iGT038 Development Group

Periodic AQ review

Version 1.0 – updated 28 July 2012 following Meeting 7

AGREED PRINCIPLES DOCUMENT

This document serves as a record of completed and pending discussions, and agreed solutions. It is intended as a living document, to be updated following each meeting.

As the workgroup discusses each element of the proposal, a brief summary will be recorded, and any agreement reached is logged in the summary table. A completed summary table will form a quick reference for drafting a modification at the end of the process.

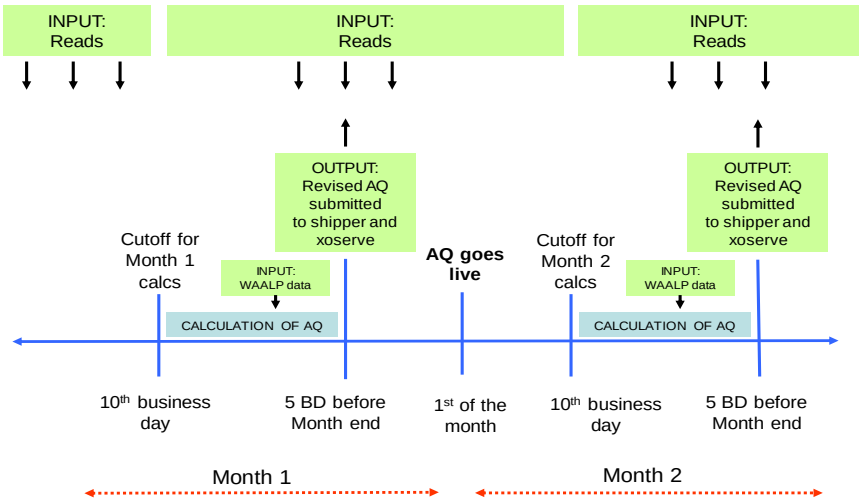
1) High level principles

Alongside the Terms of Reference workgroup is aiming to deliver a proposal that meets the following principles, against which all suggestions should be assessed:

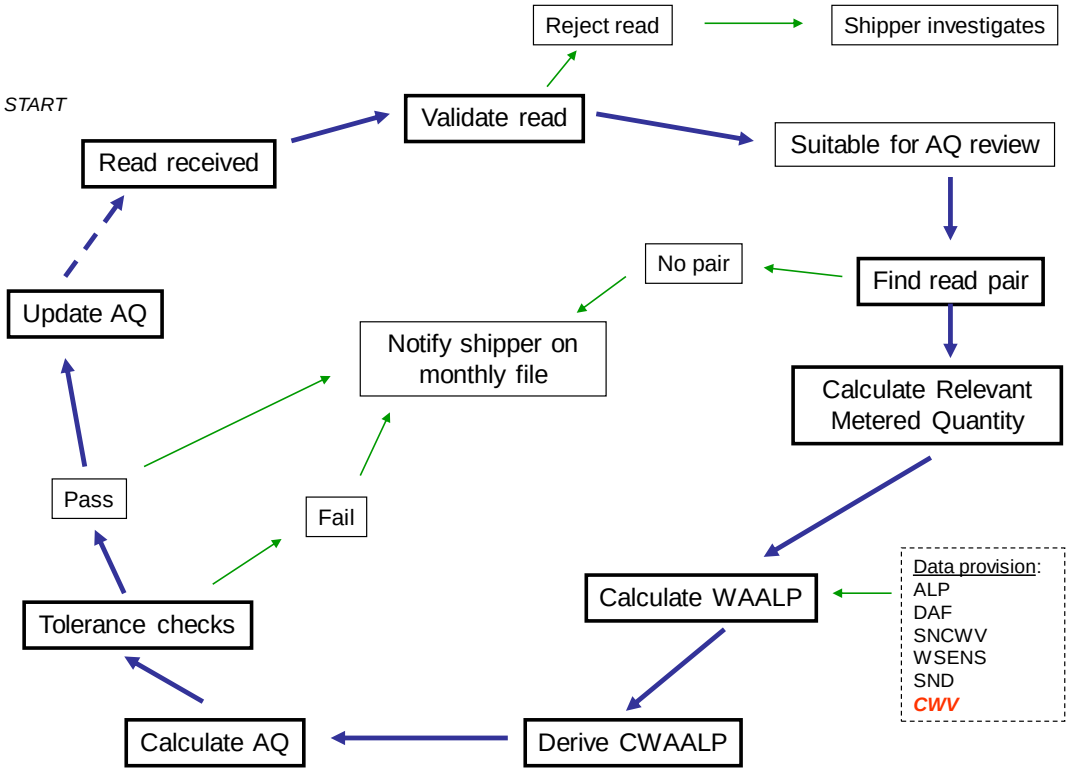
> Minimal cost to transporters
> It is agreed that a proposal will be assessed against its costs and benefits but the group recognises the potential short term nature of the proposal with the likely move to a central GT agent within 3 years. As such, any proposal will be short lived.
>
> Zero or minimal impact on Xoserve processes
> No increase in resource requirements for Xoserve. It is agreed that the iGT UNC cannot influence Xoserve processes but a risk that we may if not careful
>
> No changes to meter read validation rules
> To avoid additional complexity and cost of the proposal

Business process overview

Timetable



Calculation process



2) *WAALP data*

Transporters are concerned about their ability to source the WAALP data necessary to make AQ calculations throughout the year.

Currently iGTs use data that is provided to them once a year, during the AQ review. A second dataset is sent by Xoserve but is received too late to be of use to in the iGT AQ review process.

There are three types of WAALP data

1. Actual (this is what is provided twice yearly to iGTs)
2. Calculated. Can be calculated using daily CWAALP data which is published by Xoserve and should be available to iGTs if required.
3. Forecast. Provided in advance by Xoserve for the purposes of forecasting.

It is acknowledged that the order given above is the order of preference in terms of getting the most accurate AQ calculation.

Each type of data is equally valid for use in the calculation, and there are no code obligations for one type of data to be used in preference over another; but an understanding of their relative accuracy is helpful.

Actual data is generally available after a number of weeks. It is suggested that this data is received/collected by iGTs and loaded once a month. iGT systems would also hold forecast data which would be the default position where actual had not been loaded yet. This could be loaded once a year. This arrangement would ensure that the majority of AQ calculations performed used mostly actual WAALP data. However, there should be no burden on the iGT to collect data. As long as a complete set of forecast data is stored by the iGT, the calculation can always be performed.

Note: the practicalities of collecting/sharing the data have not been agreed but this would not be a necessary part of a proposal or code obligation. It is suggested that iGTs could take turns to collect data if it cannot be sent automatically by Xoserve.

It was agreed that there is no need to give iGTs an obligation to use WAALP data of a certain age or type.

It is proposed that reads submitted by the tenth business day of the month will have read dates up to the end of the previous month. Any others would be held back and included in the following month's calculations. This overcomes the problem whereby an iGT's WAALP data is not sufficiently up to date to perform a calculation (due to lag in publication of this data). It also means the iGT can source WAALP data once a month (on the tenth BD, up to the end of the previous month) and this will be sufficient to perform all calculations as accurately as possible.

3) Setting new AQ values to live

Three variables are identified

1. **When is the calculation carried out?**
   a. On receipt of a read i.e. an extension of the current read acceptance process
   b. At a scheduled time following receipt of the read i.e. in bulk once a month

   The preferred option may depend on system capabilities, and will have an impact on 2 and 3 below.

   AGREED: either approach is acceptable, and would work in accordance with the proposed timetable.

2. **If 1a. when is the shipper notified of the new AQ value?**
   ~~a. Immediately after calculation, by means of a new file transaction?~~
   b. At a scheduled time each month, by means of a bulk notification?

   These options may impact the ability to query a calculated AQ, and will be impacted by variable 3 below.

AGREED: In accordance with the proposed timetable, i.e. 5 business days in advance of 1st day of the month.

3. **If 2a. when is the new AQ set to live on the iGT system?**
   ~~a. from the day following calculation?~~
   b. on the 1st day of the following month?

Each option will have advantages and disadvantages for iGTs and shippers.

AGREED: 1st of the month. iGT will need to set a valid from date against each AQ value, and store the history of AQ values at the supply point.

4. **When and how is the shipper notified of a tolerance failure following an AQ calculation?**

AGREED: In accordance with agreed reporting mechanisms, the monthly report showing AQ values going live on 1st of the next month will include these tolerance failures. As per point 2 above.

5. **When is an AQ value that has failed tolerance set to live?**

AGREED: The month after the shipper has investigated and informed the iGT that it is happy with the value that failed tolerance. In accordance with proposed timetable. Note, the mechanism for informing iGT following shipper investigation has not yet been set.

4) Files

Response file to shipper

What does the shipper response do?

~~1. Acknowledge that a successful calculation ONLY and the previous and new AQ~~

2. **Confirm calculation and outcome: successful calculation PLUS new AQ; unsuccessful calculation and reason for failure.** Note, there are multiple reasons that a calculation can fail. These rejection reasons already exist in the current AQ review process, and can be re-used (along with the rejection codes).

Notification to shipper of failed AQ calculation

The shipper will receive notification of a revision to an AQ. Will they also be notified where a read has been accepted but the iGT has been unable to calculate an AQ?

To an extent this will depend on what the shipper is using the process for. When it is actively managing AQs, feeding in reads to correct a presumed incorrect AQ, then a notification would certainly be useful. This adds complexity of course.

What are the reasons why an AQ calculation can fail?
AGREED: Existing AQ review rejection codes can be used here.

AGREED: the monthly report showing new AQ values going live will also contain those that failed calculation and those that failed tolerance, by showing the following columns:

Current AQ
Calculated AQ (result of calculation/reason for failed calculation OR blank?)
Proposed AQ (= calculated AQ for successful calcs/current AQ for non-calcs and tolerance failures)
Effective from date (1st of the next month for successful calcs/existing EFD for all others)
Failure reason (if reason not to be given in Calculated AQ column)

Update files to Xoserve

Current AQ review results in a large update file being provided to Xoserve. This takes considerable Xoserve time and resource to process. Xoserve use this information to update their systems for forecasting purposes.

It has been confirmed that currently this is a 'refresh' exercise at a time when it is known that many AQs will have been changed. Under a rolling AQ Xoserve will no longer need this annual refresh, and will be able to take a snapshot at any time to suit their own needs.

It has been confirmed that updates to AQ values would simply flow through the standard (LMN) reporting procedures, and no additional update file would be required by Xoserve, either as a new AQ is calculated or a monthly file is sent to the shipper.

5) Tolerance thresholds

Two options:

1. Include a threshold
2. ~~No threshold~~

The inclusion of a threshold is an additional reason for an AQ recalculation to fail at the amendment stage.
It is felt that it would be beneficial to include some kind of tolerance. Further requirements may be a flag for the shipper to allow a change to process successfully where it is known that the tolerance will be breached (supporting evidence?). The alternative to this is a secondary AQ amendment route (similar to LSP mechanism). This would add complication to the automated process.

Proposed tolerance level (for agreement):

Current AQ (kWh)	**Acceptable level for proposed AQ**
1 - 73,200	**+ or – 73,200 (subject to a minimum value of 1)**
73,201 - 732,000	**[20% - 250%] of current AQ**
732,001 - 2,196,000	**[20% - 200%] of current AQ**
2,196,001 - 29,300,000	**[20% - 150%] of current AQ**
29,300,001 - 58,600,000	**[20% - 120%] of current AQ**
58,600,001 and above	**[20% - 120%] of current AQ**

Agreed positions:

- ~~How to limit exposure to potential fluctuations in charges (positive and negative) where an (erroneous) AQ feeds into the monthly invoice (infill, some I and C)?~~

AGREED: This should not matter where an appropriate tolerance threshold is set. Where tolerance is satisfied, amendments would be made by submitting a subsequent read or a replacement read.

- ~~The ability of the shipper to claw back excess charges where invoice is erroneously high for a period.~~

AGREED: Tolerance threshold will alleviate these concerns. There will be no mechanism for a shipper to reclaim charges.

6) Challenges

It is thought that there will be no requirement (or time) for an appeals process. This is especially the case where tolerance checking exists before AQ amendment. A challenge mechanism may be possible if the idea of a monthly timetable is not adopted.

AGREED: Challenges will not be part of the proposed regime.

- Where shippers cannot challenge, is there a need to extend the current ad-hoc LSP process formally to SSPs? It has been suggested that a process similar to the existing BTU process (under UNC) could be used. This must be a separate modification to iGT UNC – to be noted as potential further work in the group's report.

7) Replacement reads

It is acknowledged where a replacement read is used to amend an AQ value, a recalculation would be carried out. The resulting AQ would be set to live in accordance with the agreed standard timetable. In other words, a replacement read may relate to March but where provided in April, the new AQ would go live at the start of May. It would not 'overwrite' the AQ value for the month of April.

Note that currently some iGTs expect the replacement read date to be the same as that of the original read, whereas iGT UNC states the date must be the same or more recent.

8) Reporting

It is agreed that a set of reports will be useful and should be built into to the requirements of the rolling AQ regime. It is thought that this will be only a subset of what is required currently, since some current reports relate to challenges.

Proposed reporting:

1. Number of times a new AQ has successfully been applied following an accepted read
    a. To show the effectiveness of the regime. Per shipper only; and will allow shippers to compare iGTs
2. Volume changes in consumption over the gas year
    a. Per shipper and in aggregate
3. Increases and decreases in consumption per shipper – for visibility by all shippers
4. List of MPRNs that have not had a revised AQ for X period
    a. To allow shippers to target read activity or target the investigation of validation failures

There has been some discussion of whether the portfolio extract (monthly) report could be used, by adding an effective from date for the current AQ. It is thought that there may be a requirement to add too many fields to make it useful, and so a separate report would be more appropriate. Report 4 above can be created as long as an effective from date is assigned to each AQ value.

9) AQ calculation

Current parameters state read window as 6 months plus 1 day – out to three years then back in again. It is suggested that this proposal considers an alternative based on recent analysis by Xoserve: 12 months in to 9 months then out to three years. i.e. a 9 month minimum. Align the calculation to Nexus proposals.

10) Issues summary and outstanding questions

ISSUE	OPTIONS	AGREED FOR PROPOSAL
1. Collection of WAALP data	a. iGT to retrieve WAALP data b. Xoserve to provide WAALP data to iGTs c. shippers to provide WAALP data to iGTs	a. iGT to retrieve WAALP data (but can be done once a month)
2. Use of WAALP data		iGTs to store and use forecast data and update actual data on a monthly basis. Actual values to be used where available (actual values 'overwrite' forecast?)
3. Timing of calculation	a. Upon receipt of read b. During a window in the monthly timetable	Either, depending on how iGT sets up their system. Both can be performed in accordance with the timetable
4. Notification of AQ value to shipper	a. When calculation is performed b. Once a month in bulk	b. Once a month in bulk
5. Setting AQ value to live	a. Day after calculation b. First of the following month	b. First of the following month
6. Shipper response file	a. Only contains updated AQs b. Shows all MPRNs where read was received; new AQs; failed AQ updates with reason	b. Shows all MPRNs where read was received; new AQs; failed AQ updates with reason
7. Tolerance threshold	a. Include tolerance b. No tolerance	a. Include tolerance (as described in section 5)
8. Shipper challenges	a. Ability to challenge new AQ b. No ability to challenge AQ	b. No ability to challenge AQ
9. AQ calculation parameters	Originally assumed no change from current rules. Nexus proposal was to extend ideal read window to 9 months; however analysis now shows a 12 month window to be ideal	Use parameters based on most recent Xoserve analysis i.e. proposals for Nexus requirements.
10. Rolling AQ timetable	What if: More than AQ due to go live on the same date? Either from two reads provided within period; or one standard read in period, plus a shipper response to a tolerance failure.	AGREED: The read with the most recent date wins. Note: current iGT UNC rules allow rejection of too frequent reads, but may not be applied as it is considered beneficial not to do so. This is a potential consequential code change.
11. I & C sites	Do these need to be treated any differently in the process?	No suggestion that I&C sites will need to be treated differently.
12. Change of asset details/ meter exchange	Does a change of asset details have any impact on the process? Does a change of asset details trigger the process (which types of read do?)	No change to the way a change in asset details is currently dealt with.
13. Notification of tolerance failures – file format	Could be a csv file for automation, or a manual process. This includes the response from the shipper.	Parties to consider. Suggestion that a standard file format is agreed to allow automation if required.

11) Cost benefit analysis

A cost benefit exercise will be required as part of the consultation for this modification. The development group has proposed a number of questions to form the basis for this cost benefit analysis. The CBA is particularly important for Ofgem since this modification has the potential to require significant systems development and cost, and any benefits may be time-limited following implementation owing to the proposed move to a single service provider for all GTs.

Suggested questions for CBA (part of consultation rather than prior to consultation)

1. For what proportion of supply points do iGTs currently receive a read that would be eligible for the proposed rolling calculation?
2. Are you aware of any current issues preventing the provision of reads by shippers to iGTs?
3. What would be the impact of this proposal on your systems?
4. What would be the cost of developing your systems to accommodate this proposal?
5. What do you estimate to be the benefit (in monetary terms) of shippers' ability to influence AQs on a rolling basis? Explain how you came to your view on this.
6. What is the current cost of operating the annual AQ process? Will all of this cost be removed under the rolling AQ model?

Suggested costs and benefits

Costs

- Systems development for iGTs
- Systems development for shippers

Benefits

- Shipper benefits associated with faster updating of AQs at iGT sites. The level of this benefit will depend entirely on read submission levels
- Industry benefits from improved accuracy of demand estimation and forecasting (but only where Xoserve take an iGT 'snapshot' more frequently than their current annual schedule)

Also note the work of UNC mod group '0421 - Improve AQ Performance', which provides a very good basis for any equivalent analysis under a future iGT UNC AQ related proposal.