

Representation - Draft Modification Report UNC 0758

Temporary extension of AUG Statement creation process

Responses invited by: **5pm on 04 June 2021**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Clare Manning
Organisation:	E.ON
Date of Representation:	3 June 2021
Support or oppose implementation?	Oppose
Relevant Objective:	d) Negative f) Negative

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We oppose the deferral of the implementation of the proposed AUG statement for AUG year 2021/2022.

We agree that the development of a robust AUG statement is a complex and difficult undertaking, that is why it is undertaken by an appointed expert, following an agreed framework.

The timeline for the production of the AUG statement for AUG year 2021/2022 has followed the same timelines as every other year, as outlined in the Framework and the new AUGE has not reported having issues with these. The Framework allowed for a change of AUG contract and was discussed in detail and agreed across all parties during the workgroup that defined this process and timeline. We recognise this is the first time the timings have applied for a change in AUGE and therefore may need a different timetable in the future, but, using the same timings as previous years has not been an issue for us and our review of the proposal.

The Framework for the Appointment of an Allocation of unidentified Gas Expert allows for industry parties to provide feedback on the approach and the data sources, for consideration by the AUGE; and the AUGE has presented its responses to the feedback received. At the April UNC Committee meeting, there was no proposal to repeat any of the process.

Equally, there have been no concerns raised by the CDSP regarding the performance of the contract.

The AUG statements inevitably vary year on year, and we do not consider this year to be exceptional. We do however recognise that analysis was done at a much lower level and would recommend comments regarding this be considered for next year. The concerns raised by other parties have related to the outcome (the factors and the commercial impacts) rather than the methodology itself. In previous years the factors have been weighted in a way which saw the domestic market picking up a larger proportion and where this has happened the recommendations of the expert have been accepted by the industry. We do not support this modification without quantifiable evidence that the methodology has incorrectly apportioned the weighting. We do however support further growth and development of the modelling and welcome the work the AUG is doing to innovate the model.

We would not support any retrospective application of the change in Weighting Factors, we have further outlined this in the implementation section.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

If the decision isn't made by late August/early September (for factors going live in October) then retrospective adjustments would be needed and this would cause significant issues and would potentially require us to re-open contracts with customers.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

The loading of the factors into our internal systems is a BAU process but should the decision on loading occur after October and further activity is required it would cost additional FTE and system support charges. This would be a small to medium cost.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comments.

Modification Panel Members have requested that the following questions are addressed:

Q1: Please provide your views on whether the 2021/22 AUG Statement production process has been robust.

Yes, the process as outlined in The Framework for the Appointment of an Allocation of unidentified Gas Expert has been followed, methodology explained, and feedback considered. The AUG considered and responded to requests for explanation on methodology. We do not feel it appropriate to agree a method but dispute the outcome.

Q2: Please provide your views on whether the 2021/22 AUG Statement production process has delivered a robust result and provide an explanation to support your response.

We support both the methodology and the outcome of the 2021/2022 AUG statement production process. This is a complex process that will by its nature have elements we cannot model ourselves, hence the need for an independent expert.

Q3: With reference to the existing governance arrangements, please provide your views regarding the effectiveness of the governance of the AUG Statement approval process, including, (but not limited to), the UNC and CDSP contracting arrangements, and the application of the Framework Document, including the UNC Committee stages.

This process has a high number of check points and the ability for all parties to present views and make their concerns known. There is also a referral process to UNC committee that was built into the UNC and the contractual arrangements specifically to provide a backstop for issues. CDSP has managed the contract on behalf of the industry as they do for a number of other contracts such as PAFA, this appears to be a robust process with control and governance and we have no concerns about CDSP management of the contract and the application of the framework. The referral process and controls are similar to that applied for other areas where experts or independent parties are acting for the industry, notably DESC, PAFA and LDZ Metering error experts.

Q4: Please provide a reasoned opinion as to whether the request for a direction on this Modification could be seen as placing a validation role of the AUG Statement on the Authority.

Yes, it could be seen as such. The Authority is being asked to override a decision made by an appointed industry expert.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No comments.

Please provide below any additional analysis or information to support your representation

No comments.