

iGT UNC Modification Proposal

Date	21 st July 2011
Urgency	Non-urgent
Reference	iGT038
Status	For Consultation
Title	Periodic Annual Quantity Calculation (Rolling AQ)
Proposer	Colette Baldwin E.ON
iGT UNC / Pipeline Operator <i>Confirm whether the Modification Proposal is to the iGT UNC or an iGT's Individual Network Code.</i>	iGT UNC
Modification Proposal Dates	<i>Circulation: 17/08/2012 Response: 10/09/2012 Circulation of DMR: 01/10/2012 Response to DMR: 22/10/2012 DFMR published: 12/11/2012 DFMR considered at Panel: 19/12/2012 FMR sent to authority: dd/mm/yyyy Circulate Authority's determination: dd/mm/yyyy Suggested Implementation date: dd/mm/yyyy</i>

Urgency

Non Urgent

Background

The AQ value assigned to each supply point forms the basis of capacity planning, energy balancing and aggregate meter point reconciliation. The accuracy of this information is therefore of significant importance to both Pipeline Operators and Users as well as to customers in terms of having cost reflective transportation, capacity and commodity charges. Under the current AQ review process the AQ used to determine the capacity and commodity charges are on average 18 months old at the time of use.

Continuing demand reduction by domestic consumers isn't quickly recognised in the AQ values being used by the Pipeline Operators in both pricing networks and booking network capacity with the large Transporters. Recent analysis of AQ values contained in the NExA table after the Annual AQ Review process has demonstrated that smaller supply points AQ values are dropping by approximately 4% per year (which was confirmed by analysis conducted by DECC and Ofgem on future demand requirements) and that depending on a number of different factors, sites may not be able to be part of the annual review of AQs which means that potentially inaccurate AQ values may be applied to supply points for a further 12 month period.

The Proposal

The annual AQ review process will be replaced by a new periodic recalculation of the AQ Value. The provision of more frequent meter readings will enable the periodic recalculation of the AQ by the Pipeline Operator and for it's provision to the Large Transporters' agent.

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How will the proposal operate?

The AQ Review process will be driven not by a calendar, but by the more frequent provision of actual meter readings by Pipeline Users.

This will require dynamic AQ calculation upon receipt of actual readings which are validated by the Pipeline Operator.

Those revised values will then be confirmed to the Pipeline User and submitted to the large transporters' agent in the month they are calculated to be used from the beginning of the next month.

Suggested timescale for implementation

As this will require system developments both with the Pipeline Operators and Users, but will also require system development of the large transporters' agent, it is proposed that this change be aligned to the delivery of Project Nexus which is also looking to introduce periodic AQ calculations (Modification UNC 0380)

Section of the Code Concerned

C1 and the proposed Ancillary Document – 'iGT AQ Review Procedures' (iGT034)

Facilitation of the relevant objectives

How this proposal will, if implemented, better facilitate the "code relevant objectives", as defined in Standard Condition 9 of the Gas Transporters Licence. For those answered Yes to, please provide a detailed explanation below the table.

<i>Relevant Objective</i>	<i>Yes/No</i>
a. the efficient and economic operation of the pipe-line system to which this licence relates	Yes
b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters	Yes
c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence	No
d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers	Yes
e. so far as is consistent with sub-paragraphs (a) to (d), the 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	No
f. so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code referred to in paragraphs 2 and 5 respectively of this condition	Yes

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Relevant Objectives to be better facilitated:

Objective	Comment
A	AQs form the foundation of many of the planning and system security activities of the Pipeline Operators, consequently improving the accuracy of AQs is likely to improve their ability to operate the pipeline system in an efficient and economic manner. More frequent calculation of AQs may provide Pipeline Operators with more up to date view of demand requirements.
B	More dynamic AQs will deliver improvements in demand forecasting and capacity planning in an environment where demand reduction is a key energy policy objective.
D	<ol style="list-style-type: none"> 1. Improvements in the accuracy of the AQ will result in more accurately allocated energy and minimise the movement of energy between market sectors through reconciliation. This will minimise uncertainty for new market entrants and will enable the allocation of costs to be more accurately targeted based on consumption information which is more recent. 2. The likelihood of new AQ values being calculated is increased relevant to meter reading performance. Pipeline users who have robust meter reading arrangements will derive a benefit from more frequently calculated AQs and accurate charges.
F	By aligning the process for the large transporters UNC with that of the iGT UNC it will allow the efficient implementation of this significant change to both codes and will deliver a single industry process for AQ reviews.

Likely impact on environment?

None

Implementation issues including impact on systems

To be considered with the changes proposed by Project Nexus and modification UNC 0380 as there will be developments required by Pipeline Operators, Pipeline Users and the Large Transporters' Agent.

Proposed Legal Text

To be developed at the DMR stage of the modification.

Completed forms should be returned to the iGT UNC Representative, Genserv Ltd at iGT-UNC@genserv.com or faxed to 020 7090 1001