



SWOT Analysis

Captured in UIG – High Level Impact Assessment Workshop
22nd November 2017

OPTION 1A – Code Fix

- Change in frequency – In order for Gemini to accept multiple changes (ALPs, DAFs or SNCWV) for the same gas year, a code fix is required
- EUC Change - The EUC bands are received in Gemini via the internal S03 file, Gemini will be able to load the new EUC bands, however, may need a code change to modify the cut-off values for the existing EUC bands
- Changes to UKLINK – Introduction of new WAR BAND and EUC’s in system, revisit EUC allocation, winter consumption and EUC. File formats need to be validated in terms of ranges allocated.
- A code change is needed to display effective start date and end date

Strengths

- Repeatable
- UIG is visible/transparent
- Can reduce UIG
- Relatively quick
- Improves nominations
- Addresses underlying cause
- Can do other things as well

Weaknesses

- Detracts from other solutions – e.g Resources, Demand Estimation stream, and other streams.
 - Demand Estimation stream mainly involved in the analysis work behind option 1.
- There could still be volatility
- Very weather focused
 - Could be made into an opportunity to include non-weather sensitive factors
- No answers yet – not certain
 - Can be modelled through offline tools and applied retrospectively
- Not enough data – 5 months

Opportunities

- Allows future changes as well
- Could do retrospection
- Need to do anyway
- Works for nominations too
- Need to define success criteria
- Get more engagement at DESC
- Proposer suggests 2%

Threats

- No dry run or parallel testing
 - Can do offline modelling allocations to show how/ what is being changed by using established tools
- Will it work?
- Needs governance
 - There are industry processes in place – could see this as an opportunity for a wider audience.
- Won't be ready before the end of winter
- Analysis going to DESC in mid Dec
- Acceptance criteria?
- A need for Test environment
 - Availability of test environment and funding of environment agreed this applied to all solutions requiring industry testing.
- Risk to AQ allocation by changing ALPs and DAFs

OPTION 1B

- Change in frequency – In order for Gemini to accept multiple changes (ALPs, DAFs or SNCWV) for the same gas year, a data fix is required
- EUC Change - The EUC bands are received in Gemini via the internal S03 file, Gemini will be able to load the new EUC bands, however, may need a data fix to modify the cut-off values for the existing EUC bands
- Changes to UKLINK – Introduction of new WAR BAND and EUC's in system, revisit EUC allocation, winter consumption and EUC. File formats need to be validated in terms of ranges allocated.
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Strengths

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- Can reduce UIG
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- A need for Test environment
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OPTION 2A

- New mechanism to parameterise the fixed UIG percentage which is calculated as a fixed percentage of throughput
- Calculate WCF using the pre-Nexus calculation, this may require the internal S04 file which was de-commissioned as part of Nexus
- The existing interfaces on CWV and SNCWV and CWV and SNCWV data flow from Gemini to Data warehouse will have to be de-commissioned
- Changes to charge calculation to put a flag at MPRN level if read or not
- Changes to smearing process post reconciliation process in UKLINK to smear the unallocated gas volumes against unread meter points
- UIG % to be re-assessed by the Expert each year
- Equal and Opposite of all individual reconciliations is shared to all meter points which have not had a meter reconciliation [in that Billing Month] in line with latest actual throughput and UIG Weighting Factors
- Loading a meter read in the month (i.e. read passes validation tolerances) exempts the site from a share of UIG Rec (whether positive or negative)
- Additional performance testing required to determine whether there is an impact to reconciliation processes

Strengths

- UIG is stable and consistent with AUGE model
- Well-developed solution
- Focused UIG on NDM market if that is where the issues are
- Reduce up front volatility
- Incentivises read submission
- Polluter pays
 - i.e. those organisations adding to the estimation error

Weaknesses

- Benefit not guaranteed/quantified
 - Particularly on how allocation will be different. Agreed that this applied to all solutions across the board that more work was required on all.
- Doesn't address underlying causes of volatility
- [Anti-competitive]
 - Clarification sought from the room – but no comments were forthcoming.
- Uncertain smear values – can read meters to mitigate risk
 - DM sites rec once a year, business rules need to be understood, how many times in a month read comes in to qualify needs to be defined.
- Riskier + longer lead time than opt 1
- UIG is less visible
 - Could be argued to be more clear currently mixed up with estimate error.

Opportunities

- Assurance on the AUGE values – robust
 - Question can we link to solution 1A
- Incentivises smart rollout
- Incentivises better read performance

Threats

- Impact on existing releases of UKlink –prioritisation needed from industry
- Governance UNC MOD timescales
 - options to expedite
- Can we revert if it doesn't work?
 - Rollback possible as a design option but will make solution more expensive
- Change required to AUGE scope?*
 - Viewed as an extra deliverable instead
- Last man standing approach to UIG
 - Mitigated by 98% threshold/ annual revisit - should prevent the situation of a small number being allocated a large amount of error.
- Risk of challenges to rec share due to read errors
 - Build into solution
- Disincentive to take on NDM sites*
 - Alternatively can be seen as a disincentive to not read meters.
- Lack of clarity on DM treatment

OPTION 2B

- New mechanism to parameterise the fixed UIG percentage
- Calculate the daily UIG as a fixed percentage of throughput
- NDM nomination and allocation to follow top down approach
- Calculate WCF using the pre-Nexus calculation, this may require the internal S04 file which was de-commissioned as part of Nexus
- The existing interfaces on CWV and SNCWV will have to be de-commissioned
- The CWV and SNCWV data flow from Gemini to Data warehouse will have to be de-commissioned
- Changes to charge calculation to put a flag at MPRN level if read or not
- Changes to smearing process post reconciliation process in UKLINK to smear the unallocated gas volumes against unread meter points
- UIG % to be re-assessed by the Expert each year (*once [98%] of meters had been reconciled*)
- Equal and Opposite of all individual reconciliations is shared to all meter points in line with latest actual throughput and UIG Weighting Factors

Strengths

- UIG is stable and consistent with AUGE model
- Well-developed solution
- Focused UIG on NDM market if that is where the issues are
- Reduce up front volatility
- Easier to understand
- Straight forward

Weaknesses

- Benefit not guaranteed/quantified
 - Particularly on how allocation will be different. Agreed that this applied to all solutions across the board that more work was required on all.
- Doesn't address underlying causes of volatility
- [Anti-competitive]
 - Clarification sought from the room – but no comments were forthcoming.
- Uncertain smear values – can read meters to mitigate risk
 - DM sites rec once a year, business rules need to be understood, how many times in a month read comes in to qualify needs to be defined.

Opportunities

- Assurance on the AUGE values* - Robust

Threats

- Impact on existing releases of UKlink –prioritisation needed from industry
- Governance UNC MOD timescales
 - options to expedite
- Can we revert if it doesn't work?
 - Rollback possible as a design option but will make solution more expensive
- Change required to AUGE scope?*
 - Viewed as an extra deliverable instead

OPTION 4A

- An industry body or new 3rd party becomes the central balancer (they take all UIG volumes and then balance the market through wholesale transactions).
- Setup Central Body as a Shipper with all UIG rec happening outside system
- The central body can participate in OTC trades and view its own position, no change required to Gemini
- Using an existing prohibits the Central body from viewing the Shippers balances, unless they are set up as a User Agent.
- No change to current UIG billing process – UIG rec is billed to Shippers – those who use the central body make an equal payment/credit to the central body.

Strengths

- Stabilise UIG – improve cash flow
- Limited Gemini changes
- Can opt out
- Certainty rather than cost reduction
- Helps those who are struggling at their cost
- If whole market -quick, efficient, fair*
 - Only makes sense if whole market - no value in a part solution

Weaknesses

- Not whole market
- Unknown cost to industry
- Doesn't address underlying issues – moves the problem
- Not cost reflective – i.e. not polluter pays
- What are opt out rules
- No meter read incentive
- What if no-one participates?
- Compliance with remit
 - Needs to be addressed during regulatory/commercial analysis.
- Time to setup central balancer
- What if no-one wants to be the central body
- What if they go bust?
- Uncertain solution – need more detail
- Adds costs into the market which will be recovered from customers
- Would need to be positive financial benefits compared to operational cost vs exposure
- How can this work without the central body seeing shipper UIG
 - Can be mitigated through design

Opportunities

- Mandate for whole market
- Still needs testing
- Could link to system operator
- Only users need to pay
- Combined national position
- Look for parallels in power industry

Threats

- Unknown take up
- Time to setup/ produce body
- Impact on credit process not clear
- How is it paid for?*
 - Uniform pence per kwh – running costs, start up costs - different if experienced party responsible already for this/someone new.
- Needs to be a 24/7 service *
 - Relates to costs of service – cost/benefit
- How do they trade on OCM? *
 - Business rules need to be clear
- What about shipper costs?
- Pay for something you need less each time
 - When people opt out as position is improved it is dearer for the remainder

OPTION 4B

- An industry body or new 3rd party becomes the central balancer (they take all UIG volumes and then balance the market through wholesale transactions).
- Setup Central Body as a new role
- The central body in addition to participating in OTC trades and viewing its own positions, can also view the Shippers balances who have opted in for this service.
- There will be a new security role required in Gemini each time a Shipper opts in or out of this service.
- UIG Rec energy for Shippers who use the central body is billed to the Shipper via Amendment invoice but then credited & rebilled to the central body by Xoserve via an off-line process.

Strengths

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- Limited Gemini changes
- Can opt out
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- Still needs testing
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 - Uniform pence per kwh – running costs, start up costs - different if experienced party responsible already for this/someone new.
- Needs to be a 24/7 service *
 - Relates to costs of service – cost/benefit
- How do they trade on OCM? *
 - Business rules need to be clear -
- What about shipper costs?
- Pay for something you need less each time
- When people opt out as position is improved it is dearer for the remainder

OPTION 5

- An industry body or new 3rd party becomes the central balancer (they take all UIG volumes and then balance the market through wholesale transactions).
- Gemini Setup from 4a/4b selected as required
- Participation is mandatory for all shippers

Strengths

- Stabilise UIG – improve cash flow
- Limited Gemini changes
- Certainty rather than cost reduction
- Quick, efficient, fair

Weaknesses

- Unknown cost to industry
- Doesn't address underlying issues – moves the problem
- Not cost reflective – i.e. not polluter pays
- No meter read incentive
- Compliance with remit
 - Needs to be addressed during regulatory/commercial analysis.
- Time to setup central balancer
- What if no-one wants to be the central body
- What if they go bust?
- Uncertain solution – need more detail
- Adds costs into the market which will be recovered from customers
- Would need to be positive financial benefits compared to operational cost vs exposure
- What is the benefit to bigger player already able to mitigate risk for themselves?

Opportunities

- Mandate for whole market
- Still needs testing
- Could link to system operator
- Only users need to pay
- Combined national position
- Look for parallels in power industry

Threats

- Time to setup/ produce body
- Impact on credit process not clear
- How is it paid for?*
 - Uniform pence per kwh – running costs, start up costs - different if experienced party responsible already for this/someone new.
- Needs to be a 24/7 service *
 - Relates to costs of service – cost/benefit
- How do they trade on OCM? *
 - Business rules need to be clear -
- What about shipper costs