



To:  
UNC Parties, including Shippers and Large Gas Transporters  
The Joint Office of the Gas Transporters  
Ofgem  
The AUGE

8 April 2013

Dear Colleague

### **Allocation of Unidentified Gas – Request for Feedback**

At the end of each AUGE year (after 31st March) the Gas Transporters are required to conduct a review of “the activities and performance of the AUGE and the industry for the creation of the AUGS”. This requirement is set out in the *Guidelines for the Appointment of an Allocation of Unidentified Gas Expert and the provision of the Allocation of Unidentified Gas Statement* (section 6.1) (the “Guidelines”).

For this purpose I would like to request your feedback on the events for the AUGE year 2012/13, i.e. the development of the AUGS for 2013/14, and any suggestions for improvements. Areas you may consider providing feedback on include:

- The AUGS Guidelines, e.g. timeline
- The AUGE for such areas as: communication, industry engagement, query responses etc
- The industry, e.g. for support for the process and timeliness/relevance of responses to consultations
- Xoserve e.g. for the provision of information
- Any other relevant area

To assist with your assessment of the process, the AUGE has suggested a number of areas for improvement to the AUGS Guidelines (currently at Version 3). These suggestions are summarised in the attached Appendix and are only a suggestion at present. They do not necessarily represent the views of Xoserve or the Gas Transporters.

The intention is to produce a short review report on the 2012/13 process for the June 2013 meeting of the UNCC. To enable this to be produced I would be grateful if you could provide any feedback by **Friday 26th April**.

Please submit your responses to [as.billing.commercial@xoserve.com](mailto:as.billing.commercial@xoserve.com) . Could you also please advise whether you are happy for your feedback to be made public (probably as an appendix to the report).

If you have any questions regarding this topic please do not hesitate to contact me.

Yours sincerely

Fiona Cottam  
Performance Manager

## APPENDIX

### Suggested Improvements to AUGE Guidelines, as provided the AUGE (GL Noble Denton)

*Please note that these suggestions would be subject to industry discussion and UNCC approval prior to implementation and do not necessarily represent the views of Xoserve or the Gas Transporters.*

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Dear Fiona

As you are aware, during last year's AUGE process a number of issues and misunderstandings arose from different interpretations of the AUGE Guidelines. There are a number of improvements that we think could be made to the AUGE Guidelines to help prevent these recurring.

Some of the suggestions described below are straightforward and some require further discussion with the industry. Ideally, it would be beneficial to update the AUGE Guidelines before the 1<sup>st</sup> Draft 2013 AUGS for 2014/15 is published in May or alternatively the 2<sup>nd</sup> draft AUGS for 2014/15 published in July. In particular, the Query Process needs an overhaul.

- 1) All references to periods of time should be in "Business Days", for example 42 days referenced in 7.1.3 and 28 days in 8.9 and 8.10 should also be converted to business days for consistency.
- 2) The definitions section should include what we mean by "Business Days", "Final Figure Creation", "Interim Figure Creation" etc this will ensure these terms are fully understood by all parties. Specifically, the "creation of final gas volumes" (8.4c, 8.5, 8.7, 8.11) needs to be clearly defined particularly at the point it becomes frozen.
- 3) During the 2<sup>nd</sup> consultation period, the guidelines make provision for Code Parties to prepare responses within 5 business days of the next Committee meeting (7.1.7). In 2013, the next Committee meeting would be the 15<sup>th</sup> August 2013 which means responses have to be provided by 8<sup>th</sup> August, 5 business days after the publication of the 2<sup>nd</sup> draft AUGS). In previous years we have run the consultation over the month of August to allow adequate time for industry review. The question here is how long should the second consultation actually be? If it is more practical to allow the whole of August then the AUGE Guidelines need to be updated to make this clear.
- 4) Following the 2<sup>nd</sup> consultation, the guidelines indicate the Committee will meet to approve the methodology on or around 1<sup>st</sup> September (7.1.8). If the 2<sup>nd</sup> draft AUGS consultation is as short as the guidelines indicate then this is achievable. However, if the 2<sup>nd</sup> consultation period runs through the whole month of August as suggested, then some time will be required for the AUGE to prepare responses / update the AUGS prior to approval at the normal September Committee meeting. Both items 3 & 4 require clarification in the AUGE Guidelines.
- 5) The Guidelines do not appear to require a 3<sup>rd</sup> draft of the AUGS following the receipt of comments on the 2<sup>nd</sup> (August) draft. The two possible outcomes appear to be either approval of the 2<sup>nd</sup> Draft by UNCC or unanimous agreement by UNCC to make changes to the AUGS (7.1.8). The Guidelines are not clear on the AUGE's role in the process leading up this decision, whether the AUGE should prepare an updated AUGS (if appropriate) or recommend changes to certain sections as a result of comments made during August, or have no involvement at all. The Guidelines need to be updated to make this clearer, to help all parties understand their role better.
- 6) The Query Process needs to be updated to explain explicitly what happens in the event of a rollover. We believe that in the event of rollover the Query Process doesn't really apply as the decision to rollover will come on or around the deadline for creation of the final figures (7.1.11, 9.5). This resulted in all sorts of confusion this year and needs to be addressed.
- 7) The Query Process runs from 1<sup>st</sup> September to the last day in February and appears to be a catch all period for queries/issues not previously raised during the consultation process. Indeed, the interim figures are not supposed to be published to the industry until November 1<sup>st</sup> so queries raised before then would be matters arising following the previous consultation period or newly identified UG issues.

## APPENDIX

### Suggested Improvements to AUGÉ Guidelines, as provided the AUGÉ (GL Noble Denton)

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One of the questions arising from this year's process is "When can queries be realistically addressed for that year and when are they likely to be deferred to the following year's process?". Given that final figures are to be created by 1<sup>st</sup> January, then any queries raised after this date that are material will fall into the "cannot be implemented in this years' AUGS" category (8.4c). In practice, issues raised in December are also likely to fall into this category, depending on the issue raised. This is because the process requires the Committee to meet to review the AUGÉ recommendations and this can result in the AUGÉ having to make further amendments within 28 days (8.9, 8.10). The Guidelines should include a clear, realistic date after which any further queries raised could not be addressed in that year's Statement/Table.

- 8) It would be useful to clarify the key publication dates. To date the AUGÉ has published AUG tables directly to the industry on 1<sup>st</sup> January and 1<sup>st</sup> February. However, the AUGÉ Guidelines only require the AUGÉ to publish interim and final AUG tables to the Gas Transporters on the 1<sup>st</sup> October/1<sup>st</sup> January respectively and it is the responsibility of the Gas Transporters to publish the interim/final AUG tables on 1<sup>st</sup> November / 1<sup>st</sup> February 2013. Going forward we would like to see more clarity on the purpose of the month's delay between submission to the GTs and publication to the industry, and any activities that the GTs should be undertaking in that window.
- 9) It is not clear in the AUGÉ Guidelines what happens after the 2<sup>nd</sup> consultation period if an issue is identified that is sufficiently material to require a change to the methodology that requires further consultation (specifically if it is one that we acknowledge needs to be addressed). In this situation, are further consultation periods required? Can this be dealt with via the query process?
- 10) In the past two years' AUGÉ processes, the approval of the methodology has either been delayed or in the case of 2012/13 rolled over due to delays in the development of the methodology and provision of key data sets required to develop the methodology and generate AUG tables. Whilst Xoserve are looking to improve the processes of providing data and the AUGÉ will be looking at ways of mitigating the impact of these issues, there is still a risk of delays either because of issues identified during consultation that are significantly material and need resolution, or unexpected delays/issues with raw data that require re-work etc.

The AUGÉ recommends that a facility is put in place such that in the event of a delay to the approval of the AUGS or production of Interim/Final AUG tables that the process can be deferred by an agreed period (e.g. 3 months up to a maximum of 6 months, say). All dates in the AUGÉ Guidelines (including query process etc) would move back by the agreed amount rather than being compressed.

We also suggest that the decision should be at the discretion of the Gas Transporters or OFGEM rather than the Shippers who will have vested interests in the outcome. The option of rollover would still be available (e.g. under 7.1.11, 9.5). This has the benefit of a methodology being implemented as soon as possible rather than being deferred by a full year. By putting this in place up front it would also negate the situation that arose this year with Shippers raising modifications at the end of the process to try and force through a methodology which had not completed the proper review process. In the event of an extension, consideration would need to be given to the impact on the subsequent year's methodology to avoid a domino effect and this requires further discussion.

- 11) There are a number of modifications being developed or in latter stages of review that may have and some will have an impact on the methodology and the work that the AUGÉ does. To date, during consultation of these modifications we have not submitted any comments as we are not a Code Party. In addition, our views may be interpreted as favouring one market sector over another if we did. Furthermore, proposers of modifications tend not to consult the AUGÉ with

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regards the potential impact on the methodology or data required to implement their proposals. This can result in a situation where the AUGÉ may not be able to meet the requirements of the modification because the data does not exist with which to make corrections / incorporate in the methodology.

We suggest that there is a mechanism incorporated in the AUGÉ Guidelines that permits dialogue regarding modifications that refer to the AUGÉ to ensure that those modifications are potentially achievable in terms of data, AUG methodology and work required once implemented.

- 12) After publication of each AUGS, in the latter part of 2011 and throughout 2012 the AUGÉ has requested an industry meeting during the consultation period to present the AUGS and provide the opportunity for Code Parties to raise clarification issues / discuss aspects of the methodology. This has been very useful in getting early heads up of potential issues and also helped clarify potential misunderstandings. We suggest the industry meetings held after each publication are included as part of the AUGÉ Guidelines typically within 10-15 days of the publication of an AUGS (subject to clarification of the consultation period for the 2<sup>nd</sup> draft AUGS as described previously).
- 13) The AUGÉ Guidelines should clarify whether scheduled Committee meetings should be used wherever possible or whether separate meetings should be/could be arranged. This would also help clarify the position regarding the 2<sup>nd</sup> consultation as described previously (see items 3, 4 above).
- 14) Although the timelines for preparation of each draft of the AUGS are fixed, the potential issues raised by the industry, resulting investigations/analysis or update of the methodology are highly variable. Over the past two years we have had some consultations with quite a number of issues raised and those with just a few.

In each case the issue can be anything from a matter of clarification to obtaining additional data from Xoserve and/or further analysis being carried out. Where issues are significantly material they require addressing before we seek approval of the methodology and this in turn has ultimately contributed to delays in the production of the most recent AUGS.

Whilst we can increase resources, and indeed have, in order to mitigate delays, the topics and data involved are complex and require some time to get up to speed which given the tight timescales for production of AUGS/turning round responses does not really allow for short periods of increased resourcing – particularly at short notice.

It is possible to prioritise the key items that can be done within the timelines and defer the rest until a subsequent publication. However, this could result in material errors residing in the methodology until a subsequent AUG year. It is therefore a delicate balance between having something ready on time vs something that may have known issues and we are mindful of the concerns the industry have if the AUG table contains known material errors.

One way of improving this situation would be a facility for the AUGÉ to back correct the previous year's AUG table in light of new / corrected information (but with a limit on how far back you can go to make corrections) and roll this into the coming year's AUG table. We understand this approach was avoided for various reasons – however the consequences of not having this facility may mean that we would have the choice of delivering an AUG table with known corrections outstanding vs taking the extra time to get address those corrections.

Another solution is, on receipt of consultation responses, to estimate the time required to investigate/respond properly and then set out timelines based on this. There would still need to be some overriding back stop but there is the potential for the timelines to be brought forward as

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well as pushed back to ensure that the key issues had been addressed sufficiently prior to inclusion in the AUGS submitted to the Committee for approval.

Clive Whitehand  
Senior Consultant  
**GL Noble Denton**