

| UNC Modification | At what stage is this document in the process? |
|--|---|
| <h1 data-bbox="134 322 655 412">UNC 0868:</h1> <h2 data-bbox="129 450 1121 663">Change to the current Allocation of Unidentified Gas Statement frequency</h2> | <div data-bbox="1209 309 1469 629"> <div style="border: 1px solid green; background-color: #008000; color: white; padding: 2px; margin-bottom: 2px;">01 Modification</div> <div style="border: 1px solid blue; background-color: #ADD8E6; padding: 2px; margin-bottom: 2px;">02 Workgroup Report</div> <div style="border: 1px solid purple; background-color: #DDA0DD; padding: 2px; margin-bottom: 2px;">03 Draft Modification Report</div> <div style="border: 1px solid orange; background-color: #FFDAB9; padding: 2px;">04 Final Modification Report</div> </div> |
| <p>Purpose of Modification:</p> <p>This Modification proposes to extend the current annual process for the production of the Allocation of Unidentified Gas (AUG) Statement to a [3] [Three] yearly process.</p> | |
| <p>Next Steps:</p> <p>The Proposer recommends that this Modification should be:</p> <ul style="list-style-type: none"> • considered a material change and not subject to Self-Governance • assessed by a Workgroup for 6 months <p>This Modification will be presented by the Proposer to the Panel on 15 February 2024. The Panel will consider the Proposer’s recommendation and determine the appropriate route.</p> | |
| <p>Impacted Parties:</p> <p>High: Shippers, Distribution Network Operators, Consumers, Central Data Services Provider (CDSP)</p> <p>None: Independent Gas Transporters and National Gas Transmission</p> | |
| <p>Impacted Codes: Retail Energy Code (REC)</p> | |

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| Timetable | | |
| Modification timetable: | | |
| Pre-Modification Discussed | 25 January 2024 | |
| Date Modification Raised | 02 February 2024 | |
| New Modification to be considered by Modification Panel | 15 February 2024 | |
| First Workgroup Meeting | 22 February 2024 | |
| Workgroup Report to be presented to Modification Panel | 15 August 2024 | |
| Draft Modification Report issued for Consultation | 15 August 2024 | |
| Consultation Close-out for representations | 06 September 2024 | |
| Final Modification Report available for Modification Panel | 11 September 2024 | |
| Modification Panel recommendation | 19 September 2024 | |
| | |  Any questions? |
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1 Summary

What

The independent Allocation of Unidentified Gas Expert (AUGE) undertakes an annual exercise to produce the Allocation of Unidentified Gas (AUG) Statement which, if not unanimously rejected, is applied from the 1st October each year. Over recent years we have seen a number of concerns raised over the current arrangements and this has included recent proposals to remove the AUGE process in its entirety. It has been acknowledged that the current process may be subject to diminishing returns as the areas of investigation have remained largely consistent with the current process essentially one of refinement.

Why

If a change is not made, then the efficiency of the current process will continue to diminish to the point where the cost benefit of retaining the independent Allocation of Unidentified Gas Expert in its current form will no longer be efficient

How

The Proposal is therefore to decrease the frequency for the publication of the Allocation of Unidentified Gas (AUG) Statement from Annually to every 3 years.

We believe this provides a number of benefits: -

Predictable – enhances predictability and little risk of step change if amendments are largely refinement

Stable – enhances stability by providing a longer period of certainty in terms of factors

Transparent – retains the role of the independent expert providing confidence that the factors are set impartially

2 Governance

Justification for Authority Direction

This change is material as it has a significant commercial impact on parties, consumers, or other stakeholder(s); and therefore warrants Authority Direction

Requested Next Steps

This Modification should:

- be considered a material change and not subject to Self-Governance.
- be assessed by a Workgroup.

3 Why Change?

The independent Allocation of Unidentified Gas Expert (AUGE) undertakes an annual exercise to produce the Allocation of Unidentified Gas (AUG) Statement which, if not unanimously rejected, is applied from the 1st October each year. Over recent years we have seen a number of concerns raised over the current arrangements and this has included recent proposals to remove the AUGE process in its entirety. It has been acknowledged that the current process may be subject to diminishing returns as the areas of investigation have remained largely consistent with the current process essentially one of refinement. If a change is not made, then the efficiency of

the current process will continue to diminish to the point where the cost benefit of retaining the independent Allocation of Unidentified Gas Expert in its current form will no longer be efficient

4 Code Specific Matters

Reference Documents

TBC

Knowledge/Skills

TBC.

5 Solution

The Proposal is therefore to decrease the frequency for the publication of the Allocation of Unidentified Gas (AUG) Statement from Annually to every 3 years.

The Business Rule (BR) is set out below:

BR1: Change the requirement for the Allocation of Unidentified Gas (AUG) Statement from being published Annually to every Three (3) years.

Note 1: Although changes to Code may be limited we will need to also amend the Framework for the Appointment of an Allocation of Unidentified Gas Expert. To aid understanding the relevant text including amendments is included below

BR2: The last approved AUG Table will continue to have effect until a new AUG Table is approved

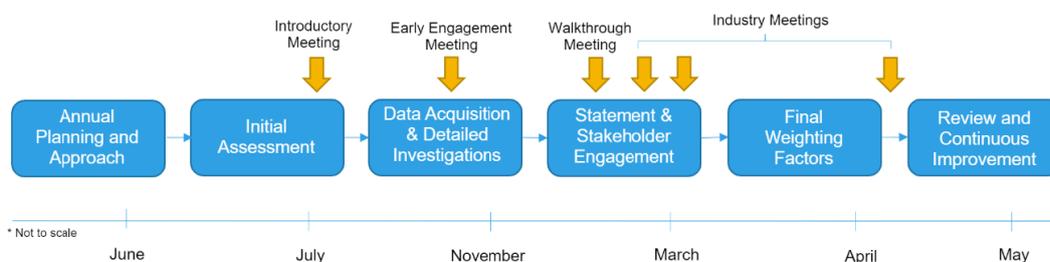
Note 1: We need to ensure that the previously approved AUG Table will continue to be applied until the new AUG Table is approved.

6 Impacts & Other Considerations

Consequential Impacts on existing AUG arrangements

The current Annual Allocation of Unidentified Gas (AUG) cycle

The production of the Statement is an annual cycle, with the AUG consulting with industry in relation to the development of the Weighting Factors. The timeline below shows the stages in this process.



We are proposing the introduction of a Multistage, Multi Phase (Year) Process leading to the production of a new AUGs every 3 years.

Initial thinking: Overview of Three Phase Approach

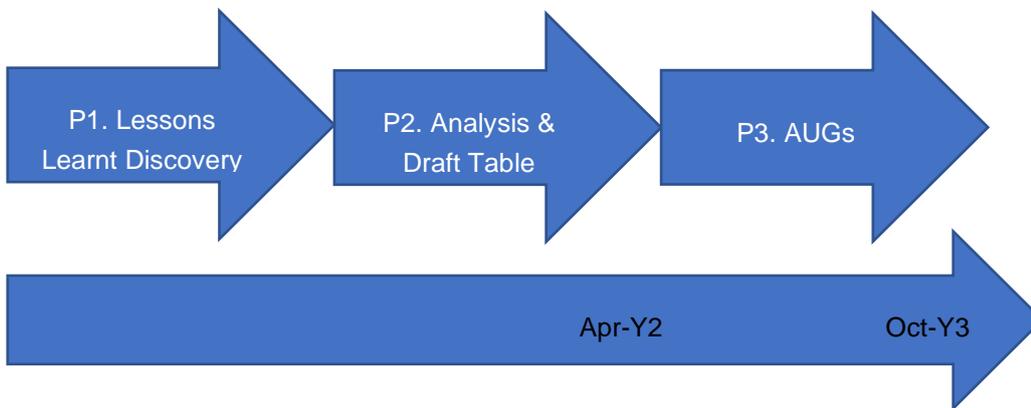
Initially our thinking was for a 3 Phase approach as set out below:

Phase 1 (Yr1?) DISCOVERY & LESSONS LEARNT (stakeholder & market engagement, continuous improvement, determine new areas of interest, other added value activities)

Phase 2 (Yr2?) ANALYSIS & DRAFT TABLE (UGSS) (stakeholder engagement, developing the UGSS, demonstrate value (optimisation) and early sight of the AUGs Table)

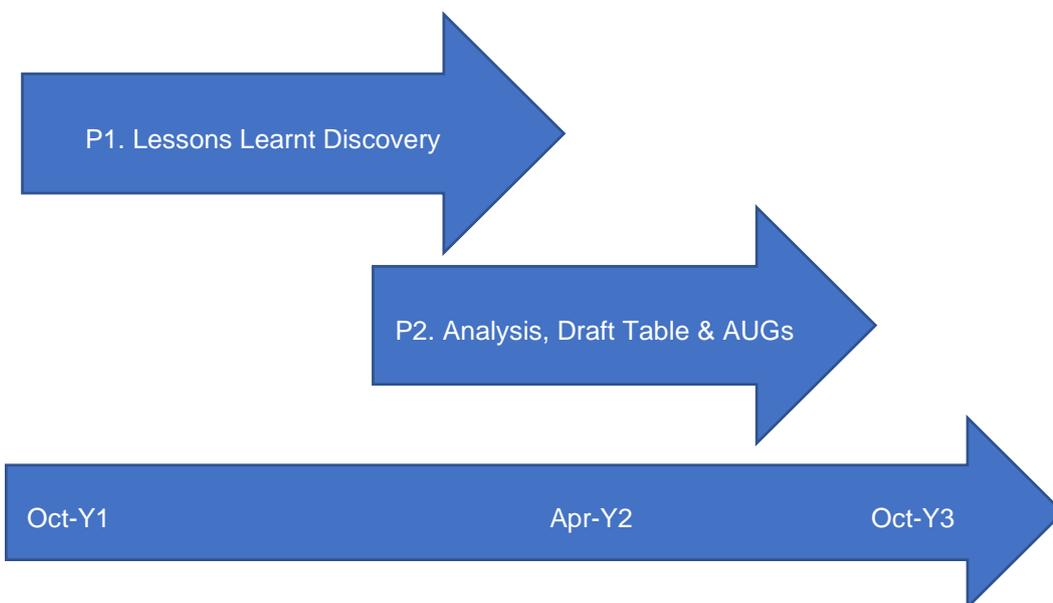
Phase 3 (Yr3?) AUGs PRODUCTION (stakeholder engagement / production of the AUGs)

Overview of 3 Phases



However if the Draft AUGs table can be provided 18 months (Y-1 in April) before its utilisation (Y in October) then it may make more sense to combine phases P2 & P3

Proposed approach: Overview of Two Phase Approach



Phase 1 LESSONS LEARNT & DISCOVERY (circa first 18m)

Activities

- Lessons learnt from last AUGE Period
- Stakeholder Engagement

- Market Engagement
- Continuous Improvement
- Discovery – identify areas of interest
- Added Value
- Engagement with PAC, REC and other relevant bodies
- Identify areas where reduction can be attempted & if possible achieved within current AUGE Period.

Note: Areas of investigation brought forward in Phase 1 may engender additional costs and if so will need to be subject to approval for any work packages that incur such costs. Analogous with existing arrangements.

Phase 2 ANALYSIS, DRAFT AUGE TABLE

Phase 1 and Phase 2 can run in parallel

We would require the production of a Draft AUG Table no later than 18m before AUGE Table would be effective i.e. Y3 – 18m

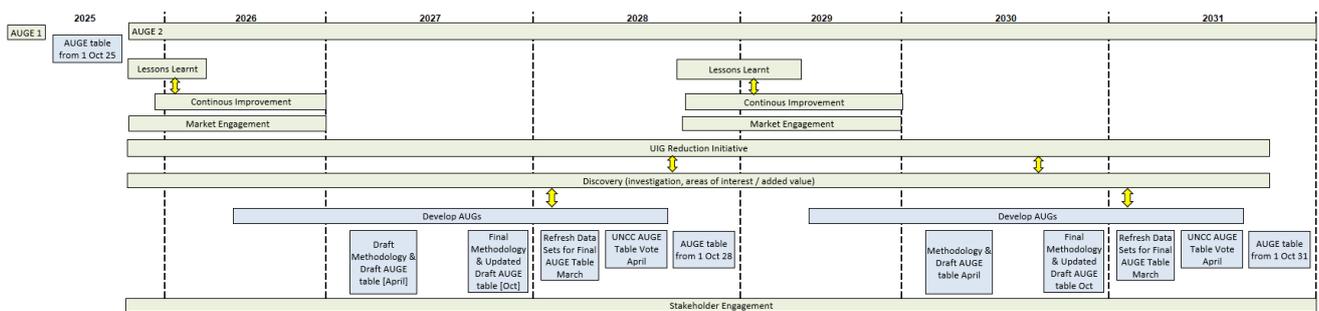
Activities

- Stakeholder Engagement
- Development of draft AUGE Table
- Final AUGE Table production

Note: Much of Phase 2, other than the early sight of the AUG Table will be BAU but as it may commence earlier than now the dates will probably need amending to recognise the extra time available. We may need to add to the framework to recognise activities in Phase 1.

Note: The proposals allow for overlap between the 2 phases

High Level Overview of timetable based on new arrangements commencing after the conclusion of the existing AUGE process for 2025/26.



Framework for the Appointment of an Allocation of Unidentified Gas Expert (Working document)

Substantive changes and Comments to Framework (extract) in RED

Generic Terms of Reference for Appointed AUG Expert

5.1 This section will include the main principles the AUG Expert will operate under, once appointed.

5.1.1 The AUG Expert will create the AUG Statement and AUG Table by developing appropriate, detailed methodologies **undertaking relevant discovery, engagement, investigation, analysis** and collecting necessary data.

5.1.2 The decision as to the most appropriate methodologies and data will rest solely with the AUG Expert taking account of any issues raised **if relevant** during the **discovery, engagement, development** and compilation of the AUG Statement and AUG Table.

5.1.3 The AUG Expert, *acting as a reasonable and prudent operator*, will determine what data is required from Code Parties (and other parties as appropriate) in order to ensure it has sufficient data to support the evaluation of Unidentified Gas.

5.1.4 The AUG Expert will determine what data is necessary from parties in order to ensure it has appropriate data to support the evaluation of Unidentified Gas. *Is this clause redundant as 5.1.3 covers other parties with text in brackets – or remove text in brackets above*

5.1.5 The AUG Expert will determine what relevant questions should be submitted to Code Parties in order to ensure appropriate methodologies and data are used in the evaluation of unidentified error.

5.1.6 The AUG Expert will use the latest data available where appropriate.

5.1.7 Where multiple data sources exist the AUG Expert will evaluate the data to obtain the most statistically sound solution, will document the alternative options and provide an explanation for its decision.

5.1.8 Where data is open to interpretation the AUG Expert will evaluate the most appropriate methodology and provide an explanation for the use of this methodology.

5.1.9 Where the AUG Expert considers using data collected or derived through the use of sampling techniques, then the AUG Expert will consider the most appropriate sampling technique and/or the viability of the sampling technique used.

5.1.10 The AUG Expert will present at a meeting the AUG Statement, including the AUG Table, in draft form (the “proposed AUG Statement”), to Code Parties seeking views and will review all the issues identified submitted in response.

Note: If we are introducing the early sight of the AUG Table then we should probably include that requirement

For the avoidance of doubt, allocation factors for prepayment and non-prepayment End User Categories (EUC) in the same sector and product class will be equal. This will be achieved through the AUG Expert equalising the allocation factors for the listed pairs of Categories of System Exit Points at the end of the process:

1ND & 1PD

2ND & 2PD

1NI & 1PI

2NI & 2PI

For the avoidance of doubt, within the proposed AUG Statement, the AUG Expert will also include a table prior to the equalisation of the allocation factors for the list pairs of Categories of System Exit Points (detailed above), being applied.

5.1.11 The AUG Expert will provide the AUG Statement, including the AUG Table, to the Gas Transporters for publication who will then provide the AUG Statement and Table to the CDSP.

5.1.13 The AUG Expert will ensure that all data that is provided to it by parties will not be passed on to any other organisation, or used for any purpose other than the creation of the methodology and the AUG Statement and Table.

5.1.14 The AUG Expert shall ensure that all data provided by Code Parties will be held confidentially, and where any data, as provided or derived from that provided, is published then it shall be in a form where the source of the information cannot be reasonably ascertained.

5.1.15 The AUG Expert will act with all due skill, care and diligence when performing of its duties as the AUG Expert and shall be impartial when undertaking the function of the AUG Expert, ensuring that any values derived will be equitable in their treatment of Code Parties.

5.1.16 The AUG Expert will compile the methodology and AUG Statement and AUG Table in accordance with this Framework.

6. Responsibilities for the creation of the AUG Statement

6.1 Code Parties provision of data or information to the AUG Expert

Where, the AUG Expert requests data from Code Parties for the purpose of preparing the AUG Statement and Table, the Code Parties shall use all reasonable endeavours to provide the information requested within the timescales requested. Such timescales having being previously notified to the Code Parties.

6.2 Code Parties Raising issues for consideration during the consultation period.

Code Parties may submit relevant topic areas for consideration by the AUG Expert during the consultation process. The submission must include a clear explanation of the topic, the reasons why this topic is relevant to the AUG Statement or AUG Table, any accompanying data or if relevant suggestions as to how the data may be obtained by the AUG Expert. Each topic area submitted by a Code Party will be published (including the details of the Code Party) to the industry as part of the AUG Expert’s consultation response. However specific information provided and marked confidential will not be generally published.

The AUG Expert will publish a written response to the topic detailing whether it is in or out of the scope of work and the rationale to support this, whilst respecting the confidentiality of the original information.

6.4 Code Parties Raising issues for consideration outside of the consultation period.

Code Parties may submit relevant topic areas for consideration by the AUG Expert outside the consultation process. The submission must include a clear explanation of the topic, the reasons why this topic is relevant to the AUG Statement or AUG Table, any accompanying data or suggestions if relevant as to how the data may be obtained by the AUG Expert.

The AUG Expert will publish the submission and a written response to the topic raised outside of the consultation process, detailing whether it is in or out of the scope of work and the rationale to support this, whilst respecting the confidentiality of the original information.

If the AUG Expert considers that the topic is within the scope of its work, it will log the topic and will consider it during the development of the next applicable AUG Statement or AUG Table.

6.5 The Committee – AUG Expert submissions review actions

6.5.1 The AUG Expert shall submit documents e.g. AUG Statement, including the AUG Table, to The Committee for approval.

6.6 Provision of and publication of data

A copy of all data and information requests from the AUG Expert will be published to the industry and will include, but not be limited to the:

- Reason for the request;*
- Date the request is made ;*
- Information required ;*
- Who the request is made to;*
- When data is required by.*

A record of the outcome of requests will be kept and published (not anonymised). The report will show the response as one of “provided”, “not provided” (i.e. request acknowledged but reason for no provision provided), or “no response to request”.

Where applicable, a copy of the data provided to the AUG Expert by the CDSP will be provided to the industry, generally this will be published on UK Link documents. Where data is confidential or commercially sensitive, the fact that the data had been provided will be published, an organisation may request a copy of the information pertaining to them from the CDSP. For example:

- a) The AUG Expert requests throughput totals for an LDZ. This would be provided to the AUG Expert and published to the industry.*
- b) The AUG Expert requests a breakdown of Shipper User’s market shares. This would be provided to the AUG Expert and a publication of the provision of this data made to the industry. A Shipper User may then request a copy of the data relating solely to their business.*

7. Creation of AUG Statement Document

7.1 This section covers the activities and timescales for the creation, submission to The Committee and publication of the AUG Statement by the AUG Expert.

| Step | Requirement | Party | Timing | Comments |
|------|---|-------|--------|---------------------------------------|
| 1 | Establish a timetable for the coming AUG Period : book meeting dates for all key | | | The change to AUG Period reflects the |

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|---|--|--|----------------------------|---|
| | industry meetings for the <i>Period</i> , and communicate those to the industry. | | | Multi Year nature of the new arrangements |
| 2 | <p>Present an overview of the approach to developing the AUGS for the <i>AUGE Period</i> at an Introductory Meeting with the AUG Technical Workgroup, including (but not limited to): Industry parties may provide feedback on the approach and the data sources, for consideration by the AUGE.</p> <p>Overview of high-level approach to <i>Phases for the upcoming AUGE Period</i>;</p> <p>Overview of <i>lessons learnt and proposed areas for investigation as well as potential changes to methodology since the previous AUGs</i>;</p> <p><i>Overview of proposed engagement with industry stakeholders including the Retail Energy Code and Performance Assurance Committee</i></p> <p>Summary of Industry issues and key changes (e.g. UNC Mods) since previous AUGs and impact on methodology</p> <p>Update on the log of items carried over from the previous AUGs</p> <p>Proposed data sources for all causes of UIG to be included in the methodology</p> | | Early in Yr1 of 3 Yr cycle | The logic for an introductory meeting is sound however the scope and delivery windows would change to reflect the longer period available |
| | <i>Initiate Phase 1 - Lessons Learnt & Discovery</i> | | | AUG Technical Workgroup |
| | Provide the industry with <i>regular</i> updates on progress of <i>Phase 1 including but not limited to</i> availability of data, new topics identified and any key issues which may impact on the Methodology | | | Throughout the relevant AUGE Period we would expect [monthly] updates – perhaps via a mix of newsletters and meetings |
| | <i>Review delivery of Phase 1 and confirm Phase 2 deliverables prior to commencing Phase 2</i> | | | AUG Technical Workgroup |
| | <i>Initiate Phase 2 Analysis and provision of indicative UGS Weighting Factors</i> | | | AUG Technical Workgroup |
| | Provide the industry with <i>regular</i> updates on progress of <i>Phase 2 including but not limited to</i> availability of data, new topics identified and any key issues which may impact on the Methodology | | | |
| | <i>Provide indicative view of AUGs [Table] no later than Y-[1]</i> | | | AUG Technical Workgroup |
| | <i>Review delivery of Phase 2 and confirm Phase 3 deliverables prior to entering Phase 3 Final production of the AUGs</i> | | | AUG Technical Workgroup |
| | Present an update on the development of the | | | Would like this to |

| | | | | |
|--|---|--|--|---|
| | <p>AUGS for <i>Phase 3 Meeting with the AUG Technical Workgroup, including (but not limited to):</i></p> <p><i>Updates from Phase 2</i></p> <p><i>Industry parties may provide feedback on the proposed data sources and outline of the approach.</i></p> <p><i>Latest view of data sources for all topics and availability of data update on development of the AUGS and Table for the coming AUGE Period</i></p> | | | <p><i>occur earlier due to extended timetable</i></p> |
| | <p><i>Provide a proposed AUG Statement, including AUG Table, to the CDSP for presentation and publication. The proposed AUG Statement and presentation must detail:</i></p> <p><i>a) How the AUG Expert has adhered to the Generic Terms of Reference</i></p> <p><i>b) The methodology to be used by the AUG Expert, and why such a process is considered to be the most appropriate approach;</i></p> <p><i>c) The data has been collated so far for such use, and the methods to be used for acquiring any further data; and</i></p> <p><i>d) The Draft UGS Weighting Factors for use in populating the AUG Table.</i></p> <p><i>e) Any specific matters the AUGE Expert wishes to draw to the industry’s attention</i></p> | | | |
| | <p><i>At a meeting of the AUG Technical Workgroup, present and discuss the proposed AUG Statement and Table to be held as soon as possible after the proposed AUG Statement document has been published.</i></p> | | | |
| | <p><i>Once the proposed AUGS has been published, any responses to the AUG Expert on the proposed AUG Statement and Table must be received by the CDSP within 21 calendar days. The CDSP will then provide these responses to the AUG Expert as they are received or no later than 1 working day after submission.</i></p> | | | |
| | <p><i>The AUG Expert will consider any responses made, and will provide feedback for discussion at a meeting of the AUG Technical Workgroup.</i></p> | | | |
| | <p><i>The AUG Expert will review the AUG Statement and Table in light of any comments and will adjust the AUG Statement and Table where it believes appropriate.</i></p> <p><i>The proposed AUG Statement document, as modified by the AUG Expert in accordance with this Step, will be republished the Joint Office of Gas Transporters website.</i></p> | | | |
| | <p><i>At a meeting of the AUG Technical Workgroup, present and discuss the modified</i></p> | | | |

| | | | | |
|--|--|--|--|--|
| | <i>AUG Statement and Table, along with any changes made, after the modified AUG Statement document has been published.</i> | | | |
| | <i>The AUG Expert will review the AUG Statement and Table in light of any comments raised in the meeting and will adjust the AUG Statement and Table where it believes appropriate. For the avoidance of doubt changes can only be made to address specific concerns raised.</i> | | | |
| | <i>The AUG Expert will provide the final AUG Statement and Table if appropriate to the Joint Office of Gas Transporters for publication.</i> | | | |
| | <i>Attend a meeting to present the final AUG Statement and Table, along with any changes made, prior to the formal meeting of the Committee.</i> <i>The purpose of the meeting is to inform interested parties, who can provide input to the meeting of The Committee via their elected representatives.</i> | | | |
| | <i>The Committee will consider the final AUG Statement at its next scheduled meeting. The Committee shall approve the final AUG Statement, in the form presented by the AUG Expert, unless it unanimously agrees changes to any part of the document. The approved AUG Statement will be treated as the final AUG Statement.</i> | | | |
| | <i>The Committee will consider the final AUG Table at its next scheduled meeting and will act in accordance with TPD E9.4.3 (h).</i> | | | |
| | <i>The Gas Transporters will provide the AUG Table containing the approved UGS Weighting Factors to the CDSP for inclusion in the AUG Table for the coming AUG Year.</i> | | | |
| | | | | |
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| | | | | |

The Committee’s final determination in this process shall be binding on Code Parties.

7.3 If the AUG Expert is unable to prepare final UGS Weighting Factors, for whatever reason, then the Committee will determine the UGS Weighting Factors. The Gas Transporters will notify the CDSP accordingly of the AUG Table containing the approved UGS Weighting Factors.

7.4 At the end of each AUG Year, regardless of any AUG Statement outcome, the CDSP shall seek feedback from the industry, including the AUG Expert, on the activities and performance of the AUG Expert and industry for the creation of the AUG Statement and Table. The CDSP shall produce a report for The Committee

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No.

Consumer Impacts

We expect any consumer impacts to be positive as this proposal makes the existing arrangements more Predictable, Stable and Transparent.

Predictable – enhances predictability and little risk of step change if amendments are largely refinement

Stable – enhances stability by providing a longer period of certainty in terms of factors

Transparent – retains the role of the independent expert providing confidence that the factors are set impartially

What is the current consumer experience and what would the new consumer experience be?

As noted above the improvement in the arrangements would aid Predictability, Stability and Transparency

| Impact of the change on Consumer Benefit Areas: | |
|---|-------------------|
| Area | Identified impact |
| Improved safety and reliability | None |
| Lower bills than would otherwise be the case | None |
| Reduced environmental damage | None |
| Improved quality of service | None |
| Benefits for society as a whole | None |

Performance Assurance Considerations

This change relates to an existing process and extending the period for undertaking the production of the AUG's. We have not identified any specific extra considerations at this stage.

Cross-Code Impacts

To be determined

EU Code Impacts

None

Central Systems Impacts

From a system perspective, the CDSP will be required to update the AUGs on a [three] [3] yearly basis as opposed to an annual basis

7 Relevant Objectives

Impact of the Modification on the Transporters' Relevant Objectives:

| Relevant Objective | Identified impact |
|--|-------------------|
| a) Efficient and economic operation of the pipe-line system. | None |

| | |
|--|----------|
| b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters. | None |
| c) Efficient discharge of the licensee's obligations. | None |
| d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers. | Positive |
| e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers. | None |
| f) Promotion of efficiency in the implementation and administration of the Code. | None |
| g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators. | None |

The Modification furthers Relevant Objective d) Securing of effective competition:

- (i) between relevant shippers.
- (ii) between relevant suppliers; and/or
- (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

As it reconciles UIG more efficiently than the current process it thereby furthers effective competition.

This Modification also furthers Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code as it introduces a change in the frequency of the production of the AUGs which is a more efficient outcome than the current arrangements.

8 Implementation

We would propose that this Modification should be implemented as soon as reasonably practicable taking into account the ongoing AUG activities and relevant contractual implications.

9 Legal Text

Text Commentary

TBC

Text

TBC

10 Recommendations

Proposer's Recommendation to Panel

Panel is asked to:

- Agree that Authority Direction should apply.
- Refer this proposal to a Workgroup for assessment.