

UNC Workgroup 0693R Minutes
Treatment of kWh error arising from statutory volume-energy conversion

Tuesday 20 August 2019

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

Attendees

Rebecca Hailes	(RH)	Joint Office
Karen Visgarda	(KV)	Joint Office
Andy Clasper	(AC)	Cadent
David Mitchell*	(DM)	SGN
Fiona Cottam	(FC)	Xoserve
James Rigby	(JR)	Xoserve
Karen Kennedy*	(KK)	British Gas
Lorna Lewin*	(LL)	Orsted
Luke Reeves*	(LR)	EDF Energy
Mark Bellman*	(MB)	ScottishPower
Mark Jones	(MJ)	SSE
Megan Coventry*	(MC)	SSE
Rob Johnson*	(RJ)	Waters Wye Associates
Rose Kimber	(RK)	CNG Ltd
Sallyann Blackett	(SB)	E.ON
Stephanie Clements	(SC)	ScottishPower
Steven Britton*	(SB)	Cornwall Insight

*via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0693/200819>

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 December 2019.

1.0 Outline of Modification

Mark Bellman (MB) explained that this topic had been discussed twice at UNC UIG Workgroup, firstly at the UIG Task Force Recommendations Walkthrough on 28 January 2019, and also at the standard UIG Workgroup on 26 February 2019.

He said whilst these two sessions were a useful opportunity to raise awareness of the topic, and to increase the level of understanding, attendees felt that there was too much complexity to deal with as part of a general Workgroup meeting, and also that there were no obvious quick solutions to the problem, hence a dedicated Workgroup had now been established.

MB then introduced the Request and explained the aim is to review the treatment of the error in kWh that arises from statutory volume-to-energy conversion factors in order to mitigate the impact on gas settlement, reconciliation and Annual Quantities (AQs). MB went on to explain that all sites with an AQ under 732,000 kWh should have a single industry standard conversion factor as specified in the Gas (Calculation of Thermal Energy) Regulations (1996)¹

¹ <http://www.legislation.gov.uk/uksi/1996/439/made> "Temperature and pressure conversion factor", where gas is conveyed to the meter at a rate which is reasonably expected not to exceed 732,000 kilowatt hours a year = 1.02264

The standard factor of 1.02264 accounts for an assumed average temperature, pressure and altitude. Larger sites have a site-specific factor that is based on various characteristics of the site, but which is nevertheless static over the year.

MB said that warmer gas will have a greater metered volume than cooler gas, and gas at higher altitude will have a greater metered volume than gas at a low altitude, he added, that it should be noted, that the Allocation of Unidentified Gas Expert (AUGE) assesses the impact of altitude to be negligible compared to temperature.

MB explained that the Xoserve Unidentified Gas (UIG) Task Force (as established by UNC Modification 0658) had identified that the issue of using a standard conversion factor (logged as Issue 12.2 by the Task Force) has the potential to cause UIG each day, in general increasing UIG in colder weather and reducing it in warmer weather. This changes a shipper's exposure to gas prices at different times of the year. In addition, and depending on the actual weather experienced, it is very unlikely that the impact will net out to zero across any given year for all shippers; this could result in AQs being incorrect, which would have a further impact on daily Non-Daily Metered (NDM) Allocation and therefore UIG.

The Workgroup agreed that the first activities to focus on would be:

- How to evaluate the size of error
- How to treat the error in settlement.

Sallyann Blackett (SB) said currently it was like comparing apples to pears and that there should be a top down /mid case calculation and she proposed that a way forward for defining the size of the error might be as defined below:

1. Assume that every LDZ offtake meters the volume coming off the NTS
2. This will then be temperature and pressure corrected using actual temperature and pressure at that location to calculate a real energy value
3. Take this metered volume and correct it using standard correction factor (1.02264), this results in an energy value that arguably matches what you would be creating using the customer's values.
4. Look at the difference between this and the real energy value in 2 above. 'Error' in kWh.

Cautionary note: different temperature and pressure at each and every meter point.

SB added that it would be advisable to assume approximately 15 LDZ offtakes per LDZ, and MB said that this approach was sensible and appropriate. He added that it would be useful to know what data is available over 12 months to give a metered volume and corrected energy for each LDZ offtake.

A general discussion took place in relation to the corrected and un-corrected energy and MB suggested that to establish a figure for how big this error is, the data needed was across the LDZs (i.e. at least one LDZ per network operator) and that the data needed was for all offtakes relating to that LDZ including the Calorific value (CV) for that offtake. MB added that it may be easier to choose an LDZ that has no LDZ-LDZ connections, and that the temperature was the significant change, rather than the pressure or altitude. It was then agreed that all the DNs should investigate what data was available over a 12 month period to assist in demonstrating the scale of the error.

New Action 0801: All DNs to investigate what data is available over 12 months; metered volume and corrected energy for all offtakes in relation to that LDZ including the CV for that offtake – (easier to choose an LDZ that has no LDZ-LDZ connections).

Fiona Cottam (FC) kindly agreed to assist the DNs with any questions they might have regarding this action and the information required.

Rebecca Hailes (RH) posed the question whether the NTS had this level of information and who would be the best contact, she suggested perhaps Justin Goonesinghe may be the correct person.

Fiona Cottam (FC) then provided the UIG Taskforce latest seasonal temperature figures that are published on the Xoserve website as detailed below:

12.2 UIG taskforce up to +up to 3% understatement of energy in winter, 2-3% overstatement in summer/warm days in terms of allocation?

<https://www.xoserve.com/services/issue-management/unidentified-gas-uig/#task-force-findings-etc>

A general discussion then took place regarding the potential legality of any solution which could be the result of the 0693 review in regards, to not using the 1.02264 figure mandated in the Gas (Thermal Energy) Regulations (1996). There was a question around whether a potential correction sharing type mechanism (a potential solution) would be legal. MB said he would contact Jon Dixon (JD) at Ofgem to sense check the views of Ofgem on this matter, and he would also consult his legal team within ScottishPower.

RH said she would engage with Ofgem, Jon Dixon (JD) with regards to the content and context of the Request to gain his feedback. She added that she would also contact Dave Lander at Dave Lander Consulting as she was aware that he had previously produced a paper related to this topic.

Post Meeting Update:

“Dave Lander Consulting Gas Energy Measurement in Consumer Billing 2014” Published here for information:

<http://www.gasgovernance.co.uk/0693/230919>

New Action 0802: ScottishPower (MB) to engage with Ofgem Jon Dixon (JD) regarding the legality of a sharing type treatment in relation to the Gas (Thermal Energy) Regulations.

New Action 0803: Joint Office (RH) to engage with Ofgem Jon Dixon (JD) in relation to the content and context of the Request.

New Action 0804: Joint Office (RH) to engage with Dave Lander at Dave Lander Consulting in relation to previous paper he had produced on gas energy measurement.

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 <http://www.gasgovernance.co.uk/mods>

3.0 Next Steps

RH confirmed that her aspirations for the September meeting were to further discuss the following areas:

- Amended Request;
- Review Outstanding Actions;
- Consideration of methods of evaluating the scale of the potential error;
- Consideration of data received relating to the scale of the error;
- Discussion of potential solution ideas for treating the error in settlement;
- Review of Relevant Objectives;
- Consideration of Wider Industry Impacts;
- Development of Workgroup Report.

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
10:30 Monday 23 September 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA	Detail planned agenda items. <ul style="list-style-type: none"> • Amended Request; • Review Outstanding Actions; • Consideration of methods of evaluating the scale of the potential error; • Consideration of data received relating to the scale of the error; • Discussion of potential solution ideas for treating the error in settlement; • Review of Relevant Objectives; • Consideration of Wider Impacts; • Development of Workgroup Report.

Action Table (as at 20 August 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0801	20/0819	1.0	All DNs to investigate what data is available over 12 months; metered volume and corrected energy for all offtakes in relation to that LDZ including the CV for that offtake – (easier to choose an LDZ that has no LDZ-LDZ connections.	ALL DNs	Pending
0802	20/0819	1.0	ScottishPower (MB) to engage with Ofgem Jon Dixon (JD) regarding the legality of a sharing type treatment in relation to the Gas (Thermal Energy) Regulations.	ScottishPower (MB)	Pending
0803	20/0819	1.0	Joint Office (RH) to engage with Ofgem Jon Dixon (JD) in relation to the content and context of the Request.	Joint Office (RH)	Pending
0804	20/08/19	1.0	Joint Office (RH) to engage with Dave Lander at Dave Lander Consulting in relation to previous paper he had produced on thermal energy.	Joint Office (RH)	Pending