

## UNC Workgroup 0664 Minutes

### Transfer of Sites with Low Read Submission Performance from Class 2 and 3 into Class 4

Monday 29 April 2019

at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

#### Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Alexander Mann*	(AM)	Gazprom
Andy Clasper	(AC)	Cadent
Anne Jackson	(AJ)	Gemserve
Edd Fyfe*	(EF)	SGN
Emma Smith	(ES)	Xoserve
Fiona Cottam	(FC)	Xoserve
Imran Shah*	(IS)	Centrica (from agenda item 4.0)
James Jackson*	(JJ)	UK Power Reserve – Sembcorp
John Welch	(JW)	npower
Kirsty Dudley*	(KD)	E.ON
Leanne Jackson	(LJ)	Xoserve
Louise Hellyer	(LH)	Total Gas & Power
Luke Reeves*	(LR)	EDF Energy
Mark Bellman	(MB)	Scottish Power
Mark Jones*	(MJ)	SSE
Mark Palmer*	(MP)	Orsted
Megan Coventry*	(MC)	SSE
Rachel Durham*	(RD)	Smartest Energy
Rob Johnson	(RJ)	Waters Wye Associates
Sallyann Blackett	(SB)	E.ON UK
Stephanie Clements	(SC)	Scottish Power

*\*via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0664/290419>

The Workgroup Report is due to be presented at the UNC Modification Panel by 18 July 2019.

#### 1. Introduction and Status Review

Bob Fletcher (BF) welcomed everyone to the meeting.

##### 1.1. Approval of Minutes (08 April 2019)

The minutes from the previous meetings were approved.

## 2. Consideration of Amended Modification

John Welch (JW) explained that following the comments and suggestions raised in the previous meeting, he had now amended the Modification. He reiterated the reasons for change were as follows; the transfer component is too punitive, there are problems with the soft landing concept and the UIG payment is inconsistent (dependant on AUGE weighting factor and direction of travel), he said the proposed changes were:

- Component 1: MPRN level supply point transfer (poorest performing supply points)
- Component 2: Incentive charge mechanism – aligned to a central methodology

Rob Johnson (RJ) wanted to know why a soft landing was not an option and JW explained that it was due to the complexity involved with the 2<sup>nd</sup> read performance mechanism and reporting.

Fiona Cottam (FC) then presented the UIG based incentive mechanism and explained that the proposal was to use UIG as a simplified incentive mechanism from a performance perspective. She then overviewed the high-level principle areas as detailed below:

- *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*

FC then explained the proposal was to work on the following calculation, as detailed below, and she talked through an example to explain the concept further, adding that further areas where performance is key to UIG, could be added to a schedule of incentives, and the Performance Assurance Committee (PAC) could manage the schedule and multipliers via the UNC Related Document.

- *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.:*  

$$= \text{AQ at risk} \div 12 \times \text{average UIG level} \times \text{multiplier} \times \text{SAP price}$$
- *UIG priced at average SAP for the performance month*

FC then said the implementation considerations were as follows:

- *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?*

A brief general discussion took place with regards to performance and that the Shippers would need to see the UIG charging split and the Workgroups consensus was that the proposal was worth further discussion and exploration. It was noted the incentive mechanism could be adopted from a wider perspective and not just this modification.

FC said that she would be presenting the concept to the Performance Assurance Committee (PAC) in May. Mark Bellman (MB) said that it may be possible to include the incentive regime within Modification 0674 – Performance Assurance Techniques and Controls, if this was not too complex, as it could be applied to any number of target measures and Anne Jackson (AJ) agreed, although Modification 0674 was establishing the overall framework so this might be too much detail. Kirsty Dudley (KD) expressed concern with including this within Modification 0674 as she felt this would make it too complex and felt it should be kept separate. Sallyann Blackett (SB) said in reality, it was very similar to the previous Filter Failures reporting.

Luke Reeves (LR) suggested that from the formula perspective rather than using the SAP price over a 12 month period, it would be best to use the within month that had been affected and SB concurred with this suggestion. FC said she would investigate this area. It was also noted that parties could use SAP pricing to their own advantage in all sorts of scenarios but that this would take effort.

Bob Fletcher (BF) asked if this incentive regime could be considered as an alternative to Modification 0664, and JW said that this could be discussed and that he would further amend the Modification to include the incentive criteria in readiness for the May meeting. BF said that more work and investigation was required in relation to the multipliers and the number of sites per category and why the multiplier was required.

BF also commented on the number of UIG related Modifications being raised and said that parties were to be mindful in order to ensure they were prioritised to allow the required time and input to assess the impacts to enable the full Modification process to be adhered to, as he was aware of the time constraints and the number of Modifications being raised in relation to the options proposed by the UIG Taskforce. Both FC and Leanne Jackson (LJ) said that presently there was a peak and these Modifications were due to the findings and proposals to help resolve the present levels of UIG.

### 3. Development of Workgroup Report

Consideration of this agenda item was deferred.

### 4. Review of Outstanding Actions

**Action 0101:** Xoserve (ESm) to investigate the introduction of a process to demonstrate compliance and capability for meter read submission.

**Update:** Both JW and Emma Smith confirmed that this action could now be closed as this area had now been discussed. **Carried Forward**

**Action 0102:** npower (JW) to further explore the MPRN level in relation to performance targets with Xoserve (ESm) and then amend the solution to encompass this process.

**Update:** Both JW and Emma Smith confirmed that this action could now be closed as this area had now been discussed. **Carried Forward**

### 5. Next Steps

BF confirmed that his aspirations for the next meeting were to review the amended Modification.

### 6. Any Other Business

None.

### 7. Diary Planning

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

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Tuesday 21 May 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Standard Workgroup Agenda

**Action Table as at 29 April 2019)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	22/01/19	2.0	Xoserve (ESm) to investigate the introduction of a process to demonstrate compliance and capability for meter read submission.	Xoserve (ESm)	<b>Closed</b>
0102	22/01/19	2.0	npower (JW) to further explore the MPRN level in relation to performance targets with Xoserve (ESm) and then amend the solution to encompass this process.	Npower (JW) and Xoserve (ESm)	<b>Closed</b>