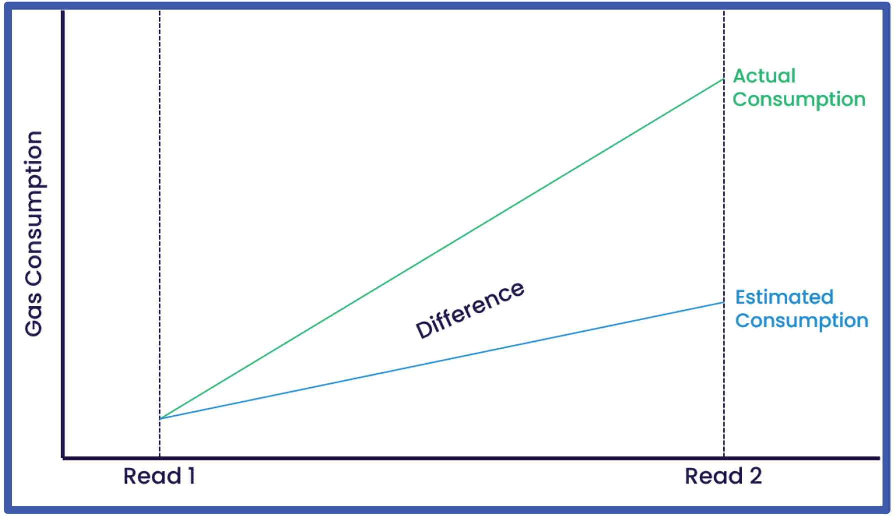
# UNC Modification 0862
# Amendments to the current Unidentified Gas Reconciliation Period arrangements

## Example of As-Is and To-Be UIG Reconciliation Apportionment

# Background



- Under current “Project Nexus” business rules, UIG Reconciliation (charge type “UGR”) is shared out in a standard 12-month “pot” in each LDZ.
- How is this currently carried out?
  - Each month, the CDSP carries out reconciliation activities for sites which have submitted reads in that billing month
  - The submitted reads indicate the difference between estimated and actual consumption



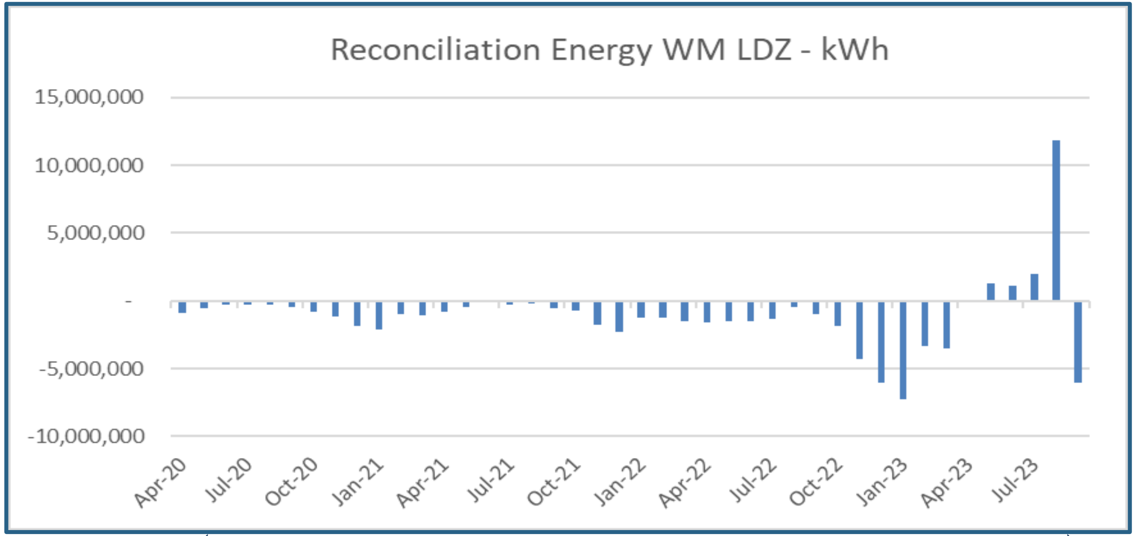

**<u>12-month pot means:</u>**

- **Total UGR divided into 12ths**
- **Then allocated to the previous 12 months in 12 separate ‘chunks’**

# Background cont.



- How is this currently carried out:
  - The difference in energy consumption for each site is then smeared across the reconciliation period (read date to read date) and billed/ credited to the appropriate Shipper
  - Opposite value of all the reconciliations in the LDZ for that billing month are totalled up to become UGR




Total actual meter point reconciliations for WM LDZ September 2023 = -45.48m kWh for April 2020 to September 2023

12 x 1/12th across 12 months

UIG reconciliation of +3.79m kWh applied to each month for WM LDZ from October 2022 to September 2023 inclusive (total +45.48m kWh)

# Background cont.



- Whether the original rec was for 3 days, 3 months or 3 years, the UGR is currently shared out across the 12-months pot in that LDZ
- UGR is currently applied to latest share of Weighted Shipper throughput for the last 12 months in the relevant LDZ
- The only exception is Large LDZ Measurement errors (>50 GWh) which are applied to the actual historic months – back to Line in the Sand only (the “Code-Cut-Off Date”)
- All UGR is shared out – none is “lost” due to the use of a 12-month pot

# Modification 0862



- UNC Modification 0862 seeks to move away from the standard 12-month pot for normal UIG Reconciliation
- Instead UIG reconciliation would be apportioned across the same <u>whole</u> months as the meter point reconciliation that has caused it
- That could be anything from one month to 48 months – and could be just recent months or just older historic months (e.g. for re-reconciliations)
- Most meter point reconciliation now flows in the first four months after the allocation month ("Supply Month") – Mod 0862 would align the UIG reconciliation to original allocation months
- The Mod does not propose any changes to meter point reconciliation processes

# Why Was 12 Months Chosen Originally?

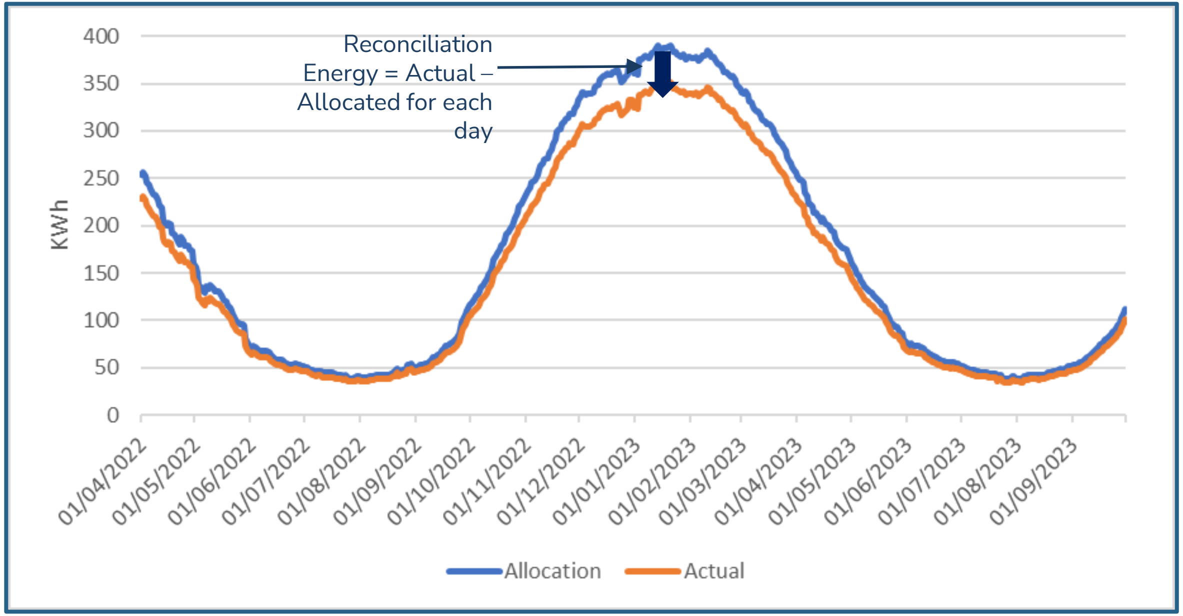


- Prior to Project Nexus all Smaller Supply Points were subject to “Reconciliation by Difference” in place of meter point reconciliation
- Energy sharing rules depended on the type of the original reconciliation – 12 months was the longest sharing period (except for Large LDZ measurement errors)
- 12 months was chosen by the Project Nexus Workgroup on the basis that:
  – Most sites would get a read at least once a year so 12 months would represent a typical reconciliation period
  – A single “pot” was simpler to understand
  – An outgoing Shipper would still be responsible for the UIG charge on the amendment invoice for the site for 12 months
  – It would be less of a barrier for Shippers wishing to exit the market
- UIG was expected to be a small % of throughput and UIG Reconciliation was expected to be a small proportion of the original UIG

# Worked Example

- We have looked at a fictional reconciliation for a weather sensitive site for an 18-month period
- Meter point reconciliation processes always assign the actual energy in proportion to the original allocation
- This means that proportionally more rec energy (plus or minus) is associated to winter months than to summer months
- In this example the site used 10% less gas than allocated

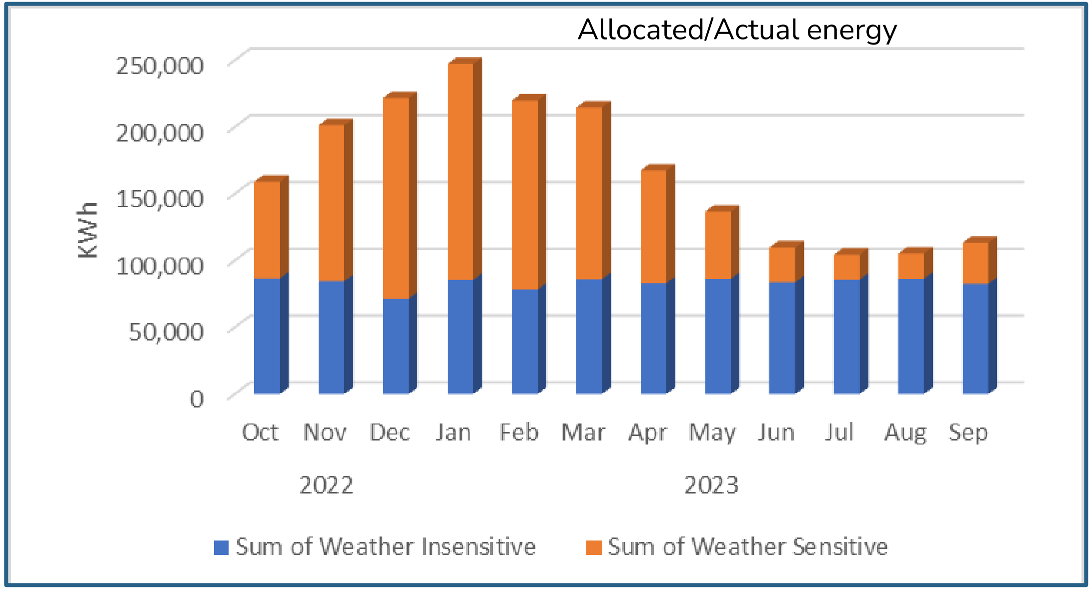
- *Reconciliation energy = Actual – Allocated = -8,961 kWh in this example*
- *UIG reconciliation = +8,961 kWh*
- *Higher energy volumes in high allocation months*



## As-Is Processes

- Consider a fictitious LDZ with just 2 customer groups:
- 1m kWh of Weather Sensitive AQ (e.g. Domestic, small I&C with heating load)
- 1m kWh of Weather Insensitive AQ (e.g. Industrial process load)
- **For Gas Year 2022 this is the comparative allocated/actual energy position** – basis of UGR allocation

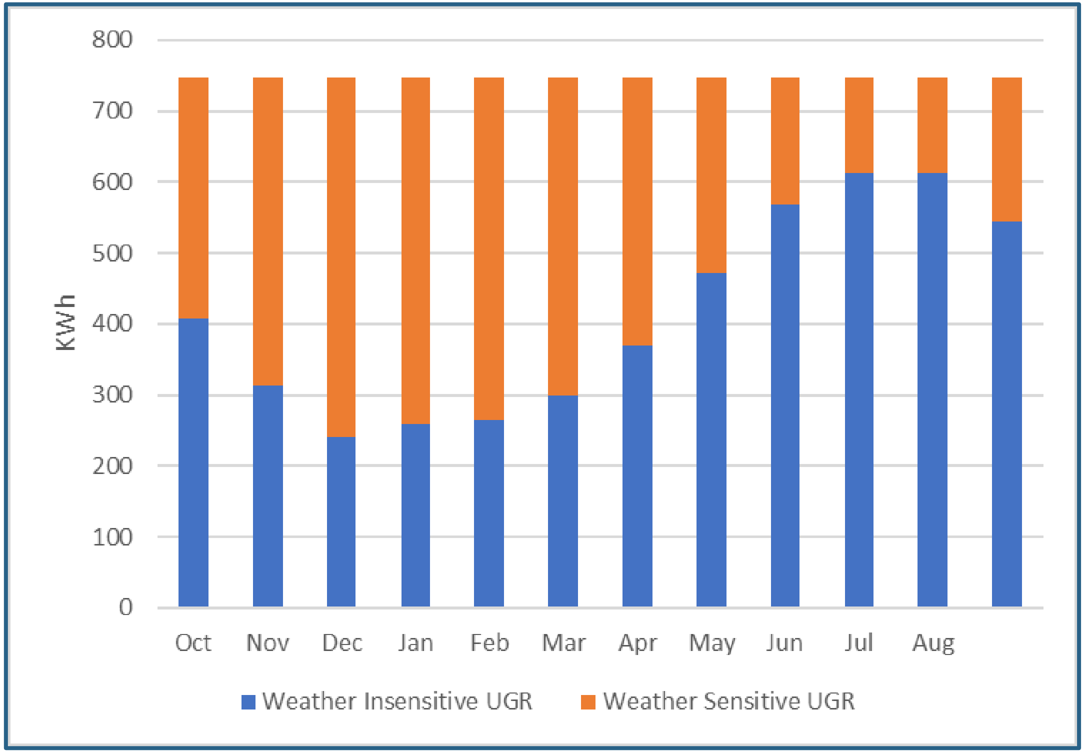
- *Weather sensitive sites use much more gas in winter v summer (up to 10x as much on cold days v warm days)*
- *Process load is largely flat – impacts of holiday periods and shorter months are slightly visible*



# As-Is UGR sharing

- Under current rules the reconciliation energy is multiplied by -1 and divided by 12
- Each 1/12$^{th}$ portion is shared out over the latest Weighted allocation/actual energy for the month
- If our example rec is shared out in the September 2023 Amendment invoice this is how it is shared (using equal Weighting Factors)

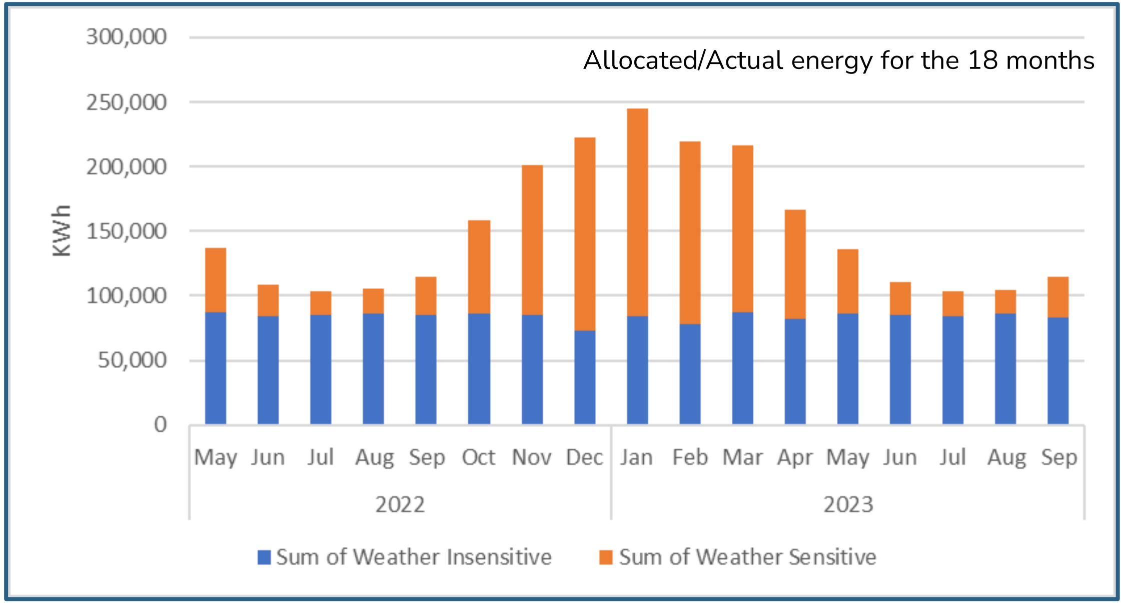
- *The monthly amount of UGR is always the same (1/12$^{th}$)*
- *Weather sensitive sites pick up a greater share in the colder months, less in summer*



## Proposed Approach

- The example rec of 18 months would create UGR to be shared out over 18 months
- 6 extra “older” months would be in play for UGR
- The latest post-reconciliation energy for these 18 months will be Weighted and used as the basis of UGR sharing

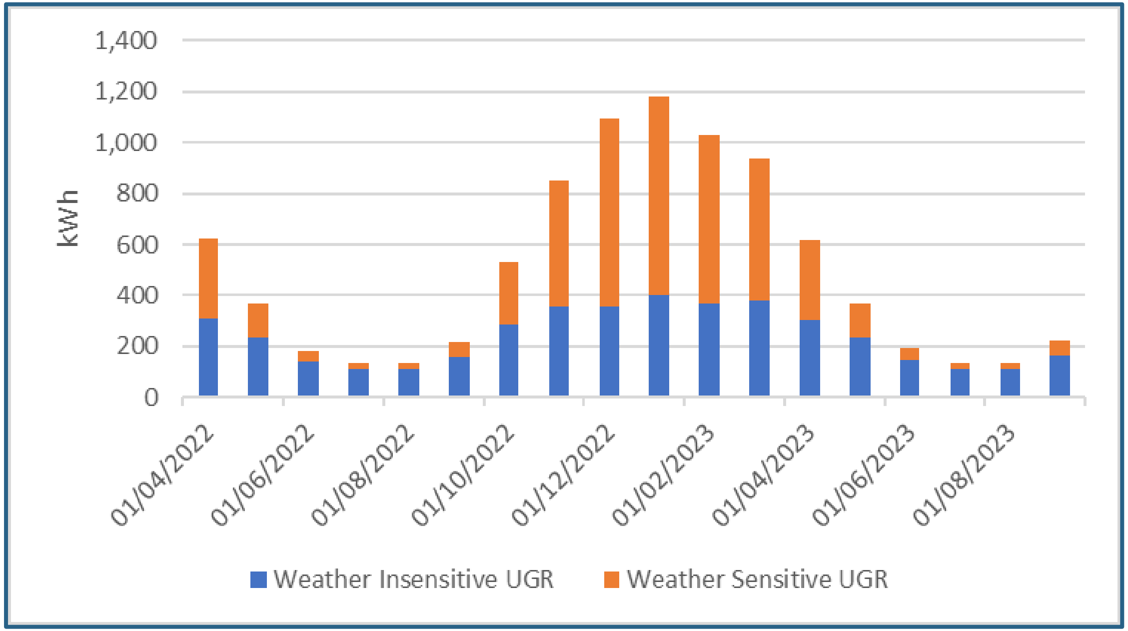
- *This is a view of the **latest energy** in our fictitious LDZ for the 18-month period*



# Proposed UGR sharing

- The post-reconciliation energy for these 18 months will be Weighted and used as the basis of UGR sharing
- The monthly UGR amounts vary in line with the original meter point reconciliation

- *Sharing of UGR in line with the meter point reconciliation energy across the reconciliation period*



# Financial Implications of UIG Reconciliation



- The financial value of UGR is taken from the sum of all the original meter point reconciliations in each LDZ (UGR £ value is the equal and opposite of all the meter point rec £ values – they net each other out on the Amendment Invoice)
- UIG Reconciliation is **not** revalued using the SAP prices of the months that it is shared over
- Financial values would be shared out in parallel with the energy amounts under Mod 0862 as explained earlier
- A change to the sharing arrangements won't have any impact on the overall financial value of UGR
- UIG Rec is an energy-only charge – there are no transportation charges on UIG so there is no Transporter income impact from the proposed change

# Other points to note



- We have not applied any UIG Weighting Factors to these examples – to make them easier to understand
- Future use of UIG Weighting Factors was confirmed by Ofgem's decision to reject UNC Mods 0831/A
- UGR each month is dependent on the individual reconciliations for the month within the LDZ
- In reality there are up to 39 End User Categories in each LDZ, each with a different profile and weather sensitivity
- Historic data can be seen in the "Reconciliation by Month" report on the Xoserve UIG page – report shows sum of individual recs in energy and £ terms – reverse them to get UGR energy kWh and £ value – "Supply Month" means the actual months to which the recs related: [Unidentified Gas (UIG) (xoserve.com)] *(pre-Line-in-the-Sand energy appears on the report but can be ignored)*

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