

Modification	At what stage is this document in the process?
<h1>IGT117:</h1> <h2>Introduction of winter read/consumption reports and associated obligations</h2>	<div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="border: 1px solid green; background-color: #00a651; color: white; padding: 5px; margin-bottom: 5px;">01 Modification</div> <div style="border: 1px solid blue; padding: 5px; margin-bottom: 5px;">02 Workgroup Report</div> <div style="border: 1px solid purple; padding: 5px; margin-bottom: 5px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; padding: 5px;">04 Final Modification Report</div> </div>
<p><b>Purpose of Modification:</b></p> <p>UNC modification 0652 aims to create an obligation, and associated monitoring reports, to support the process for shippers to submit reads and correct data, ensuring the appropriate winter consumption calculation takes place, for accurate NDM WAR band profiling. This modification will ensure that the appropriate IGT UNC clause is created to cover IGT supply points in the process.</p>	
	<p>The Proposer recommends that this modification should be:</p> <ul style="list-style-type: none"> <li>assessed by a Workgroup</li> </ul> <p>This modification will be presented by the Proposer to the Panel on 17<sup>th</sup> October 2018. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p>
	<p>High Impact: Pipeline Users</p>
	<p>Medium Impact: CDSP</p>
	<p>Low Impact: Pipeline Operators</p>

Contents	
<b>1 Summary</b>	<b>3</b>
<b>2 Governance</b>	<b>4</b>
<b>3 Why Change?</b>	<b>4</b>
<b>4 Code Specific Matters</b>	<b>5</b>
<b>5 Solution</b>	<b>5</b>
<b>6 Impacts &amp; Other Considerations</b>	<b>6</b>
<b>7 Relevant Objectives</b>	<b>6</b>
<b>8 Implementation</b>	<b>7</b>
<b>9 Legal Text</b>	<b>7</b>
<b>10 Recommendations</b>	<b>7</b>

 Any questions?

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## Timetable

**The Proposer recommends the following timetable:**

Initial consideration by Workgroup	6 <sup>th</sup> November 2018
Amended Modification considered by Workgroup	N/A
Workgroup Report presented to Panel	21 <sup>st</sup> November 2018
Draft Modification Report issued for consultation	21 <sup>st</sup> November 2018
Consultation Close-out for representations	12 <sup>th</sup> December
Variation Request presented to Panel	N/A
Final Modification Report available for Panel	13 <sup>th</sup> December
Modification Panel decision	19 <sup>th</sup> December (short notice)

## 1 Summary

### What

Since Nexus go-live, it has been reported that up to 25% of relevant sites in End User Category (EUC) bands 3 to 8 have been assigned a default Winter Annual Ratio (WAR) band for the purposes of demand estimation profiling. It has been cited as a contributing factor affecting performance levels of the demand estimation algorithm. To calculate an accurate Winter Annual Ratio, shippers need to submit a pair of reads in the winter period (one in Nov – Dec, and a second in Mar – Apr). If either of these reads is not submitted, or fails validation, winter consumption cannot be calculated, and therefore, a 'bucket' or default EUC band is assigned. In addition, if winter consumption energy or the related Annual Quantity (AQ) is erroneous due to underlying data issues, the winter energy is not valid, and an appropriate EUC WAR band cannot be assigned. When reads have not been submitted, shippers can later provide data updates that allow the correct allocation of an accurate WAR band.

### Why

The current level of sites in EUC bands 3 to 8 with a default WAR band (25%) is one contributing factor to potential inaccuracies in the demand estimation algorithm, which in turn, leads to increased levels of temporary Unidentified Gas (UIG). A series of reports, plus additional obligations, would increase the level of sites receiving an accurate WAR band, and therefore, the accuracy of the demand estimation calculations. It would also serve to highlight and focus efforts on an arguably less well-known industry process that supports the demand estimation calculations.

The relevant supply points (those in EUCs 3-8) will be monthly read, and many should also have advanced metering fitted, so obligations already exist to submit a meter read every month. Additional clarity will be provided by creating new reports and obligations to highlight the need to correct data to ensure winter consumption can be calculated correctly.

### How

This modification seeks to introduce a number of industry reports, sent to users and the Performance Assurance Committee (PAC), to provide visibility and support to the winter consumption process that is linked to the production of accurate WAR bands for supply points in EUCs 3 – 8. These reports would highlight to users when a read has not been submitted in either of the relevant windows, allowing the user to take action and submit a read in the following month. Furthermore, reports would also highlight when reads were not successfully submitted, with an additional obligation being placed on users to undertake a data update to allow the winter annual ratio to be calculated.

The additional reporting would provide visibility for users at different stages of the process, while the additional obligation would provide further clarity and structure to ensure the process works correctly.

This modification would look to insert the appropriate clause into the IGT UNC to ensure that IGT Supply Points are also included in the proposed process and reporting.

## 2 Governance

### Justification for Authority Direction Procedures

While UNC modification 0652 was initially proposed as self-governance, UNC panel adjudged that the potential impact on materiality meant Authority Direction procedures should apply. As such, it is appropriate that this modification should follow the same path.

### Requested Next Steps

This modification should:

- follow Authority Direction procedures and be assessed by a Workgroup proceed to Consultation

This modification should be implemented as soon as possible after modification 0652 to allow the proposed reports to be created as soon into the winter read cycle process as possible.

## 3 Why Change?

Since Nexus go-live UIG has been the leading issue in the gas retail market, and one of the key areas of investigation has been the accuracy of the demand estimation algorithm. One of the issues highlighted by Xoserve has been the relatively high number of sites in EUC bands 3 to 8 (approx. 25%). It is difficult to accurately quantify the impact, without knowing the correct consumption and more appropriate WAR band for these sites; however, the issue of NDM WAR bands is currently listed as the sixth highest risk on the PAC settlement risk register.

In addition, sites in EUC bands 3 to 8 are assigned a load factor based on their WAR band. If a site has a default WAR band, an inappropriate load factor could be assigned, and therefore an incorrect Supply Offtake Quantity (SOQ) calculated. This has implications for transporters for both capacity planning and revenue recovery.

This process has arguably not had wide visibility in the past. With this in mind, the introduction of supporting reports and an additional obligation would ensure that users have regular proactive prompts (when winter reads have become due), as well as reactive reminders (when reads have not been sent) and can, therefore, make appropriate updates to ensure the industry process works optimally. This would then lead to more accurate demand estimation, and therefore a reduction in levels of temporary UIG, as well as more accurate SOQ calculation (with the associated benefits for transporter capacity planning).

An IGT UNC modification is required to ensure IGT UNC is aligned if UNC modification 0652 is approved and implemented.

## 4 Code Specific Matters

### Reference Documents

UNC Modification 0652:

<http://www.gasgovernance.co.uk/0652>

## 5 Solution

The UNC solution will update the PARR, and insert an obligation and series of reports into UNC Section G. As such, the IGT UNC would need a clause inserted into part F to point to the relevant part of UNC section G.

For completeness, the proposed business rules are below.

### Business Rules

The CDSP will send a number of reports to all relevant parties (i.e. users that are registered to supply points in the relevant EUC 03-08 bands), at various points throughout the gas year, as well as related reports for monitoring by the Performance Assurance Committee (PAC).

1. Report 1 – the CDSP will send out a report detailing the prospective winter consumption. This will be sent out in May of each gas year. The report will detail the relevant winter consumption and highlight any supply points where a winter consumption quantity could not be calculated for the gas year ahead (for example where a read was not submitted in the preceding winter periods. An obligation will be placed on the user to take action in the August/September period following receipt of the report to update central systems with a winter consumption value for the gas year ahead (where data exists to do so).
2. Report 2 – the CDSP will send a related report to the PAC (in June) for visibility of the number of relevant supply points potentially without winter consumption for the gas year ahead.
3. Report 3 – this report to be sent to users and would highlight those supply points where a correction was potentially required in September but did not take place. Further opportunity to update these supply points with an appropriate winter consumption quantity is available to users throughout the gas year (from October to August).
4. Report 4 - a version of report 3 would be sent to the PAC for monitoring purposes.
5. Report 5 – this report would be sent by the CDSP to users and would highlight the relevant Supply Points where a read was not submitted in the first appropriate winter month (i.e. November). The report would be sent at the beginning of December and serve as a prompt to users who had not fulfilled their monthly read submission obligation to take action and ensure a read was submitted in the following month (i.e. December). This would enable the CDSP central systems to have access to the first relevant read to calculate the winter consumption quantity.
6. Report 6 – this report would be sent to the PAC in January for visibility of supply points that had not fulfilled their monthly read submission obligation, with specific reference to the initial winter period.
7. Report 7 - this report would be sent by the CDSP to users and would highlight the relevant supply points where a read was not submitted in the second appropriate winter month (i.e. March). The report

would be sent at the beginning of April and serve as a prompt to users who had not fulfilled their monthly read submission obligation to take action and ensure a read was submitted in the following month (i.e. April). This would enable the CDSP central systems to have access to the second relevant read to calculate the winter consumption quantity.

8. Report 8 - this report would be sent to the PAC in May for visibility of supply points that had not fulfilled their monthly read submission obligation, with specific reference to the initial winter period.

## 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

None identified.

## 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) Co-ordinated, 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 agreements 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 Cooperation of Energy Regulators	None
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Improving the demand estimation calculations should enhance accurate apportioning of energy, therefore furthering relevant objective d) competition between shippers and suppliers.

## 8 Implementation

This modification should be implemented as soon as possible after modification 0652 to allow the proposed reports to be created as soon into the winter read cycle process as possible.

## 9 Legal Text

### Text

To be provided by Pipeline Operator.

## 10 Recommendations

### Proposer's Recommendation to Panel

Panel is asked to:

- Refer this proposal to a Workgroup for assessment.