

UNC Modification		At what stage is this document in the process?
<h1 style="color: #00a651;">UNC 0672:</h1> <h2 style="color: #00a651;">Target, Measure &amp; Report Product Class 4 Read Performance</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #00a651; background-color: #00a651; color: white; padding: 2px; display: flex; align-items: center; justify-content: center;">01 Modification</div> <div style="border: 1px solid #00a651; background-color: #e6f2ff; padding: 2px; display: flex; align-items: center; justify-content: center;">02 Workgroup Report</div> <div style="border: 1px solid #00a651; background-color: #fff2cc; padding: 2px; display: flex; align-items: center; justify-content: center;">03 Draft Modification Report</div> <div style="border: 1px solid #00a651; background-color: #fff2cc; padding: 2px; display: flex; align-items: center; justify-content: center;">04 Final Modification Report</div> </div>	
<p><b>Purpose of Modification:</b></p> <p>This Modification seeks to reduce Unidentified Gas (UIG) volume by providing a target for read submission performance for Product Class 4 sites against overall portfolio. This Modification proposes to target and measure performance against an agreed percentage for Energy reconciled after a defined period and provide PAC with an un-anonymised report which will enable them to target shippers whose performance is below the target threshold.</p>		
	<p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> <li>subject to self-governance</li> <li>assessed by a Workgroup</li> </ul> <p>This Modification will be presented by the Proposer to the Panel on 19<sup>th</sup> September 2019. The Panel will consider the Proposer's recommendation and determine the appropriate route.</p>	
	<p>High Impact:</p> <p>None</p>	
	<p>Medium Impact:</p> <p>CDSP and Shippers</p>	
	<p>Low Impact:</p> <p>Transporters</p>	

**Commented [SC1]:** Original MOD was not-subject to self governance but since the incentive has been stripped out this is not considered a material change. To be considered at Dec panel as part of final workgroup report

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Timetable			
<b>The Proposer recommends the following timetable:</b>			
Initial consideration by Workgroup	31 October 2018		Transporter: Cadent
Workgroup Report presented to Panel	19 <sup>th</sup> December 2019		 <a href="mailto:Gurvinder.Dosanjh@cadentgas.com">Gurvinder.Dosanjh@cadentgas.com</a>
Draft Modification Report issued for consultation	19 <sup>th</sup> September 2019		
Consultation Close-out for representations	10 <sup>th</sup> October 2019		 01926 653541
Final Modification Report available for Panel	14 <sup>th</sup> October 2019		Systems Provider: Xoserve
Modification Panel decision	17 <sup>th</sup> October 2019 (at short notice)		 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>

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## 1 Summary

### What

There has been excessive levels and volatility in Unidentified Gas (UIG) since the implementation of Project Nexus on 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 overall portfolio 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 a significant influencing factor in UIG, which is further supported by Xoserve UIG Task Force (as established by UNC Mod 0658) who have identified that lack of meter reads is a major risk factor for UIG.

- For Class 1 and 2 sites, this means that an estimate is used in daily allocation. The difference between estimate and actual creates UIG. This is resolved once an actual reading is received.
- For Class 3 and 4 sites, this delays reconciliation and means that AQ could be out of date.

The proposer of this Modification agrees that more frequent meter read submission and a greater percentage of reads against the overall portfolio will reduce levels of UIG exposure, as a greater percentage of a shippers overall portfolio will be settling on more accurate deemed energy volumes.

At present there are read submission performance targets set out in the UNC TPD Section M but these target percentage of sites that a readings should be submitted for. The risk is that if there are larger sites where a reading is not received that will be contributing more to UIG even though the shipper may be achieving the read submission target. There is currently insufficient reporting detail to show performance against overall portfolio and no target within UNC TPD Section M that shippers should achieve.

The benefit of introducing an additional read performance obligation on shippers would be to increase the accuracy of the total kWh settled in Product Class 4 which would in turn 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

The solution will be to introduce an obligation for shippers to achieve set performance for readings against overall portfolio for:

- Class 4 with an AQ >293,000kWh
- Class 4 with an AQ <293,000 with Smart/AMR equipment recorded on UKLink
- Class 4 with an AQ <293,000 without Smart/AMR equipment recorded on UKLink.

It is proposed that the prototype reports that focus on AQ at Risk which have recently been developed by Xoserve are enhanced to provide a PARR report and an un-anonymised report to PAC split by:

**Joint Office** of Gas Transporters

- ⇒ Individual Product Class
- ⇒ Shipper
- ⇒ Supplier
- ⇒ LDZ
- ⇒ SSP/LSP
- ⇒ Annually read sites
- ⇒ Monthly read sites with SMART/AMR equipment
- ⇒ Monthly read sites with AQ >293,000kwh

August AQ at Risk Statistics are available at: <https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/2019-09/3.6%20AQ%20At%20Risk%20Statistics%20October%202019.pdf>

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 both SMART/AMR and AQ >293,000 kwh

These reporting would be produced monthly and shippers will be measured against a target of % of overall AQ portfolio reconciled to an actual read:

- a) Annual read sites no reading for > 12months
- b) Monthly read sites – no reading for > 1 month

This target would mean that shippers with monthly read sites would need to provide readings within one month and reporting would be to show AQ volume without a read >1 month. Shippers with annually read sites would need to provide readings within 12months and reporting would be to show AQ volume without a read >12months

It is proposed that Xoserve provide the Performance Assurance Committee (PAC) with un-anonymised industry data on a monthly basis which will enable them to review performance and amend performance targets as required, ensuring they are fair and reasonable.

The % energy reconciled target will be set initially at the levels stated below with PAC having the authority to review and amend annually.

- Class 4 with an AQ >293,000kWh – Reads submitted for 90% of overall AQ portfolio for the previous month.
- Class 4 with an AQ <293,000 with Smart/AMR equipment recorded on UKLink - Reads submitted for 90% of overall AQ portfolio for the previous month.
- Class 4 with an AQ <293,000 without Smart/AMR equipment recorded on UKLink - Reads submitted for 90% of overall AQ portfolio for the previous 12 months.

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**Deleted:** provide shippers with 15 months to submit a read for annually read sites and 3 months for monthly sites to achieve the agreed target....

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## 2 Governance

### Justification for Authority Direction

This Modification seeks to provide enhanced reporting and a target performance measure based on industry standard, it is therefore suggested that this should be self-governed as it will not result in additional costs for shippers.

### Requested Next Steps

This modification should:

- be subject to self-governance
- be assessed by a Workgroup

## 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.

At present there are read submission performance targets set out in the UNC TPD Section M but these target percentage of sites that a readings should be submitted for. The risk is that if there are larger sites where a reading is not received that will be contributing more to UIG even though the shipper may be achieving the read submission target [see worked example fig.1](#). There is currently insufficient reporting detail to show performance against overall portfolio and no target within UNC TPD Section M that shippers should achieve. Total kWh settled and no accompanying target.

- Shipper A has 41 Class 4 monthly read MPRs with a total AQ of 500,000 kWh
  - 3 MPRs each have an AQ of 40,000 kWh
  - 38 MPRs each have an AQ of 10,000 kWh
- Current standard is to read 90% of MPRs each month
  - 90% of MPRs = 36.9 MPRs, effectively 37 MPRs out of 41
    - *might only read the smaller sites – as little as 370,000 kWh of AQ*
  - 90% of AQ = 450,000 kWh – *any combination of MPRs, as long as the AQ target is achieved*

[Fig.1](#)

Identifying and reporting read performance against the overall portfolio this will encourage Shippers to submit reads in a timely manner and target larger sites where a lack of reading has a greater impact on UIG, this will ensure 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

### ScottishPower 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 AQ's which calculated on 1<sup>st</sup> 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.

**Fig2**, Graph below highlights the link between the AQ % movement and the time between read submissions.

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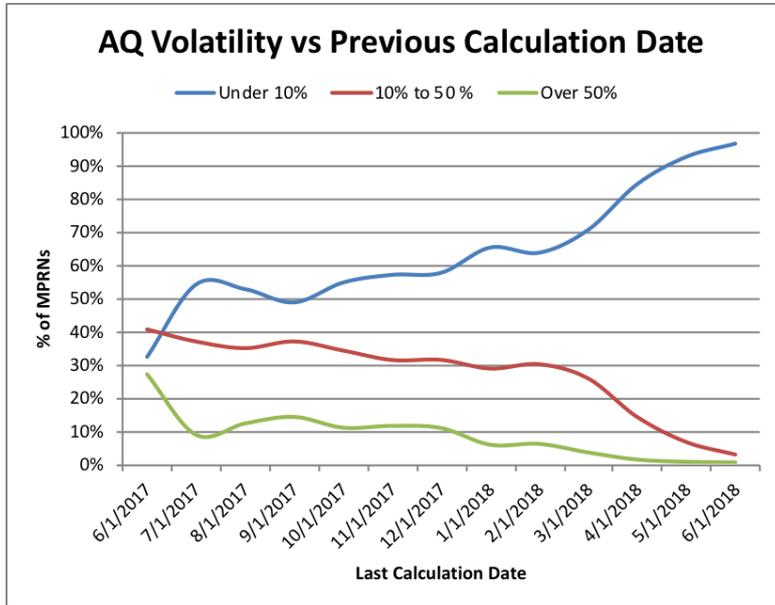


Fig.2

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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 10% 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%.

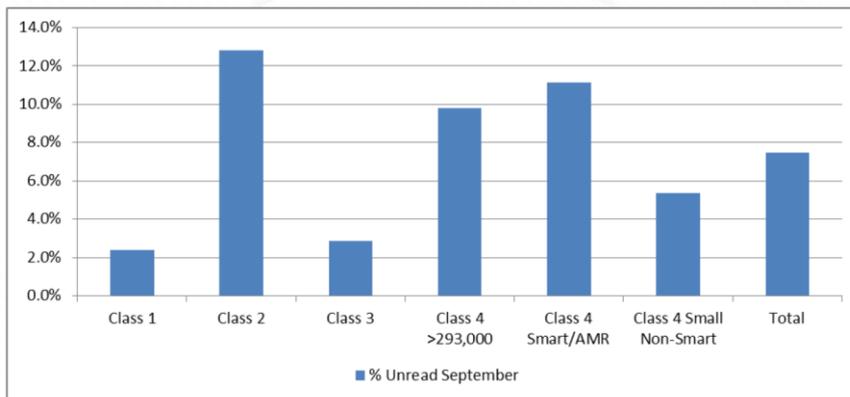
If the new AQ's on 1<sup>st</sup> July had not calculated, the meter points that had not calculated > 12 months ago would have caused higher UIG volatility than a site calculated more recently.

### Xoserve Analysis

#### AQ at Risk Prototype Reporting

Xoserve have produced a prototype report which analyses UK wide performance for AQ at Risk. This shows that for the month of September 7.5% of the overall AQ has had no reading. It also provides evidence that Product Class 4 sites with an AQ >293,000 kWh have worse performance than those with an AQ <293,000 kWh and therefore are a greater risk to UIG.

## AQ at Risk Breakdown as at 10 Sep 2019 – % of Total



## 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 AQ at Risk reports will be enhanced to provide information split by:

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

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

This reporting will be shared with PAC on a monthly basis at an un-anonymised level and MPRN level data would be made available to individual shippers via the Data Discovery Platform.

Using these reports Shippers will be measured against a target of % of overall AQ portfolio, reconciled to an actual read:

- a) Class 4 with an AQ >293,000 kWh – the previous 1 month period
- b) Class 4 with an AQ <293,000kWh and with Smart/AMR equipment recorded in UKLink – the previous 1 month period
- c) Class 4 with an AQ <293,000 kWh without Smart/AMR equipment recorded in UKLink – > 12months

This target would provide shippers with 12 months to submit a read for annually read sites and 1 month for monthly sites to achieve the agreed target.

Shippers will receive details via the Data Discovery Platform. A report of all shippers' performance will also be produced for PAC.

**Business Rules**

1. It is proposed that there is a new read performance obligation added to UNC TPD section M to obligate shippers to submit meter readings for 90% of their overall AQ portfolio.
  - a) Class 4 sites with an AQ >293,000 kWh will need to submit a meter reading for [x]% of their overall AQ portfolio within a 1 month window.
  - b) Class 4 sites with an AQ <293,000 kWh where Smart/AMR equipment is recorded in UKLink will need to submit a meter readings for 90% of their AQ portfolio within a 1 month window.
  - c) Class 4 sites with an AQ <293,000kWh where Smart/AMR equipment is not recorded in UKLink will need to submit a meter readings for 90% of their AQ portfolio within a 12 month window.

2. The formula to calculate performance is:

$$\frac{\text{Total AQ for sites with a valid read}}{\text{Total AQ of overall portfolio}} \times 100 = \text{Performance \%}$$

A new UNC Related Document will be created which can be reviewed and updated by PAC to give transparency and governance.

3. Read submission would be measured by the receipt of a valid read, accepted into CDSP systems. The relevant percentage would be calculated on a rolling monthly basis. The AQ's in the portfolio would be calculated as of the 1<sup>st</sup> day of the month.
4. Following a change of supply, supply point read performance would be reset for the new shipper. Performance measurement would begin from the 1<sup>st</sup> of the following month after the supply point was registered allowing complete months to be measured.
5. PAC will be required to approve a change to the PARR list to enable the CDSP to provide PAC with a non-anonymised view of shipper performance.
6. Reporting will be produced on the 10<sup>th</sup> day following month end and will be reported to PAC on the second Tuesday of the following month. Performance and backing data containing the individual MPRNs will be available to shippers via the Data Discovery Platform.
7. For the avoidance of doubt, Shippers who do not meet this performance target will be under the jurisdiction of PAC.

**Commented [SC2]:** Confirm with CDSP whether this is new reporting or whether it is already there and just needs PAC approval to add to PARR. **Some reporting is available but does not meet the exact requirements so will need to be specified. New reporting created and added to the PARR.**

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**Commented [SC3]:** Question raised at UIG w/g as to whether this could be condensed into monthly and annually **Decision made to keep to 3 given the challenges with SMART meters going dumb and to make clearer to PAC where issues can be addressed but aren't and where performance cannot be met due to DCC issues.**

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**Commented [CF4]:** The 1 month is easy to express. The 12-month obligation might need to be flipped round to say no AQ without a read for >12 months, otherwise it becomes difficult to turn an annual target into a monthly obligation.

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## 6 Impacts & Other Considerations

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

None identified

### Consumer Impacts

No direct consumer impacts identified. However, the workgroup should take into consideration any possible consumer impacts during the assessment of this Modification.

### Cross Code Impacts

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

### EU Code Impacts

None identified

### Central Systems Impacts

There should be limited central systems impact other than the provision of the new reporting.

## 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 targeting meter read performance across Shippers and customer types, it should help to 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.

## 8 Implementation

No implementation timescales are proposed; however implementation could be as soon after a decision to implement has been received.

## 9 Legal Text

### Text Commentary

To be provided by Transporters

**Text**

To be provided by Transporters

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Agree that this is subject to self-governance

Refer this proposal to a Workgroup for assessment.