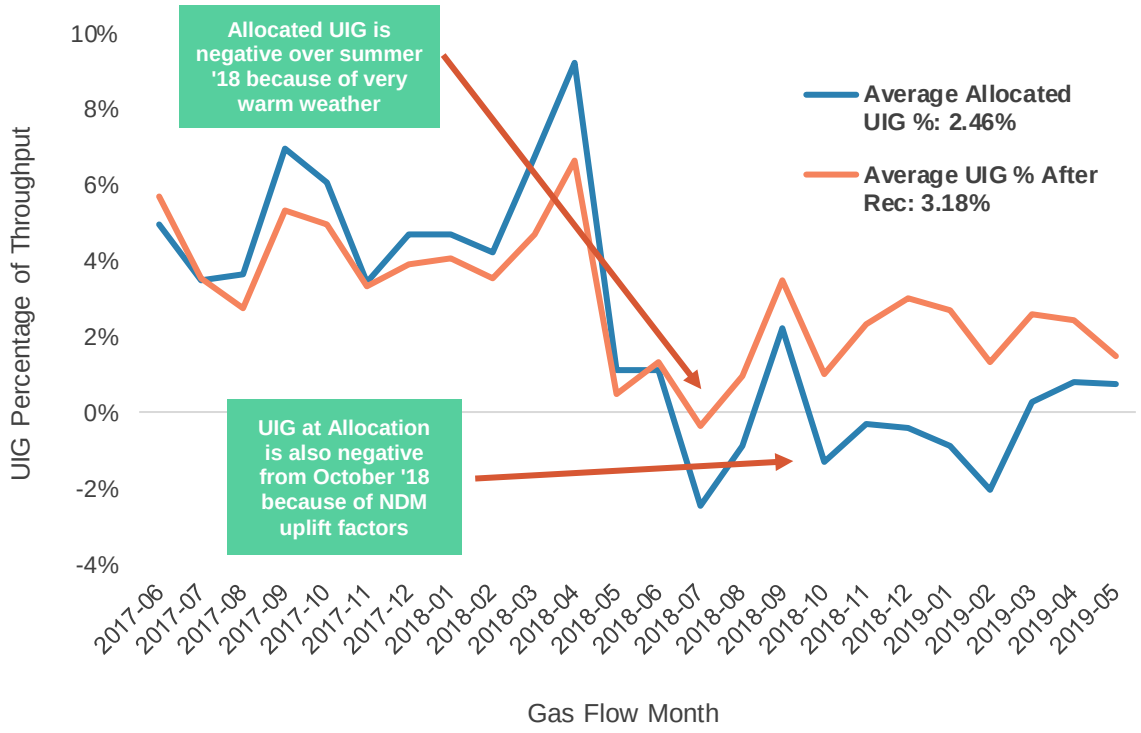
UIG Task Force Update

Friday 12th July 2019

Dear Customers and Industry Colleagues,

Following our last Unidentified Gas (UIG) Task Force update in June, we have received some really positive feedback about the new format of our updates. Therefore we will continue to share and explain current UIG levels, highlight industry performance or behaviours that may be impacting UIG, and the activities we are working on to deliver improvements in these areas. In addition we will also continue to share with you our analysis progress, findings, recommendations and modification development.

UIG Current Tracking Levels at Allocation and After Reconciliation



WAR Bands

All Non-Daily Metered (NDM) sites in End User Category (EUC) Bands 3 to 8 should be monthly read, and have a winter consumption which in turn assigns the site of one of the 4 Winter:Annual Ratio (WAR) Band EUCs to allocate the NDM energy more accurately. The difference between allocated usage for the WAR Band and allocated usage for the default Bucket Band would contribute to UIG at allocation.

41.7% Of WAR eligible Annual Quantity (AQ) in Bucket Band	**34.5%** Of WAR eligible Meter Point Reference Numbers (MPRNs) in Bucket Band	**34bn** kWh of AQ **24k** MPRNs	**+0.3% of AQ** **+0.5% of MPRNs** Compared to last month

Modification 652: Introduction of winter read/consumption reports and associated obligations - includes seven reports that are generated between November and the following October and shared with the Industry to aid Customers. Four of these reports are shared with the Performance Assurance Committee. The modification will now oblige Shippers to make a retrospective correction where they have not fulfilled their earlier obligation to provide a monthly read in the winter read windows.

Inappropriate Conversion Factors

The Conversion Factor is used in the formula to convert metered volume to energy. Sites of different sizes should have different conversion factors as specified in the Thermal Energy Regulations, which is a piece of UK legislation.

All sites under 732,000 kWh Annual Quantity (AQ) should have a single Industry standard Conversion Factor that is specified in legislation. All sites with AQ greater than 732,000 kWh should have a specific Conversion Factor based on the local altitude, temperature and pressure rather than the Industry standard value. Metered energy could be under or over recorded at a site with an inappropriate Conversion Factor which would then contribute to UIG.

12,746	9,364	3,382	1.8%
MPRNs with suspect Conversion Factors	below threshold with non-standard Conversion Factors	above threshold with standard Conversion Factors	increase compared to last month

Potentially incorrect Conversion Factors are reported each month in the Shipper Performance Packs. In addition, the live Modification 681S: Improvements to the quality of the Conversion Factor values held on the Supply Point Register, proposes that the Central Data Services Provider (CDSP) should be given the authority to make changes to the Conversion Factor held on UK Link where it does not comply with legislation. This modification is progressing well with the final modification report being available to Modification Panel on Thursday 8th August and the Modification Panel decision being on Thursday 15th August 2019.

Sites above the Class 1 AQ Threshold That Are Not in Class 1

EUC09 sites where the AQ is greater than 58.6m kWh should be re-designated as Class 1 by the Shipper. The NDM profile may not be a good representation of their usage, thus contributing to UIG.

25	2.2bn kWh	2 sites 0.2b kWh AQ
Class 2-4 MPRNs that should be Class 1	AQ that should be Class 1	increase on last month

There are three live Uniform Network Code (UNC) Modifications in progress as a result of the Task Force's recommendations:

- Modification 0690: Reduce qualifying period for Class 1

- Modification 0691: CDSP to convert Class 3 or 4 meter points to Class 1 when G1.6.15 criteria are met
- Modification 0692: Automatic updates to Meter Read Frequency

In addition to this the Customer Advocates are continuing to discuss individual sites with shippers.

Meter Read Submission Performance

Submitting meter readings to Xoserve is important and will contribute to reducing UIG levels. Actual metered energy will reconcile any UIG caused by the allocation algorithm, and a new meter reading will be used to calculate a new AQ, which should make Allocation more accurate in the future. Read performance is a key area of focus for the Performance Assurance Committee, and Xoserve will be working with Shippers to increase read submission performance where appropriate.

94.5% Class 1 Read Performance Obligation is 97.5%	**63%** Class 2 Read Performance Obligation is 97.5%	**63%** Class 3 Read Performance Obligation is 90%	**551k** sites unread since Nexus Go-Live
86% Class 4 AQ > 293k Monthly Read Performance	**76%** Class 4 Smart Monthly Read Performance	**92%** Class 4 Annual Read Performance	**13% of AQ** is not read to required standard

Overall read performance for Class 1 sites has reduced since last month, however both Class 2 and Class 3 have seen an improvement with Class 4 remaining the same. The total number of sites unread since Project Nexus went live has reduced by nearly 30,000.

UIG Simulation Analysis

As mentioned in our last update, we have now published our updated findings for item Ref 13.1.1 - NDM Algorithm Uplift Factors for 2018/2019. This compared Simulated Daily National UIG using the NDM uplift factors to actual UIG, where no NDM uplift factors were used in Allocation. We have updated this analysis to remove the NDM uplift factors from the 2018/2019 actual allocated energy, to show the impact on Allocation and UIG to date. These updated findings can be found here.

UIG Workgroup and recommendations

At June's UIG Workgroup, we have now closed 47 lines on the Recommendation Tracker. Xoserve has drafted eight UNC Modifications, and I am pleased to confirm that six of these are now live, along with the Modification 0699: Incentivise Key Areas of performance using additional UIG Charges, being sponsored by Scottish Power. We are continuing to work with the Industry to gain sponsorship for the remaining two. All live modifications can be found on the Joint Office website here, and all drafted modifications can be found on our website here.

In order to try and highlight how the Task Force recommended modifications interact, we have created a presentation to aid understanding. Please click here to view.

The UIG Recommendation Tracker is published on the Joint Office website, and on our Xoserve website here. It contains the full details and status of each recommendation line. If you would like to discuss any of these in detail, please get in touch with the Task Force directly.

Machine Learning

We have re-engaged with our analytics partner and considered a number of options to explore further analysis. We will be planning these activities to commence over the summer, these will include:

- Re-run the Neural Network performance comparison against the existing NDM algorithm for more recent Gas Days for EUC01 only
- Develop improved estimation models for EUCs 02-08 to demonstrate whether the Machine Learning benefit can be seen across the whole market
- Continue modelling work, focussing on reducing modelled volatility further

Next Steps for the Task Force

Our Communications Team are currently developing some guidance material to assist Customers on the new automated suite of UIG reports. This will be published on our website soon. To view the two interim graphs please click here.

We will continue to publish new findings and any associated recommendations where our analysis is completed on open investigation lines. To view our published findings and recommendations to date please click here. We will also continue to develop new modifications, support the live modifications and lobby the Industry to obtain sponsors where the modifications are still in draft form.

To view the Investigation Tracker to follow individual updates against each line of investigation, please click here.

As always, we will continually update you with our progress via Industry forums.

If you have any questions or comments, please contact us at uigtaskforce@xoserve.com.

Kind regards

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