

UNC Workgroup 0681S Minutes
Improvements to the quality of the Conversion Factor values held on
the Supply Point Register
Monday 08 April 2019
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

| | | |
|-------------------------|-------|-------------------|
| Chris Shanley (Chair) | (CS) | Joint Office |
| Kully Jones (Secretary) | (KJ) | Joint Office |
| Andy Clasper | (AC) | Cadent |
| Alexander Mann* | (AM) | Gazprom |
| Chris Warner | (CW) | Cadent |
| Emma Smith | (ES) | Xoserve |
| Fiona Cottam | (FC) | Xoserve |
| Guv Dosanjh | (GD) | Cadent |
| James Hallam-Jones | (JHJ) | Xoserve |
| John Welch | (JW) | npower |
| Lorna Lewin* | (LL) | Orsted |
| Louise Hellyer | (LH) | Total Gas & Power |
| Mark Bellman | (MB) | Scottish Power |
| Mark Jones | (MJ) | SSE |
| Mark Palmer* | (MP) | Orsted |
| Rachel Durham* | (RD) | Smartest Energy |
| Sallyann Blackett* | (SB) | E.ON UK |
| Stephanie Clements | (SC) | Scottish Power |
| Tracey Saunders | (TS) | NGN |

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0681/080419>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 June 2019.

1.0 Outline of Modification

Fiona Cottam (FC) introduced the Modification which is aiming to improve the quality of the Conversion Factor data item on the Supply Point Register, which will in turn improve the accuracy of measured energy and therefore AQs. She explained that the Conversion Factor also referred to as the 'Correction Factor' is the responsibility of the Shipper and that the rules are set out in the Thermal Energy Regulations:

- Sites on or below 732,000 kWh AQ should have the standard value (1.02264)
- Sites above 732,000 kWh AQ should have a site-specific value.

She provided some statistics confirming this was an area that the UIG Task Force had investigated, highlighting that a number of sites have inappropriate values at any time, for example in late 2018 approximately 10,000 sites had a non-standard value. On average the annual usage of these sites is being overstated by around 3.8%, due to the use of an incorrect conversion factor, and therefore slightly reducing UIG by the equivalent of 0.01% of total LDZ throughput.

In addition, 5,000 sites did not have a site-specific value even though they were above the threshold. This could be understating the annual consumption of these sites by a net 7.4% and contributing to around 0.1% of total LDZ throughput to UIG. She pointed out that this was significant because incorrect values contribute to UIG and arise from incorrect calculation of metered volumes which impacts DM allocations, Aqs and therefore NDM allocations.

Even though more accurate information is sometimes available there is no fall-back in the UNC to correct the Conversion Factor if the Shipper does not correct it.

A brief discussion took place and the following comments/observations were made:

- a. Mark Palmer (MP) asked if rolling AQ triggers the changes or if it is the formula. FC confirmed that it is the rolling AQ i.e. provides the true AQ of the site.
- b. Tracey Saunders (TS) asked how seasonal sites would be handled. Emma Smith (ES) indicated that this category is for Class 1 sites over 5.6m kWh and they should have converters fitted and therefore this issue should not apply.

FC explained that this was one of the Task Force findings and that this is one of the recommended options discussed at the January workshop, which E.ON have agreed to sponsor.

FC then explained the other options considered (slide 3) indicating that the Performance Assurance Framework Administrator (PAFA) wrote to the 3 Shippers with the largest number of standard conversion factors but this has only tackled part of the problem. An automated solution would reduce the number of Shipper updates required and the time to update them so reducing the impact on UIG.

FC then provided a walkthrough of the solution which proposes that CDSP is given permission to amend the conversion factor, with effective date equal to new AQ effective date in the following circumstances:

- a. Where the AQ of a meter point falls to 732,000 kWh or below, the conversion factor will be set to the standard value of 1.02264
- b. Where the AQ of a meter point increases above 732,000 kWh, the conversion factor will be set to the last non-standard value held on the Supply Point Register

FC indicated that a one-off update of all existing errors in these scenarios would be carried out between 30 and 60 days following implementation.

Chris Warner (CW) suggested that there was a slight weakness in the Modification because where there is no previous non-standard value then no update would be made for scenario b) above. In response to a question from MB about putting in a default value, FC confirmed that the standard value is the default value. It was suggested by MB that the proposer considers the inclusion of references in the Modification to current PAFA reporting in this area.

A further discussion took place on the implications of the recent decision to implement Modification 0651 - Changes to the retrospective data update provision and whether this data item would be covered by this Modification. Xoserve were asked to consider which Modification 0681S or 0651 would provide the quickest route to achieving the objective of Modification 0681S. FC suggested that there is definitely an overlap with Modification 0651 and 0651 has a bearing on 0681S.

New Action 0401: Xoserve (FC) to consider which Modification 0681S or 0651 would provide the quickest route to get correction in settlement.

Post-meeting update

0651 (Retrospective update) is targeted for November 2020 Release, pending confirmation of detailed requirement options.

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0681 (Conversion Factors) could be included in the June 2020 release if the requirements are simple and are confirmed in the next few months, which would be before 0651 implementation.

However, 0651 is a voluntary Shipper-led process, so might not result in a complete update of all erroneous conversion factors, whereas 0681 would auto-update all <732,000 conversion factors and as many >732,000 as possible.

In both cases correction to settlement would be prospective only, as there are no retrospective updates associated with conversion factor amendments.

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2.0 Initial Discussion

2.1. Issues and Questions from Panel

None raised.

2.2. Initial Representations

None received.

2.3. Terms of Reference

The standard UNC Workgroup Terms of Reference will apply and is available at <https://www.gasgovernance.co.uk/mods>

3.0 Next Steps

CS confirmed the Modification development timescales are short and so the next meeting would focus on development of the Workgroup Report.

FC mentioned one aspect not currently included in the Modification in relation to a 'grace period' which E.ON are still to take a view on. John Welch (JW) suggested a grace period/exception would be helpful for sites where the reads had been submitted in error and therefore it should be below the threshold.

Emma Smith (ES) provided an update on implementation and systems implications indicating that for a June 2020 release the scope will need approval by June 2019 suggesting the need to have a quick development time. MB questioned if this change needs to be part of a full release. ES indicated that the capture phase could be initiated now and a Change Proposal drafted to capture the need for a new data file flow and the required technical changes.

New Action 04042: Workgroup participants to consider and provide views on a 'grace period'/exceptions process' and whether this should be included as part of the solution. Comments to be provided at the next meeting or directly to Kirsty Dudley.

Andy Clasper (AC) confirmed that Cadent Gas were responsible for providing the Legal Text. CS stated that whilst the Legal Text had not been formally requested by the Modification Panel it would be helpful to start work because of the short Modification development time.

4.0 Any Other Business

None.

5.0 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 |
|-------------|-------|---------------------|
|-------------|-------|---------------------|

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|-------------------------------|---|--|
| 10:30 Monday 29 April 2019 | Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA | <ul style="list-style-type: none"> • Amended Modification • Consideration of Business Rules • Consideration of User Pays • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Development of Workgroup Report . |
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Action Table (as at 08 April 2019)

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Status Update |
|-----------------|-----------------|------------|---|---------------------|----------------|
| <u>0401</u> | <u>08/04/19</u> | <u>2.0</u> | <u>Xoserve (FC) to consider which Modification 0681S or 0651 would provide the quickest route to get correction in settlement.</u> | <u>Xoserve (FC)</u> | <u>Pending</u> |
| 0402 | 08/04/19 | 3.0 | Workgroup participants to consider and provide views on a 'grace period'/exceptions process' and whether this should be included as part of the solution. Comments to be provided at the next meeting or directly to Kirsty Dudley. | All | Pending |

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