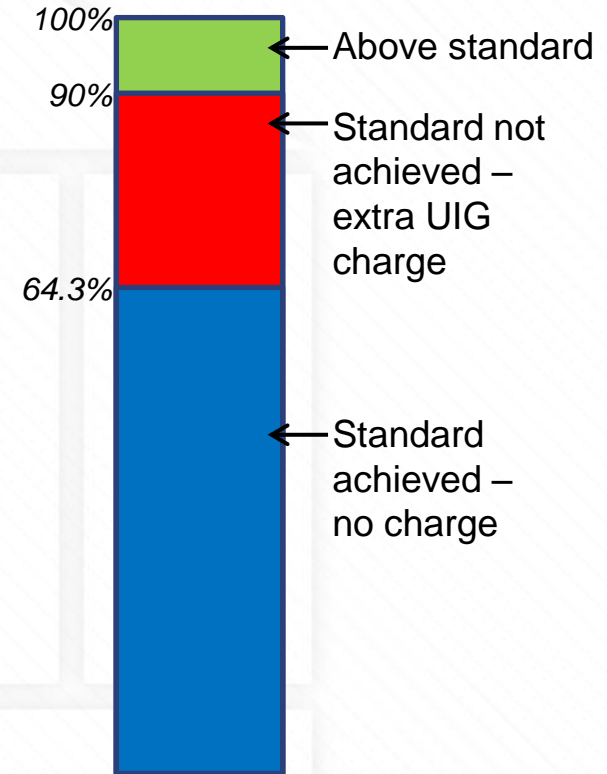
- Lower performance levels add to daily UIG or increase the risk of UIG e.g.
 - Incorrect meter point conversion factors – cause daily UIG
 - Failure to load meter readings – increases risk of UIG due to delayed reconciliation and out of date AQs
- Sites where performance standards are not met could be charged additional UIG to reflect the increased risk
- Existing Amendment Invoice UIG sharing mechanism could be used to share out the equal and opposite amount of UIG to keep total UIG “whole” and not overcharge total UIG
- Party who receives a charge also receives a share of the UIG credit but it will always be less than the amount paid, so always creates an incentive

Suggested Calculation

- Determine an average UIG level for the preceding [12 months] e.g. 3.5%
- Apply a multiplier to reflect the increased risk to the whole industry e.g. [2 times] the average UIG level
- On a monthly retrospective basis, for meter points/AQ which is contributing to UIG or UIG risk, e.g.:
 - = AQ at risk ÷ 12 x average UIG level x multiplier x SAP price
- UIG priced at average SAP for the performance month

Worked Example

- Shipper A has 11,000,000,000 kWh of AQ in Class 3
- Meter read performance target of 90%
- Actual read performance 64.3%
- UIG charge = $11 \text{ tWh}/12 \times (0.9 - 0.643) \times 3.5\% \times 2 \times 1.62\text{p}^* = \text{£}267,151$ charge for month
- Equal and opposite shared out via UIG sharing on Amendment Invoice



Alternative Options/Variations

- Split standard between % of AQs read and % of meter points read
- Credit payments to Shippers whose performance exceeds the UNC standard – adds complexity

Wider application and governance

- Further areas where performance is key to UIG could be added to a schedule of incentives
- PAC could manage the schedule and multipliers via a UNC Related Document
- Final decision on updates at [UNCC]

Example

UNC Related Document
UIG Incentive Mechanism

Gas Year 20xx/yy – rate of UIG for incentives
= 3.5%

1. Class 2 & 3 read performance – Multiplier = 2
2. Class 1 read performance – Multiplier = 1.5
3. Non-standard conversion factors (AQ < 732,000) – multiplier = 1

Implementation considerations

- Aims to avoid changes to Gemini UIG allocation due to system complexity
- Need to determine reference period for average UIG
- Need to determine governance for the schedule of chargeable performance areas and multipliers
- Does total amount of UIG incentive charge need to be capped or scaled to avoid excessive charges?

The logo for 'xserve' is centered within a stylized house outline. The house has a white background with a light blue diagonal line pattern. The roof is a simple triangle, and the main body is a rectangle divided into four vertical panes. The text 'xserve' is rendered in a blue, sans-serif font. The 'x' is a dark blue, while the 'serve' is a lighter blue. The 'x' is composed of two overlapping chevron shapes pointing towards each other.

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