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# AUGE guidance document

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# Governance

- The requirement for GTs to have a network code is a licence obligation
- The UNC is therefore subordinate to the licence in the same way that licences are subordinate to the Gas Act
- The UNC mod panel has in the asked Ofgem for a view on modifications that seem to seek to determine matters that are governed by licence. For example 0557 relating to notice period for transportation charges related to recovery of uncertain costs

# Governance an analogy

- As an analogy consider the smart meter rollout. Suppliers have licence obligations relating to this
- Should someone raise a SPAA change stating that DNs and IGTs are responsible for determining the postcodes in which smart meters can be installed it would be rejected

## Current obligations - licence

- DNs have a licence obligation that requires them to collaboratively produce a shrinkage model and keep it under review, hold an annual consultation process to which there were only two responses in 2017.
- There are also pass through arrangements for shrinkage costs determined by the model. These costs are recovered from Shippers.
- The intent was that shrinkage would be a licence matter

# Current obligations - UNC

## UNC TPD E states

9.1.1 For the purposes of this paragraph 9:

- (a) the **“AUGE Document”** is the document entitled 'Framework for the appointment of an Allocation of Unidentified Gas Expert' which sets out:
  - (i) the procedure for the appointment of the AUG Expert;
  - (ii) what qualifications and competencies the AUG Expert is required to hold;
  - (iii) the criteria for selection of the AUG Expert;
  - (iv) the terms of the AUG Expert Contract;
  - (v) procedures for preparing the AUG Statement and the AUG Table; and
  - (vi) **such other matters (consistent with this paragraph 9) as the Committee and the Transporters may agree;**

9.4.2 For each AUG Year following preparation of the AUG Statement the AUG Expert shall make a determination (**“AUG Determination”**) which:

- (a) **identifies each Unidentified Gas Source;**
- (b) **specifies the proportionate contribution of each Unidentified Gas Source to the total quantity of Unidentified Gas (“UGS Proportionate Contribution”);** and
- (c) specifies for each Unidentified Gas Source and for each Category of System Exit Point a weighting factor (**“UGS Weighting Factor”**) reflecting that Category of System Exit Point's contribution to the Unidentified Gas Source, provided for each Unidentified Gas Source the UGS Weighting Factors must satisfy:

$$\Sigma \text{WFUGS} = 1$$

## 2017 AUGE process

- Previously the AUGE determined that the model did not have a systematic shrinkage error.
- In 2017 a non zero figure was proposed but the AUGE then set it at zero as they could not substantiate a non-zero figure
- Widespread dis-satisfaction with 2017 AUGE process
- The 2017 process has brought into focus the dual governance issue that was allowed to come into the UNC

# Cost impacts of AUGE process

- If the AUGE determines that there is systematic error in the shrinkage model then:
  - DNs would have a governance problem because the licence process would give one answer and the (subordinate) UNC process would give another
  - Cost impacts will fall on Shippers

## Proposed amendments

- The proposed amendments are a short term fix to try and resolve this problem by making clear that although shrinkage is part of UIG any observations that the AUGE has on shrinkage should be made using the shrinkage process
- UNC review 0639R was raised at the same time as this amendment was proposed. We suggest that review is a good vehicle to consider the dual governance issue and how to resolve it.