



UIG Task Force Recommendations

Investigation Items 12.1, 12.3
Site-Specific Conversion Factors

Background

What is the finding?

12.1 Use of standard conversion factors for NDM sites > 732,000 kWh AQ

- All sites of this size should have a specific conversion factor (to convert volume to energy) based on altitude, temp and pressure rather than the industry standard value
- There are currently around 5,000 of c.26,000 eligible sites without a site-specific conversion factor
- Details are already provided in the monthly Shipper Performance Pack
- Around 18% of eligible sites have a standard CF but this is a relatively small section of the market (c.1% of AQ)

How does it contribute to UIG?

- Any difference between the standard value and a more accurate value would mean that the 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
- Comparison to average of specific CFs in each LDZ suggests an annualised understatement of 7.4% on consumption of affected sites
- UIG estimate 0.1% of total throughput (assumes all sites were in EUC04B, based on average AQ in dataset of 1.6m kWh)

Background

What is the finding?




12.3 Use of non-standard conversion factors for NDM sites < 732,000 kWh AQ

- All sites of this size should have the industry standard value of 1.02264 (not a specific conversion factor based on altitude, temp and pressure)
- Around 10,000 relevant sites, with a total AQ of 2.8bm kWh (c.5% of total market), have a specific CF
- The average AQ of the dataset is around 270,000 kWh, suggesting that many sites were previously eligible for a site specific conversion factor, and have not yet had an update back to the standard value, following AQ degradation (or the AQ may actually be erroneous and awaiting correction)



How does it contribute to UIG?

- Any difference between the standard value and a site-specific value would mean that the 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 effected
- Comparison of standard CF to specific CFs for affected sites in each LDZ suggests an annualised error of 3.77% on consumption of affected sites
- This is currently reducing UIG by 0.02%




Options to address findings 12.1 & 12.3

No.	Option	Likelihood of success	Implementation lead times
1.	No action (“Do Nothing” option) or Park	Very low	N/A
2.  both	CDSP Engagement with Shippers – highlight the individual sites, provide support, encourage action to update correction factors. CDSP to monitor monthly and notify relevant Shippers	Low to medium – requires Shipper co-operation	Short to medium
3.  12.3	PAC reporting and monitoring – add new reports to Performance Assurance Report Register for 12.3 (already exists for 12.1)	Low to medium – requires Shipper co-operation	Medium
4.	Notify Ofgem of individual sites and Shippers	Low to medium – requires Shipper co-operation unless Ofgem can apply any financial leverage	Short to medium
5.  both	Allow CF to be amended via Supply Point update (as alternative to RGMA updates)	Low to medium – requires Shipper co-operation	Medium/long – system changes

Options to address findings (2 of 3 – 12.1 only)

No.	Option	Likelihood of success	Implementation lead times
6.  12.1	UNC Mod to introduce incentives or penalties on inappropriate CFs as an addition to the existing PAC reports	Medium/high – depending on the size of the incentive.	Long – UNC Mod timescales plus system changes
7.	New process to allow CDSP to liaise with MAM to obtain the new correction factor – either update UK Link or provide to Shipper to update	Medium/high – depending on the support of the MAM/ Shipper	Long – system changes, plus UNC Mod may be required
8.	New process to allow CDSP to trigger either a desktop process or a site visit to obtain the new correction factor – either update UK Link or provide to Shipper to update	Medium/high – depending on the success of site visits	Long – system changes, plus UNC Mod may be required
9.  12.1	Use the last non-standard CF (if present) if the site AQ increases above 732,000	High – for sites which had previously had a non-standard CF	Long – system changes, plus UNC Mod may be required

Options to address findings (3 of 3 – 12.3 only)

No.	Option	Likelihood of success	Implementation lead times
9.  12.3	Introduce incentives or penalties as an addition to the new PAC reports	Medium/high – depending on the size of the incentive.	Long – UNC Mod timescales plus system changes
10.  12.3	Default the Conversion Factor to standard when the AQ drops below 732,000 [after a qualifying period]	Medium/high – depending on length of any qualifying period	Long – UNC Mod timescales plus system changes
11.  12.3	Hold the standard CF as a central parameter rather than against meter points – ensures that calculation always uses correct value	Medium/high – depending on length of any qualifying period	Long – system changes required

The logo for 'xserve' is centered within a light gray window frame. The 'x' is a dark blue, stylized character with a white diamond shape in its center. The 'serve' part is in a lighter blue, lowercase sans-serif font. The window frame has a gabled roof and is set against a background of fine, light blue diagonal lines.

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