UIG Task Force Recommendations

Investigation Item 12.2
Standard Conversion Factors

Version 2, 21/01/19

Background

What is the finding?

12.2 Use of standard conversion factors for NDM sites < 732,000 kWh AQ, regardless of variations in LDZ or geography

- All sites under 732,000 AQ should have a single industry standard *conversion factor* specified in legislation (also referred to as a *Correction Factor*)
- Any difference between the standard value and more accurate value would mean that gas was under- or over-metered and would contribute to UIG
- Once the reads have been used to calculate an AQ, Nominations and Allocations would also be affected

How does it contribute to UIG?

- Analysis of the impact of using actual LDZ temperatures instead of the standard 12.2 degrees in a colder than average LDZ indicates that the annual effect is non-zero, i.e. that summer over-recording of actual energy does not fully offset the winter under-recording of actual energy
- Analysis of effect of standard v actual hourly temps on first year post-Nexus shows national impact of standard conversion is 0.4% additional UIG. Using actual temps would have reduced UIG by up to 3% on peak days and increased it by up to 4% on the warmest days

Options to address finding 12.2 (1 of 3)

No.	Option	Likelihood of success	Implementation lead times
1.	No action (“Do Nothing” option) or Park	Very low	N/A
2.	Use actual LDZ temperatures to convert consumptions used to develop the NDM Profiles (ALPs and DAFs) – to be further refined at DESC forum	Medium – improves daily allocation but does not correct calculation of metered energy or AQ	Short/medium – pending DESC review
3.	Influencing strategy to amend Thermal Energy Regulations	Unknown?	Probably long?
4.	Add a new LDZ level factor to the volume-to-energy conversion formula to account for the net difference in energy. The factor could either be a fixed value reviewed periodically, or calculated daily using actual LDZ weather	Medium to high	Long. Would require a UNC Modification proposal and significant system changes.

Xoserve recommended options

Options to address finding 12.2 (2 of 3)

No.	Option	Likelihood of success	Implementation lead times
5.	Amend AUGE process to re-distribute UIG based on estimated impacts of conversion factors (forecast basis)	Medium/high – depending on actual weather for the year	Medium – requires governance changes but probably no system changes
6.	Mod to introduce retrospective adjustment to allocations based on actual weather for the year	Medium/high – depending on methodology applied	Long – UNC Mod and system changes
7.	Introduce an LDZ level conversion factor (permanent/per year/per month)	Low to medium – depending on whether annual/monthly	Long – UNC Mod and system changes
8.	Amend UNC/legislation to require site specific conversion for every site	Low to medium due to scale of workload	Medium/long – creation of capability only – Long for actual CF updates

Options to Address Finding 12.2 (3 of 3)

No.	Option	Likelihood of success	Implementation lead times
9.	***Suggested by Shipper:*** Create a new category of Energy, treated similarly to Shrinkage, where a percentage of daily throughput is allocated as a Correction Factor error. The percentage of energy would be set at LDZ level based on daily profiled seasonal normal temperature, and then retrospectively trued-up based on the actual LDZ temperature. This option would reduce volatility and the shippers' trading exposure arising	***Shipper assessment:*** Medium-High. Would reflect daily profiled temperature effect, applied to aggregate consumption profile (rather than individual sites' usage profiles). Would need to assess if any changes required to DNs' RIIO arrangements to make it an allowable cost	Long. Would require a UNC modification and changes to CDSP systems, and potentially changes to CDSP Billing processes to incorporate the new energy type


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