

UNC Distribution Workgroup Minutes
10:00 Friday 28 July 2023
via Microsoft Teams

Attendees		
Bob Fletcher (Chair)	(BF)	Joint Office
Ben Mulcahy (Secretary)	(BM)	Joint Office
Andy Clasper	(AC)	Cadent
Andy Eisenberg	(AE)	Eon Next
Charlotte Gilbert	(CG)	BU-UK
David Mitchell	(DMi)	SGN
Fiona Cottam	(FC)	CDSP (Xoserve)
James Lomax	(JL)	Cornwall Insight
Joel Martin	(JM)	SGN
Kevin Clark	(KC)	Utilita
Lauren Jauss	(LJ)	RWE
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Mark Jones	(MJ)	SSE Energy Supply
Matt Marshall	(MM)	Cadent
Nick King	(NK)	CNG Services
Oorlagh Chapman	(OL)	Centrica
Paul O'Toole	(PO)	Northern Gas Networks
Philip Lucas	(PL)	National Gas
Slama Akhtar	(SA)	Northern Gas Networks
Steve Mulinganie	(SM)	SEFE Energy Limited
Tom Stuart	(TSt)	Wales & West Utilities
Tracey Saunders	(TS)	Northern Gas Networks

Copies of all papers are available at: <https://www.gasgovernance.co.uk/Dist/280723>

Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/Dist/280723>

1. Introduction and Status Review

Bob Fletcher (BF) welcomed everyone to the meeting and gave a brief overview of the scheduled items for discussion.

1.1. Approval of late papers

No late papers were reported, although National Gas submitted a document on the day expressing their views on the Pre-Modification to be discussed – item 1.2.1 below. This has been published post-meeting on the Joint Office Website at <https://www.gasgovernance.co.uk/Dist/280723>

1.2. Pre-Modification discussions

1.2.1 Remove the UNC text in Section J regarding Offtake rights and obligations associated with capacity holding

A copy of the presentation discussed under this item is available at <https://www.gasgovernance.co.uk/Dist/280723>

Lauren Jauss (LS) introduced herself as a Representative for RWE who normally attended the Transmissions Workgroup but had asked to present this Pre-Modification to the Distribution Workgroup to garner the views of the Workgroup Participants. She explained that discussions had been held in the Transmission Workgroup regarding whether holding registered exit capacity conveys additional operational offtake rights, or if exit capacity is a financial product.

She suggested that TPD Section J implies additional offtake rights, noting that Transporters or National Gas are not obligated under Code to make gas available for offtake from the Total System or from the NTS by a User in a quantity that either exceeds the User's exit registered capacity or at a rate which exceeds 1/24th of the registered exit capacity for any day. The proposed Legal Text in the provided presentation was suggested for the proposed Modification should it be decided that a number of the clauses were superfluous.

LS commented that Transmission Workgroup appeared to be converging on a view that the clauses were probably superfluous for NTS offtake and that holding exit capacity does not convey additional operational NTS offtake rights, as there appeared to be no scenario in which National Gas will make gas unavailable on the NTS other than where specifically stated they have the right to do so, and that as such capacity holdings do not seem to have a bearing on National Gas's decisions, Users rights or obligations.

Philip Lucas (PL) stated that he did submit some late papers on this subject on the morning before the start of this meeting in response to this item. He wished to clarify that this was not a unanimous view at Transmission Workgroup as may be construed from the commentary provided and his view there was no consensus. He also stressed that it was not the view of National Gas Transmission that the clauses were superfluous.

LS acknowledged this, detailing instances where gas may not be available, such as when it is not in the pipe, NGT advises not to take gas or gas is off specification. She queried that if gas was not available should compensation be given, stating that it did not make a difference operationally.

LS asked the Workgroup if it had a view that these clauses are superfluous, both for LDZ and System Exit Points. She commented that it was originally thought to be for NTS exit points only but suggested that the scope of the Modification could be extended wider.

Steve Mulinganie (SM) asked if there are circumstances in that DNOs can make gas available on the system that was important to bring into the discussion.

LS explained that this was why the discussion was important, that if holding exit capacity does change National Gas's rights then there are additional risks, and it encourages Users to forward purchase capacity. She added that it was currently having a material impact, though she was not sure if it makes a difference to Distribution as capacity obligations are different.

PL commented that from the National Gas perspective, and as has been discussed in Transmission Workgroup, the clauses relate to the rights of Users and the Transporters right to make gas available, and just because it is possible for Users to take above capacity offtake it did provide an overriding right and did not make it right to remove the clauses.

LS asked if this meant that Nation Gas wanted the clauses left in just in case there could be circumstances they were applicable to?

PL responded that lots of contracts include clauses that are not necessarily used but need to be carefully considered before removing.

LS agreed, stating that this was why she was trying to think through such circumstances and scenarios, adding that if there proved not to be any, the clauses were misleading, and it would be helpful to bottom this out. She mentioned a recent seminar that National Gas gave about what happens in an emergency that was helpful in explaining how asking users to curtail their usage

would be prioritised during a stage 2 event. She added in her view this should be written into the UNC as currently it is unclear shades of grey that would benefit from being nailed down.

PL stated that from National Gas's perspective, this was removing rights and obligations they have under the Code.

SM commented that he thought National Gas had to make a statement of facts that they will defend when the Proposer begins to move the Modification forward. which will explain why the clauses are needed, which he noted, seemed to be the crux of the matter, in justifying the case as to why they are needed. The point was also to check there are no intended consequences from the text that might create issues elsewhere, noting that he had not heard the argument that they are needed because of a particular reason, only that removing them might be an issue. The Modification should draw this out, and like everyone else, he was happy to hear any irrefutable argument as to why they are needed.

Louise Hellyer (LH) deliberated if it was the case that the clauses were not superfluous and were available for occasional need, querying if there was a middle ground on the issue.

BF suggested some clarity in using examples might help Parties to better understand the case.

SM observed that if Parties understand the justification for the clauses, it would be possible to consider a middle ground as had been suggested, agreeing that enabling an understanding to help consider them would be useful.

LS agreed this approach would be helpful.

PL commented that classing the Modification proposal as Self-Governance, from National Gas's perspective, runs contrary to the use of the system and the 'ticket to ride' principle that was material to the basis of the whole regime.

LS replied that she had asked if Self Governance was appropriate or not, with the thinking behind the question being if the Workgroup did agree the text was superfluous then, by implication, it would be Self Governance. Conversely, if the Workgroup reached a point in the discussion where scenarios were proven to be material, then the Modification's governance should be altered appropriately.

BF commented that the Modification Panel would need to test the case given against the materiality criteria, or if they are not minded to at that time they could ask the Workgroup for a view, should it go to Workgroup.

SM said hopefully common sense would apply in assessing a view that it is not superfluous. If it proved otherwise, then it would effectively be Housekeeping governance.

Tracey Saunders (TS) noted that Housekeeping meant Fast-track, advising that Modifications should be Self-Governance unless they meet the criteria for the Authority Direction bar, adding that she did not have an opinion on this Modification application.

LJ observed that she needed to do her homework and review the Joint Office website guidance. She then conducted a tour of the Legal Text provided, commenting that she was not intending to go through a complete line-by-line analysis and observed that the Workgroup had already largely talked about the first clause (TPD Section J 3.5), with most of the changes starting from 3.8 where the Transporter won't make gas available, with the thinking being to remove the sections that refer to capacity only. She added that there are sections that refer to maximum allowed offtake rates as in Network Exit Agreements and that there are LDZs and CSEPs and the NTS offtake with the text talking about the various maximums as well as some capacity and some network exit provisions. She explained that it was just the capacity parts that she was looking at removing, including, with help from the Transmission Workgroup, the Network Flexible Capacity.

LS asked if there was anything else she needed to be aware of, especially scenarios where there is a difference for Distribution where the gas might not be made available or different rules between capacity and offtake.

LS added that she should also say that there would be a part in the Modification about exit capacity as a whole, and also to some clauses that refer to the 1/24th rate as she had looked into the latter and it did not seem relevant anywhere else or associated with offtake rates, as such she felt it falls in the same box as daily maximum in that neither are seeming relevant.

BF advised LS to start to finalise the ideas for the development of the Modification and review the Self Governance criteria. The next step would be to present the document to a Workgroup, such as Transmission, and then submit for Modification Panel consideration.

TS stated that she had been reading through the published preamble and asked what organisation LS represented. LJ replied that she represented RWE, who were a User.

BF advised further that LS finalise her ideas for a draft Modification and set out the logic structure in the document for Parties to start to understand the impacts.

2. Workgroups

2.1. 0842 - Gas Entry onto the Total system via an Independent Gas Transporter

(Report to Panel 21 September 2023)

<https://www.gasgovernance.co.uk/0842>

2.2. 0850 - Amendments to Allocation of Unidentified Gas Expert (AUGE) arrangements to introduce a new Residual Upstream Contributor

(Report to Panel 18 July 2024)

<https://www.gasgovernance.co.uk/0850>

3. Any Other Business

No other business was discussed.

4. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Programme
Thursday 10:00 24 August 2023	5 pm 15 August 2023	Microsoft Teams	Standard Agenda including any Modification Workgroups relating to Distribution Workgroup
Thursday 10:00 28 September 2023	5 pm 19 September 2023	Microsoft Teams	Standard Agenda including any Modification Workgroups relating to Distribution Workgroup
Thursday 10:00 26 October 2023	5 pm 17 October 2023	Microsoft Teams	Standard Agenda including any Modification Workgroups relating to Distribution Workgroup
Thursday 10:00 23 November 2023	5 pm 14 November 2023	Microsoft Teams	Standard Agenda including any Modification Workgroups relating to Distribution Workgroup

Monday 10:00 11 December 2023	5 pm 30 November 2023	Microsoft Teams	Standard Agenda including any Modification Workgroups relating to Distribution Workgroup
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UNC Workgroup 0842 Minutes
Gas Entry onto the Total system via an Independent Gas
Transporter
Friday 28 July 2023
via Microsoft Teams

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Ben Mulcahy (Secretary)	(BM)	Joint Office
Andy Clasper	(AC)	Cadent
Andy Eisenberg	(AE)	Eon Next
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This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.

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The Workgroup Report is due to be presented at the UNC Modification Panel by 21 September 2023

1. Introduction and Status Review

Bob Fletcher (BF) welcomed parties to the meeting.

1.1 Approval of Minutes (28 June 2023)

The minutes from the previous meeting were approved.

1.2 Approval of Late Papers

No late papers had been received.

1.3 Review of Outstanding Actions

0501: Proposer (DM/JM) to consider adding a flow diagram to illustrate the flow of responsibility for each party and UNC obligations.

Update: David Mitchell (DM) confirmed an amended Modification had been provided with some diagrams to review later in the meeting.

Action Closed

0601: Proposer (DM/JM) to update/amend Modification and provide Legal Text for next Workgroup Meeting (28 July 2023) to finalise Workgroup Report for August Panel (17 August 2023)

Update: DM advised that were several changes made which he wanted to discuss first before taking them to the lawyer

Action Pending

0602: Xoserve (ER) to check ROM requirement and/or to provide CDSP Statement for discussion.

Update: The Joint Office received a response from the CDSP(ER) on this action, but the CDSP representative was not available for this meeting.

Action Pending

2. Review of Amended Modifications

DM talked through the amendments made to the Modification, advising that most changes had been made to Business Rules in Section 5 detailing the Solution, but started on Section 3 Why Change explaining that changes were made to reflect the amended Business Rules and to align with Government subsidy schemes.

Section 5

Business Rule (BR) amendments

BR 1 DM read the amended BR to which Joel Martin (JM) added for a point of clarity that IGT systems/networks exist currently outside of the Total System as defined in Code, so there was a conundrum in that gas is physically flowing in the IGT system to go into the Total System. As such the commencement of the Total System was at the LDZ Exit Point which is on the DNOs system and also where the gas enters the system, so gas appears to be in both networks. He stated that this was a background concept which is probably known by all, but he wanted to highlight that it is reflected in the BRs here.

Steve Mulinganie (SM) asked if the gas flow was physically simultaneous or if this was from a Code perspective.

JM replied that in the real-world entry is physically located is the distance between a meter and pipe, but for Code, it physically enters the IGT system and is recognised as entering the System simultaneously.

SM deduced that it was therefore deemed to simultaneously flow for Code purposes but is not a physical state, which JM confirmed was the case.

SM then asked if this meant that BR 1 needed to be amended to say 'deemed to simultaneously flow' for purposes of the Code.

DM acknowledged this and committed to amend the Modification accordingly, he then read BR2 to the Workgroup.

JM advised the Workgroup that the existing Code definition is the LDZ entry point, with the Modification creating a new term IGT LDZ SEP which uses the same rationale, the IGT entry point is the physical point of entry.

SM asked that this new term will be defined in the same way as an LDZ SEP.

JM confirmed this, noting that this could be clarified in the text to confirm they are the same entities.

DM read through BR3, noting that without that agreement the gas cannot flow, and the connection point cannot exist.

JM agreed, stating a Network Entry Agreement (NEA) was a requisite for onward conveyance onto the network, and was a tripartite agreement between DNO, IGT and gas producer (DFO in Code) so that all Parties have a joint interest in gas quality, measurement, safety requirements and the like.

SM asked if this meant All LDZ SEPs have an NEA.

JM advised that there was a carve-out for some, e.g. the Scottish Independent Undertakings, but otherwise, there is a requirement for a NEA.

SM asked for clarification to which JM replied that other than the carve-out that he believed existed, all LDZ entry points had a requirement for a NEA.

DM read the Workgroup through BR 4, to which there were no questions, and subsequently read through BR5. JM expounded on this rule, using as an example TPD Section I referring to the requirement for Network Entry and measurements provisions at the Entry Point, stating that this BR was clarifying that those requirements refer to a physical point of entry on the IGT system, i.e., the IGT SEP.

DM read through BR6 which JM also clarified, imagining Participants being confused by earlier commentary about NEAs being mandatory whereas BR6 seems to be inferring they are not required. He explained that NEAs are about the physical point of entry, the IGT EP, adding that as long as that agreement is in place, as per Code, effectively at the interface between the IGT and DNO, in Code the LDZ SEP or IGT SEP, there will not be the requirement for another NEA, as one is already in place at the physical point of entry.

SM suggested a 'for an avoidance of doubt' statement to that effect would be helpful.

JM agreed such a statement would be useful.

DM read through BR7.

JM explained that the arrangements that exist at an IGT CSEP exit point are such that when the gas leaves the DNO Network, title and risk transfer to Shippers and then simultaneously transfer to the IGT, and then later, at the Exit Point, transfer back to the Shipper. Thus, the rule was just mirroring the arrangements for an Exit. Title and risk go to Shippers and then back to the DNOs as it goes into the DNO network.

SM commented that where the title starts going to Shippers, they need to be comfortable with the consequences, asking if there is a scenario where Shippers could potentially not have something in place for the risks involved, adding that if it replicates current rules then this should not be the case.

JM replied that he thought it links back to the Gas Act.

SM suggested that perhaps a bit of an explanation that this is in accordance with the current arrangements under the Gas Act just to avoid concerns being raised by Shipper lawyers, adding that some narrative would be really helpful.

Nick King (NK) asked if any Workgroup Participants were around when Modification 440 *Project Nexus – iGT Single Service Provision* was being progressed, as the text JM was referring to is in there. He added that there was considerable information on the Joint Office website about the issues covered at the time with a lot of Gas Act focus for Shipper licence

holders. He added that the text was in IGTAD and there was a lot of content that he had found but was still looking for a legal report.

BF recalled the discussions being held around 2015 or earlier.

SM commented that the summary just given was good and suggested including that and pointing to the web pages NK referenced, stating that this was about easing the Modification though when it hits the lawyers and providing whatever is possible to make the cross-checking as simple as possible.

JM stated that in his mind the BR replicates existing arrangements but a succinct legal explanation and a practical commentary as to what the Modification would mean for Shippers would be useful.

DM read BR8 and asked if the word 'Deemed' should be added to the text. JM replied that it was not really a geographic thing and more about title and risk happening simultaneously. NK added that he thought the lawyers preferred the way the text was worded presently.

DM read through BR9 and JM added that there are Shippers that are registered at Entry Point that deliver gas to the Total System, As such there is a requirement on LDZ Entry Points for DNOs to pass volume Calorific Value (CV) data through to National Gas and also to CDSP for flow weight purposes. Accordingly, the IGT will be required to provide the DNO with those data items to allow them to be subsequently passed through to National Gas.

DM read BR10 and JM commented that this was the same as was currently the case for an LDZ Entry Point where Shippers are registered at that Entry Point and the energy that flows there is part of the Shippers UDQI.

The Workgroup then reviewed the clarification points provided beneath the BRs in the Modification.

In reviewing Point 5 JM commented that the entry arrangements for this are about entry into the total system. Adding that the LDZ will have laid a pipeline and may wish to connect customers to it, meaning that entry and exit arrangements operate independently from each other.

Phil Lucas (PL) stated that he wondered if there was any view as to the risk of CV capping into the total system.

JM replied that the risk was no more so than exists already with any other LDZ entry point. Obligations would exist to ensure that the CV level was maintained.

The Workgroup then reviewed the amended text under Cross Code Impacts, where JM advised that following a detailed discussion with the lawyer, they had identified a requirement in the IGT UNC that effectively would introduce arrangements for title and risk at the physical point where gas enters into the IGT pipeline and where title and risk transfers to the IGT. He stated that this was the bit missing from the IGT UNC and noted that they had a kind offer from NK to look at raising a mirrored IGT UNC Modification to insert the required changes.

NK confirmed it was something he was aware of and that he had volunteered to do. He added that he was still working on the detail as to how it would progress.

BF asked if this was something that would need a joint Workgroup.

JM shared that he thought it could progress separately, as it has a very narrow requirement that title and risk can transfer to title and risk on the Network, adding it was not as complex or involved as this Modification is and was a fairly straightforward change to the IGT UNC.

NK added that it would certainly dovetail and that having this Modification and the IGTAD would make a good model.

SM asked if the two Modifications needed to be implemented at the same time and if there was a dependency.

JM confirmed that he thought there was a dependency, with both ends of the equation needing to be in place for the arrangements to work. He continued that he felt that implementation of this Modification if it is accepted, would be contingent on the IGT UNC Modification being approved to allow the implementation.

BF advised that Implementation can be coordinated, adding that the IGT UNC Modification would still need to be delivered.

3. Review of Legal Text

Legal Text is to be provided in the next meeting.

4. Development of Workgroup Report

BF advised that the Workgroup was awaiting the Legal Text and the agreed changes to the Modification, which are not large in nature, so should be available for the next meeting. This would then enable the development of the Workgroup Report

5. Next Steps

BF confirmed the next steps are to conclude the Workgroup Report and potentially an update on the IGT UNC Modification's progress.

6. Any Other Business

No other business was raised.

7. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 24 August 2023	5pm 16 August 2023	Microsoft Teams	<ul style="list-style-type: none"> Review Amended Modification Review Legal Text Finalise Workgroup Report

0842 Workgroup Action Table

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0501	23/05/23	2.0	Proposer (DM/JM) to consider adding a flow diagram to illustrate the flow of responsibility for each party and UNC obligations.	July 2023	Proposer (DM/JM)	Closed
0601	28/06/23	2.0	Proposer (DM/JM) to update/amend Modification and provide Legal Text for next Workgroup Meeting (28 July 2023)	August 2023	Proposer (DM/JM)	Pending

0842 Workgroup Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
			to finalise Workgroup Report for August Panel (17 August 2023)			
0602	28/06/23	2.0	Xoserve (ER) to check ROM requirement and/or to provide CDSP Statement for discussion.	August 2023	Xoserve (ER)	Pending

**UNC Workgroup 0850 Minutes
Amendments to Allocation of Unidentified Gas Expert (AUGE)
arrangements to introduce a new Residual Upstream Contributor
Friday 28 July 2023
via Microsoft Teams**

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Ben Mulcahy (Secretary)	(BM)	Joint Office
Andy Clasper	(AC)	Cadent
Andy Eisenberg	(AE)	Eon Next
Charlotte Gilbert	(CG)	BU-UK
David Mitchell	(DMi)	SGN
Fiona Cottam	(FC)	CDSP (Xoserve)
James Flaherty	(JF)	Ofgem
James Lomax	(JL)	Cornwall Insight
Jenny Schofield	(JS)	Northern Gas Networks
Joel Martin	(JM)	SGN
Helen Chandler	(HC)	Northern Gas Networks
Kevin Clark	(KC)	Utilita
Lauren Jauss	(LJ)	RWE
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Mark Jones	(MJ)	SSE Energy Supply
Matt Marshall	(MM)	Cadent
Oorlagh Chapman	(OC)	Centrica
Paul O'Toole	(PO)	Northern Gas Networks
Phil Lucas	(PL)	National Gas Transmission
Rhys Kealley	(RK)	British Gas
Slama Akhtar	(SA)	Northern Gas Networks
Steve Mulinganie	(SM)	SEFE Energy
Tom Stuart	(TSt)	Wales & West Utilities
Tracey Saunders	(TS)	Northern Gas Networks

This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.

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The Workgroup Report is due to be presented at the UNC Modification Panel by 18 July 2024

1. Outline of Modification

Steve Mulinganie (SM) talked through the presentation that was initially reviewed in the Modification Panel on 20 July 2023, sharing his belief it was helpful to briefly consider the Modification on this second day of the July Distribution Workgroup due to time commitments considering the P1 incident. He suggested not yet looking in depth at the Business Rules until the August meeting.

He advised that Modifications 0831 & 0831A *Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method* deal with the current AUGE in a different way and cited recent new information made available by the Retail Energy Code (REC) which held responsibility in reference to theft across both gas and electricity and which had produced figures for retail theft which had proven dramatically different to the previous estimates produced by the AUGE. He shared that the AUGE current estimate was 6.8 GWh, with the new REC figures giving an outer estimate of 1.2 GWh.

SM continued noting that Electricity has different types of theft, such as industrial cannabis production and the like and the REC analysis concluded that in their comparison there was half the level of theft in gas, adding that further information on this analysis and detailed references were in the Modification proposal document.

SM noted that if these new REC figures were accurate, it meant that the AUGE figures had been inaccurate for many years, supporting the view of Parties under the related penal measures who have been unable to find the level of theft suggested.

SM suggested that this implied the estimated 5.6 GWh difference must relate to a hitherto undefined contributor, raising the question as to how to best address it that created a means to produce stability and crystallise the energy value for downstream UIG. To address this the Modification proposes introducing the new Residual Upstream Contributor (RUC), which SM stated he was open to discussion on, though he thought it was a more developed concept than an idea that would need discussion in a Review Group.

SM added that the Modification 0850 proposal was not an alternative to Modification 0831/0831A as it was very different in nature with the timing of implementation to be some point in the future, whereas Modification 0831/0831A could be implemented very quickly. He continued that the Modification was agnostic to the use of the independent AUGE or an alternate replacement.

2. Initial Discussion

Louise Hellyer (LH) acknowledged that whilst it would be separate for this Modification from a delivery consideration, she asked if there was a view of this Modification had any implications on flat throughput share or a shaped throughput share out. She added that in that part, the driver for the Modification is a lack of confidence in the figures used previously and if theft of gas has been significantly miscalculated in the past; should the Workgroup go back to consider if the approach should still be flat or shaped, and if this would develop a better shape, or understanding, of the implied void.

SM replied that the Modification would be allocated to everyone, with the argument for shaping being in recognition of there being more gas consumed in the winter. He asked if LH was suggesting Modification 831/0831A should also be so shaped.

LH replied that she was not, adding that UIG is so shaped by its nature, and noting that If theft is a smaller number, then it is a smaller factor in the driving numbers. She reflected that theft had always been a challenged value, whilst all the other variables had generally been accepted by Parties in acknowledgement of their respective supporting logic. She asked if 'Polluters Pays' was a valid question to ask, stating that whilst it did not affect the Modification's development there was an argument that it should be kept in mind.

SM suggested it was early days in the Modification's development but could be considered as it progressed.

LH added that it would need to be simple for a customer view as UIG is so incredibly complicated, observing that this Modification would make matters much clearer, and for this she was supportive but wanted to play devil's advocate on the issue to consider it.

SM explained that the initial approach was not to be shaped, so if an example value was 1,200 kWh per annum, then this would equate to 100 kWh a month. However, as was highlighted by Fiona Cottam (FC) in the discussion on Day 1 of this Distribution Workgroup regarding the

XRN5651 Tolerance Proposals, most of a supply's annual consumption can be in the Winter months, so it is now shaped.

LH commented that in observing Non-Daily Metered (NDM) proportions in comparison to those for Daily Metered (DM) they can prove very different as the dynamics are very different, adding the view that it would probably be better to have a dynamic update that is annual. She highlighted that DESC updates them every year and that they could be open to reviewing the Residual Upstream Contributor every year as well.

SM agreed, adding that the key was getting the task wherever it is best suited, adding his apologies that he had intended the Modification to be more developed but that the recent P1 incident had taken priority. He suggested the Modification needed time to resolve matters in the long term and in need of due consideration to evolve as the Workgroup explore the subject.

SM also commented that Modification 0843 - *Establishing the Independent Shrinkage Charge and the Independent Shrinkage Expert* was also not to be considered an alternative to this as that Modification was dealing with a very particular set of considerations around the Shrinkage Expert. He advised the Workgroup that Modification 0850 was not Self Governance and had 9 months allocated for the Workgroup to consider it, adding that should it prove to require longer it was not an issue and he would be happy for it to do so.

LH agreed that she perceived Modification 0831/0831A as a short-term answer, with this Modification taking the long-term approach.

SM shared that he was proposing to look at the Business Rules as the core of the Modification in the next Workgroup meeting and was happy to get others' views then too.

Charlotte Gilbert (CG) asked if the Modification was intended to apply to IGT sites.

SM responded that he did not think the AUGE process cut across the IGTs so did not think so, but if they did, he was happy for the Modification to apply to IGT sites if so required.

CG asked if SM would be happy to present the Modification to the IGTs, which SM confirmed he was.

LH asked if SM had any feedback from the DNOs around what is essentially balancing.

SM replied that he had not really had any DNO feedback yet, though he had spoken with Richard Pomroy (RP) of Wales & West Utilities. He added that Business Rule 8 had been left to consider how it might see the financial consequences be dealt with best, such as with Shrinkage. He noted that the proposal had only just been put on the table and perhaps the amount up for discussion regarding transportation as a whole needed to be considered.

Jenny Schofield (JS) Advised that from a DNO perspective, they were very much on a 'watching brief', in the same manner as they were in regard to Shrinkage, adding that if the Residual Upstream Contributor was introduced it would feature as part of Shrinkage and would be considered as passthrough, then, as long as the is appropriate timings are considered, the DNOs should be net zero, but they were being understandably cautious and waiting for the detail.

SM commented that this approach seemed reasonable adding that the Modification was not looking to expose Parties to cash flow risk and that if it was possible to make this any easier to understand and create a process that does not penalise parties he was receptive to the suggestions, explaining that this was why BR 8 was left open as there was no desire to put anything in place without discussion.

JS advised that an appropriate implementation schedule will allow DNOs to build it into their pricing structure and AIP, explaining that she was a Pricing Manager herself to explain what context her commentary was coming from.

SM repeated that he was not looking to put something in place that penalised parties and, in using this rationale, had not tried to put himself in the seat of others, adding that he welcomed the opportunity to discuss the matter properly.

JS added that sudden charges that wash through as a spike for any parties, especially customers, should be avoided, and instead suggested using a transparent approach that does not have an adverse effect on any one party or another. She felt it would be good to have all parties agree on what delivers in the best interests of the customer and that is timed correctly for all.

Mark Jones (MJ) observed that with two parts theft and last resort, the Modification did not get rid of volatility, as each year could be different, perhaps 5% one year and 8% another.

SM responded that in observing UIG a known value is given, e.g. it is a crystallised terawatt figure and not a balancing factor. He shared that SEFE has customers that do not understand what UIG is and how it is recovered and that whilst he did not think the proposal removes all the volatility, it could be argued that it may incentivise other parts of the market to get their figures right and it at least softens the impact.

MJ suggested that this year to next year could be considered in the BRs.

SM replied that this was a good point as there was the flexibility to look at the subject in a broader fashion asking if the Modification should be considered within the current rules structure or have a wider remit, especially if Modification 0831/0831A is implemented, thereby introducing in effect a blank slate.

LH commented that, as part of the considerations, it would be reasonable to hope that there would be an explanation should any factor's value change. This would enable Parties to see a movement and understand why it occurred, whereas, with UIG and its unknown nature, it can currently change suddenly.

SM shared that an added issue regarding theft and its determination was that it was a Supplier-focused issue, which meant the actions were also Supplier-focused, adding a further challenge for UNC Parties.

LH asked how much notice the Modification was looking to provide within the process, for example, would a value be advised in January for October implementation.

SM proposed that this can be considered as part of the blank slate approach, suggesting that the REC be approached to get either an annual figure or a methodology to reach a figure and thereby make the timing flexible. REC could be asked if January is possible and when would they need to commence work to deliver it. If it is decided to just get a figure it may need longer, in comparison if a methodology is acquired then another entity could work on producing the figure. He shared that he felt it preferable to obtain a figure from the REC as they are so closely engaged with the market, but he had not specified in the Modification where to get the figure yet.

LH highlighted MJ's earlier commentary about potential annual 'mop-up' activities, citing the precedents that exist elsewhere, such as in electricity.

SM confirmed that anything Parties bring to the table would be considered.

LH added that she was not saying she liked the idea, just that the precedent existed.

SM advised that ultimately a crystallised figure was the intention so that Shippers are not required to correct values within a live customer contract. He reiterated that he was totally open to preferences and would consider if any suggested principle had merit, as the aim was to find what best suits all. He noted that if the Modification ended up 'Marmite' in nature then the Workgroup would need to follow the timelines given, adding that he did not think the Modification would prove so, as his impression was that all Parties recognised the situation was currently something of a mess.

JS emphasised the importance of considering the timing, suggesting that there would be value in overlaying the DNO Calendar in the discussions, explaining that January would not work for a hard fixed figure as the DNOs start pricing in October within specified deadlines.

SM acknowledged this, asking if JS could consider the framework and if JS could bring something to the Workgroup.

JS detailed that the DNO pricing calendar works with early signs at 150 days' notice, which was then followed by a 60-day threshold, with very little capability to shift anything at the end of January, working on a Regulatory year basis.

SM commented that knowing which time periods to avoid would be helpful.

JS advised that if there was a massive shift of values in January, DNOs would really struggle to get it in without significant disruption to Shippers, explaining that the DNO pricing functions meet with Shippers on a quarterly basis and had the least amount of flex available in the period of January, sharing that they worked on an 18 month ahead model.

SM asked if JS could provide insight into the DNO Calendar as a guide to when not to and when DNOs would want the Workgroup to consider the Residual Upstream Contributor to be issued.

JS confirmed she would be happy to do so.

New Action 0701: DNOs (JS) to provide insight into the DNO Pricing Calendar as an aid to WG consideration of when the Residual Upstream Contributor (RUC) could be issued.

Oorlagh Chapman (OC) shared that she had been asked how the RUC energy gets allocated to DNOs, in that will they be subject to UGR as reconciliation occurs or did this need to be decided as part of the solution.

SM acknowledged the question, stating that this did need to be worked through and would take some time, though the fundamental consideration today was to get the Modification out early to ensure there was not any fatal flaw.

MJ referenced the pricing for the DNOs and that maybe the RUC should not be wed to a gas year and instead perhaps a different part of the year.

SM agreed, saying that once the Workgroup got visibility of the DNO Pricing calendar, it could be asked if it matters, and fixing the RUC as a crystallised value fed into this argument.

MJ observed that customer contracts did not line up for October either.

SM concurred, stating the need to mitigate risk somewhere and that he was open to discussion of all the considerations the Modification touched, adding that there might be something obvious that was missing but was hopeful that some Party will recognise it and raise it.

FC noted that IGT sites count exactly equally as DNO sites, so her guess was that for all the IGT UNC considerations it would just point to the UNC.

SM confirmed that was the original IGT question, adding that he will take the Modification to IGT UNC anyway for their consideration, but if that was the case it makes the matter easier, and he was happy to run through the slides with the IGT UNC for information regardless.

MJ shared that he had explored this consideration when developing Modification 0831/0831A and was of the same impression, adding that it was important to refer to Modification 0843 in the Modification documentation.

2.1. Issues and Questions from Panel

The Workgroup agreed to defer considering Penal questions to the next meeting.

2.2. Initial Representations

No Representations had been received.

2.3. Terms of Reference (<https://www.gasgovernance.co.uk/0850>)

BF asked if any Participant had any thoughts on the Terms of Reference.

SM responded that he thought that most had been addressed, adding that Distribution impact should be considered a little further into the Modification’s development when it was a bit more certain.

3. Next Steps

BF confirmed the next steps are:

- Consider any initial Representations and outstanding Panel questions.
- Review of the Business Rules

4. Any Other Business

None

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 24 August 2023	5 pm 16 August 2023	Microsoft Teams	<ul style="list-style-type: none"> • Consider any Initial Representations received and Panel Questions. • Review Business Rules.

0850 Workgroup Action Table

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0701	28/07/23	1	DNOs (JS) to provide insight into the DNO Pricing Calendar as an aid to WG consideration of when the Residual Upstream Contributor (RUC) could be issued.	August 2023	NGN (JS)	Pending