

Modification Report
Mechanism for Correct Apportionment of Unidentified Gas
Modification Reference Number 0229
Version 5.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

Nature and Purpose of this Proposal Introduction

This modification proposal seeks to establish a framework for the identification of both the causes of unidentified gas and the extent to which differing market sectors contribute to this error, and the allocation of this error to the relevant sectors. For the avoidance of doubt the term “unidentified gas” or energy refers to gas which is supplied to the GB gas network, but whose use cannot be accounted for after all known reconciliations. This is sometimes referred to as Unidentified gas or energy.

Purpose

Modification proposals 0194 and 0194a have been raised by British Gas Trading (BGT) and Corona Energy respectively and are based on creating tables in the UNC to allow for unidentified gas. In the 0194a alternative Corona argues that a reallocation mechanism based on RbD is fundamentally flawed. Shell Gas Direct (SGD) Ltd agrees with Corona but believes that both the Corona and the BGT modifications do not adequately resolve the issue of how the respective tables would be populated, at one point choosing to leave this to further UNC modification proposals.

SGD believes that rather than leave the calculation of an appropriate level of contribution by the LSP sector to the SSP sector in respect of unidentified gas to subject shipper raised modifications, the industry should appoint an independent third party to calculate the appropriate levels and allocation of unidentified gas. This third party will require a clear mandate to calculate these levels based on non-discriminatory evidence. We envisage an appropriate appeal mechanism would provide parties with the comfort that where an objective approach has not been followed then this would be subject to regulatory scrutiny.

Our proposal

1. It is proposed that the UNC be modified to provide for an allocation of unidentified gas expert (AUGE) to be appointed who would be responsible for producing an (AUGS), with the process for each being as set out in a new UNC Related Document “Guidelines for the Appointment of an Allocation of Unidentified Gas Expert”. The initial content of this UNC Related Document would be as set out in Appendix 1 of this Proposal, and subsequent changes would be subject to the process set out in V12 of the UNC, being included in the list of Documents in V12.1.
2. It is proposed that the UNC be modified to include provisions which provide for the allocation to the LSP sector of specific volumes of otherwise unidentified gas as specified in the AUGS. Adding an appendix to Section E, the ‘Large Supply Point unidentified gas allocation table’, and cross-referencing this table as appropriate within the UNC could achieve this aim, with the applicable values being those specified in the relevant AUGS such that the table will always be up to date. This

table could then be used to allocate unidentified gas (which would otherwise fall to RbD) attributed to individual causes to the LSP sector. The initial table will show zero volumes allocated to the LSP sector, thereby maintaining the status quo but facilitating population of the table in the manner described below. It is envisaged that the table could be introduced in the following format:

Large Supply Point Unidentified Gas allocation table	Market Segment	
	LSP NDM (kWh)	LSP DM (kWh)
Source of error (AQ)		
Late confirmation, unregistered and orphaned Sites	0	0
Late Confirmation, unregistered and orphaned Sites (IGT)	0	0
Shrinkage contribution	0	0
Theft and Unreported open meter by-pass valves	0	0
LDZ CSEP reconciliation	0	0
Unidentified Supply Point metering error	0	0
Other	0	0

These causes are collectively referred to below as “LSP unidentified gas”

NB. For the avoidance of doubt please note that this Proposal limits itself to the consideration of energy charges; transportation charges are excluded.

3. The changes to the size of each contribution of the LSP unidentified gas, i.e. variation in the values in the table, shall be introduced using the recommendation of an independent third party and be specified in the AUGS – see Appendix 1. We envisage that:

- a) this third party will be employed by the Gas Transporters at Shippers’ (with supply point exit capacity) cost to apportion the appropriate volumes; and
- b) apportioned volumes will be based on a mandated evidence-based approach. No User would be able to influence such this work but would have a right of appeal to Ofgem in the event that the third party had not followed their mandate.

4. Changes to the volumes in the Large Supply Point Unidentified Gas allocation table would be announced and could only be implemented for the following year, starting

on 1 April, and in the same timescale as the DNO changes to transportation charges for that year.

5. AT M+1, the monthly LSP Error Charge will be calculated for the relevant calendar month (“M”).
6. The calculation of the monthly LSP unidentified gas cost shall be 1/12 of the overall LSP unidentified gas (as specified in the Large Supply Point Unidentified Gas allocation table) multiplied by the previous month’s average SAP.
7. At M+1 the LSP unidentified gas costs will be levied on users in proportion to their share of each LSP market segment – as defined in the table - in month M. This market share will be derived from the site AQs in the shipper’s ownership. For the avoidance of doubt this will include LSP AQs for sites situated on LDZ CSEPs within the relevant shipper’s ownership. The transporters will raise debit invoices to all Shippers for their proportion of the unidentified gas. It is not envisaged that there will be any specific query process however standard invoice query rules would apply.
8. Provisions will be made for a reduction in RbD of the same value as the proposed debit invoices to the LSP sector. The reallocation of the accrued LSP unidentified gas costs payments to the SSP Shippers will be made on the basis of their SSP market share.

Following feedback from xoserve it has been decided that this will be done following current RbD rules. It is therefore proposed that all refunds go into the one month RbD pot for calculating market share.

2 User Pays

a) **Classification of the Proposal as User Pays or not and justification for classification**

Provision of the xoserve elements of this service will be on a User Pays basis.

b) **Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification**

100% to Users.

c) **Proposed charge(s) for application of Users Pays charges to Shippers**

To be advised. Currently, GTs are preparing a ‘Rough Order of Magnitude’ for xoserve costs. The level of costs will inform the decision on the period over which such costs are to be recovered.

Gazprom consider all Shippers, whether they supply predominantly SSP or LSP sites, will be affected by the change, and that costs should be applied to all Shippers which have a Supply portfolio, contending that costs should be applied in proportion to the number of customers a Shipper supplies.

d) **Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve**

To be advised pending information in 2c.

3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the 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;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the 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;

Implementation of this Proposal would allocate costs more accurately to the relevant LSP and SSP market sectors.

EDF felt this Proposal should allocate costs more accurately to the SSP and LSP sectors. This in turn should remove a cross subsidy that is currently present between the sectors. It is generally recognised that cross subsidies are not beneficial to competition and so removing them will have a positive impact.

National Grid Distribution considers this Proposal would not facilitate the GT Licence relevant objective SSC A11(1)(d) not least because of the likely high costs (based on the costs associated with the procurement of the AUGÉ and the complexities of the contractual arrangements likely to be required between the Transporters and the AUGÉ).

Standard Special Condition A11.1 (e): so far as is consistent with sub-paragraphs (a) to (d), the 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;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

The proposal introduces a framework that facilitates better-informed decision taking with regard to the allocation between market sectors of unidentified gas. Shell believes that this Proposal achieves this objective and ensures that the level of contribution by the LSP sector to the SSP sector is set in a fair and transparent manner.

4 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

No implications

b) Development and capital cost and operating cost implications:

Costs are likely to be incurred by Transporters to implement and administer the contracts with the AUGÉ.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

The costs of implementing this Modification Proposal do not require any special recovery outside of allowed revenue. However, Transporters are considering a suitable method to recover costs for implementing and administering the contract with the AUGÉ.

d) Analysis of the consequences (if any) this proposal would have on price regulation:

No such consequence is anticipated.

6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

No such consequence is anticipated.

Gazprom consider the tendering process proposed ensures that the Transporters have no liability when contracting with the AUGÉ. Therefore, no such consequence is anticipated.

7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK

Link Systems and related computer systems of each Transporter and Users

System changes would be required to allow for the billing of volumes identified for populating the Large Supply Point Unidentified Gas allocation table.

8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Administrative and operational implications (including impact upon manual processes and procedures)

Some Users are likely to face small administrative and operational costs to manage additional bills from Gas Transporters and the requirement to pass through these costs to consumers.

Development and capital cost and operating cost implications

Some Shippers may need to make changes to their systems.

Consequence for the level of contractual risk of Users

Potentially increases liabilities passed through from the Gas Transporter to Shippers who have supply point exit capacity.

Gazprom consider this process will create a predictable volume of gas that can be contracted for by Shippers, so there is no increase in wholesale contractual risk. In retail, there will be a requirement to ensure that costs incurred in the reallocation of energy to LSP sites can be appropriately passed through. This should be relatively straightforward and so Gazprom do not anticipate any increase in contractual risk.

9 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

There will be a fairer allocation of charges to consumers in the LSP and SSP markets.

10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No such consequences have been identified.

11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

This proposal seeks to provide a framework for the determination of unidentified gas values that the market must account. The benefits of this proposal are that it:

- creates a clear and simple mechanism to allow levels of unidentified gas to be allocated between LSP Shippers.
- retains a level playing field between all shippers whether LSP SSP by ensuring

there are no unintended cross subsidies.

- provides a framework that can more accurately target costs at the LSP sector, unlike Modification Proposal 0194, which assumes a linkage between RbD volumes and contributions to unidentified gas.
- avoids much of the complexity that is proposed by Modification Proposal 0194 and allows a greater range of solutions to be considered when determining appropriate values of unidentified gas to be apportioned to the LSP market.
- maintains the separation between the LSP and SSP markets, something which Modification Proposal 0194 would erode
- differs from Modification Proposal 0194a in that it provides a clear mechanism for the development of the levels of unidentified gas between the market sectors.

Disadvantages

- Introduces additional costs to the industry.

12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations were received from the following parties:

Organisation	Position
British Gas	Not in Support
Corona Energy	Supports
EDF Energy	Supports
E.ON UK	Supports
Gazprom	Supports
National Grid Distribution	Not in Support
Northern Gas Networks	Not in Support
National Grid Transmission	Qualified Support
RWE npower	Not in Support
Shell Gas Direct	Supports
Scottish and Southern Energy	Not in Support
Scotia Gas Networks	Not in Support
Total Gas and Power	Supports

In summary, of the 13 representations received, 6 offered support, 1 offered qualified support and 6 did not support implementation of this Modification Proposal.

British Gas were encouraged to see to see LSP shippers attempt to address present deficiencies in the way that gas imbalance costs are allocated. However, despite feedback from the industry, this proposal may prove to be unworkable, as for example, the process for appointing agents required by the modification may not be compliant with EU procurement legislation. Agreement would be required as to contractual liabilities between shippers and transporters that are still widely disputed, and the mechanisms for identifying and allocating RbD costs are overly rigid.

British Gas and National Grid Distribution have questioned whether the Allocation of Unidentified Gas Expert should be a third party as they considered the role could be undertaken effectively and efficiently by xoserve.

British Gas is concerned that no mention is made in the Proposal regarding when the charges for unidentified gas would be effective from, if it was assumed that this would be at the start of the new gas year in October, this would add a further six months from the February charge publication taking the total implementation time to 30 months.

Corona Energy considers this Proposal would avoid the significant problems associated with imposing a final value on a Shipper proposed by another financially interested Shipper.

Corona Energy, Gazprom and Total Gas and Power consider the Proposal would provide a fair, unbiased and transparent process.

EDF Energy felt that there are two areas in the Proposal that could benefit from further development, these are:

1. Creation of a bespoke committee for the appointment of an Allocation of Unidentified Gas Expert (AUGE): The proposal proposes that the AUGE is appointed by the UNCC although this can be discharged through the creation of a sub-committee to fulfil this requirement. EDF Energy would prefer the proposal to stipulate the creation of a bespoke committee to facilitate this.
2. The AUGE should be responsible for identifying what profile is most suitable for the allocation of costs: The modification dictates that the costs are targeted to the LSP sector on a flat 1/12th profile. EDF do not consider this is consistent with Ofgem's views as part of the GDPCR in which they recognised that theft was correlated to throughput but the complexities of implementing such a regime outweighed the benefits given the relative size of the issue compared to shrinkage.

E.ON UK highlights one area where difficulties remain with the actual procurement process, particularly the contract being taken out by the Transporters. They highlight that there are examples of where this already happens. E.ON UK provide a reference to the suggested indemnity is a reasonable inclusion.

Gazprom are mindful that any allocation process must be proportionate and accurate, owing to the contentious nature of any final value, representing as it does a significant business cost or benefit to the individual Shipper. It is therefore appropriate that any unallocated gas to be applied to the LSP market sector is as the result of a robust and

independent assessment carried out by a neutral third party.

National Grid Distribution is concerned that the proposed obligation within the UNC for DNOs to enter into a contract for services with the AUGE, without having full control of the contractual terms (in this respect the fact that the UNCC may intervene in the procurement and contractual process) and issues of privity of contract from a Shippers point of view. Whilst this appears to be simple in concept, National Grid Distribution believe in the circumstances, the DNO should be held harmless from any liability which might arise from entering into such arrangements.

Northern Gas Networks has concerns surrounding the contracting framework proposed within this Modification Proposal. The practicalities of a multi-party contract that all Transporters procure jointly with the Allocation of Unidentified Gas Expert (AUGE) are not made clear in the Proposal and these would need to be resolved should Transporters have an obligation to appoint an AUGE.

Northern Gas Network considers the timeline and processes for the appointment of the AUGE, and for the AUGE to produce the Allocation of Unidentified Gas Statement (AUGS) would require further development to be practical. In particular, the level of involvement of UNCC as a decision making party has not been fully discussed and agreed. In addition, the mechanism for Transporters to recover all costs of this process has also not been fully developed.

RWE Npower consider it is regrettable that they are unable to offer support for the proposed Modification as they agree with the principle behind it. Although RWE Npower are sympathetic to the Transporters' view that they should be exempt from any possible liability in relation to the AUGE, particularly as they are unaffected by any arrangements to quantify and apportion market responsibility for unidentified gas, RWE Npower cannot accept potentially unlimited liability for a contract to which it is not a party and which it has no control over.

Shell Gas Direct is concerned some GTs have queried why they should be involved and, to the extent that they are, why they can't have an expert of their own choosing, ie. xoserve? In response, Shell Gas Direct has the following comments:

1. An alternative model would see Shippers contracting with the expert but the considerable difficulties in constructing a multi-party contract rule this out as a practical option.
2. One of the drivers for proposing an independent third party expert is to remove any element of concern with respect to vested interests and/or impartiality. To the extent that transporters wish to nominate xoserve, then there is nothing to stop them from doing so and it will be up to the UNCC to decide whether or not they are impartial.

Scottish and Southern Energy considers Proposal 0229 proposes a lengthy tender and information gathering process which is not likely to lead to any RbD costs being allocated to the LSP sector prior to April 2012, which is seen by SSE as being too lengthy a delay in allocating some of the costs to the LSP sector, when other modifications could allow an almost immediate allocation if implemented. This April 2012 date could be potentially extended further as Proposal 0229 allows an appeal process.

SSE are concerned Proposal 0229 would not lead to equitable re-apportionment of the RbD error against the LSP market sector on the basis of a fixed allocation method. If

this Proposal were to be implemented, it would continue the current discrimination of applying RbD error on differing principles for the market sectors for which there is no justification.

Total Gas and Power consider the issue of “Unidentified Gas” is a contentious issue and to this end, the appointment of an independent expert to examine the issue, as described in the Modification Proposal 0229, provides the best solution of all the modifications tabled on this issue.

13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Transporters need to comply with procurement legislation.

14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

No such requirement has been identified.

15 Programme for works required as a consequence of implementing the Modification Proposal

System changes and works programme will be defined at a later date.

Gazprom recognise there will be a requirement on xoserve to adjust their billing and invoice systems for the reallocation of energy costs to be achieved. However they would expect this work to be comparatively minor as the changes will not affect core systems or settlement processes.

16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

Implementation could be immediate on receipt of a decision.

Gazprom clarify that immediate implementation will enable the tender process to start as soon as possible.

17 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 18 June 2009, of the 10 Voting Members present, capable of casting 5 votes, 5 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel did not recommend implementation of this Proposal.

19 **Transporter's Proposal**

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

20 **Text**

TPD Section E

Insert new paragraph 10 as follows:

10 Allocation of Unidentified Gas ("AUG")

10.1 Interpretation

10.1.1 For the purposes of the Code:

- (a) **"Unidentified Gas"** means quantities of gas which are counted in Aggregate NDM Reconciliation and which do not represent:
 - (i) differences between:
 - (1) the quantities estimated pursuant to Section H as offtaken, and
 - (2) the quantities determined pursuant to Meter Readings as offtakenat NDM Supply Point Components or CSEP Equivalent Points;
or
 - (ii) differences between:
 - (1) the Metered Quantities determined by Daily Meter Readings under Section M4, or (as the case may be, in the case of a Failed Daily Read Day) on the basis of assumed Metered Volumes under Section M4.4.2(a), and
 - (2) the quantities determined pursuant to DM Check Reads or (as the case may be) pursuant to Section M4.4.4(a) as offtakenat DM Supply Point Components or CSEP Equivalent Points or (as applicable) LDZ Metered Connected System Exit Points;
- (b) **"Unidentified Gas Source"** means a particular class of events or circumstances, or acts or omissions (on the part of Users, Suppliers, Transporters, consumers or other persons), which relate to Larger DM SPCs and/or Larger NDM SPCs and which cause or contribute to Unidentified Gas;
- (c) **"AUG Methodology"** means the methodology established for an AUG Year pursuant to paragraph 10.4.1;
- (d) **"AUG Table"** means the table established for an AUG Year pursuant to paragraph 10.4.2;
- (e) **"Unidentified Gas Quantity"** for an AUG Year, Unidentified Gas Source and SPC Class means the quantity set out (pursuant to paragraph

10.4.2(b)(ii)) in the AUG Table in respect of such Unidentified Gas Source and SPC Class;

- (f) **"AUG Expert"** means the person from time to time appointed and engaged to act pursuant to paragraph 10.2.1;
- (g) the **"Allocation of Unidentified Gas Document"** is a document (currently entitled 'Guidelines for the appointment of an Allocation of Unidentified Gas Expert') setting out:
 - (i) the basis for appointment and engagement of the AUG Expert, including the following:
 - (1) the procedure for selection by tender of a person to act as AUG Expert;
 - (2) prequalification requirements for persons to be eligible to participate in such a tender;
 - (3) criteria for selection of a person to act as AUG Expert;
 - (4) terms of reference for the AUG Expert;
 - (5) the duration of appointment of the AUG Expert, the basis on which such appointment may be extended and requirements as to re-tendering the appointment from time to time; and
 - (ii) requirements and procedures for establishing the AUG Methodology and AUG Table; and
 - (iii) any other matters (consistent with this paragraph 9) the Committee decides and the Transporters agree should be included;
- (h) **"AUG Expert Contract"** means the contract of engagement of a person as AUG Expert as provided in paragraph 10.2.2(e);
- (i) **"AUG Year"** means the twelve month period commencing 1 April 2011 and the twelve month period commencing on each subsequent 1 April; and in relation to an AUG Year a reference to the preceding year is to the twelve month period ending 31 March before the start of the AUG Year.

10.1.2 For the purposes of this paragraph 10:

- (a) **"Smaller SPCs"**, **"Larger NDM SPCs"** and **"Larger DM SPCs"** mean respectively the following classes of Supply Point Component and (in each case) CSEP Equivalent Points:
 - (i) Supply Point Components comprised in Smaller Supply Points;
 - (ii) NDM Supply Point Components comprised in Larger Supply Points; and
 - (iii) DM Supply Point Components comprised in Larger Supply Points;(each a **"SPC Class"**)
- (b) **"CSEP Equivalent Points"** means System Exit Points treated as

comprised (as contemplated in Section A3.3.5 and as provided in the relevant CSEP Network Exit Provisions) in an Unmetered Connected System Exit Point which relate to points of supply (to premises connected to the relevant Connected Offtake System) equivalent to Supply Point Components of a given class; and references to provisions of the Code include (in relation to CSEP Equivalent Points) corresponding CSEP Network Exit Provisions;

- (c) references to a User's CSEP Equivalent Points are to the CSEP Equivalent Points for which the User is responsible in accordance with the relevant CSEP Network Exit Provisions;
- (d) references to Larger Supply Points exclude NTS Supply Points and Special Metering Supply Points.

10.1.3 The Allocation of Unidentified Gas Document is a UNC Related Document and a reference to the Allocation of Unidentified Gas Document is to such document as from time to time in force.

10.1.4 In this paragraph 10, references to the Committee are to the Uniform Network Code Committee.

10.1.5 The Committee shall have the functions set out in this paragraph 10 and the Allocation of Unidentified Gas Document.

10.2 Appointment of AUG Expert

10.2.1 A person shall be appointed and engaged by the Gas Transporters, in accordance with this paragraph 10.2, for the purposes of:

- (a) developing an AUG Methodology or (as the case may be) a modification of the prevailing AUG Methodology and recommending it to the Committee; and
- (b) by applying the AUG Methodology, preparing and recommending to the Committee an AUG Table;

in relation to each AUG Year.

10.2.2 The Gas Transporters shall, subject to and in accordance with the Allocation of Unidentified Gas Document, and under the supervision of or with the approval of the Committee to the extent provided in that Document:

- (a) prepare arrangements and documentation for a tender for the appointment of a person as AUG Expert;
- (b) conduct such tender on the basis of such arrangements and documentation;
- (c) review and assess the proposals made by persons tendering for appointment as AUG Expert (referred to as "bidders") pursuant to the tender;
- (d) where appropriate (for the purposes of the selection of a bidder), enter into further discussions with one or more of such bidders;
- (e) use reasonable endeavours to enter into a contract of engagement with the selected bidder; and
- (f) operate and enforce (and, as and if appropriate, take steps to extend or

terminate) the AUG Expert Contract.

10.2.3 Without prejudice to the requirements of the Allocation of Unidentified Gas Document, the Gas Transporters may seek guidance or direction of the Committee in relation to anything they propose to do or any other matter arising in connection with their activities under paragraph 10.2.1, and may act in accordance with such guidance or direction.

10.2.4 This paragraph 10.2 shall apply for the purposes of the initial appointment of an AUG Expert and on each subsequent occasion on which (following the expiry without extension, or termination, of the engagement of the current AUG Expert) an AUG Expert is to be appointed.

10.3 Terms of engagement of AUG Expert and cost recovery

10.3.1 Nothing in this paragraph 10 shall require the Transporters to enter into an AUG Expert Contract on terms which in the Transporters' reasonable opinion:

- (a) would be unlawful for the Transporters; or
- (b) would risk the Transporters incurring any liability, other than in respect of their wilful misconduct, gross negligence or fraud, which the Transporters are not entitled to recover pursuant to paragraph 10.3.5.

10.3.2 The Transporters may enter into a AUG Expert Contract on terms which:

- (a) limit or exclude the liability (as to such matters as may be provided in such contract) of the AUG Expert, and/or
- (b) provide that if a User or any supplier or consumer makes any claim or takes any legal proceedings (as to such matters as may be provided in such contract) against the AUG Expert, the Transporters will indemnify the AUG Expert in respect of such claim or proceeding;

and in such a case each User undertakes that it shall not, and shall procure that each supplier and consumer does not, make such a claim or take such proceedings against the AUG Expert, and shall indemnify the Transporters in respect of any liability to the AUG Expert if such User or any such supplier or relevant customer does make such a claim or take such proceedings.

10.3.3 The Transporters may agree among themselves, upon such terms as they may so agree, that the AUG Expert Contract shall be entered into by any one of the Transporters alone; but in the absence of such agreement they shall enter jointly into such contract.

10.3.4 For the avoidance of doubt, the Transporters do not act as agent or trustee of any User or Users in entering into the AUG Expert Contract, and owe no duties or responsibilities to any User in respect of the AUG Expert Contract other than as provided in this paragraph 9 and the Allocation of Unidentified Gas Document.

10.3.5 The functions of the Transporters under this paragraph 10 (including the engagement of the AUG Expert) are User Pays Services and all amounts payable to the AUG Expert and any other costs, expenses and liabilities incurred under the AUG Expert Contract are recoverable as User Pays Charges.

10.4 Establishing the AUG Methodology and AUG Table

10.4.1 For each AUG Year, a methodology (covering matters including research,

sampling, data, modelling, analysis, criteria) shall be established for:

- (a) identifying Unidentified Gas Sources; and
- (b) estimating for each Unidentified Gas Source:
 - (i) the aggregate quantity of Unidentified Gas over the AUG Year, and
 - (ii) of such aggregate quantity, the amount which is attributable to events, circumstances, acts and/or omissions (as referred to in paragraph 9.1.1(b)) which relate to Larger DM SPCs and to Larger NDM SPCs respectively;

(and in relation to AUG Years other than the first, such methodology shall be established by modifying the methodology for the preceding AUG Year);

which methodology shall be such as, in the opinion of the Committee, is calculated to facilitate (or in the case of a modification to the methodology, better facilitate as compared with the prevailing AUG Methodology) the achievement of the relevant objectives in Standard Special Condition A11 of the Transporters' Licences.

10.4.2 For each AUG Year, following the establishment of the AUG Methodology, a table (in the form in Table E1) shall be established which sets out:

- (a) Unidentified Gas Sources;
- (b) for each Unidentified Gas Source:
 - (i) an aggregate quantity of Unidentified Gas; and
 - (ii) for each SPC Class, a quantity of gas which shall be:
 - (1) for Larger DM SPCs and Larger NDM SPCs respectively, the amount of the quantity under paragraph (i) which is attributable (as provided in paragraph 9.4.1(b)(ii)) to such SPC Class;
 - (2) for Smaller SPCs, an amount equal in magnitude and opposite to the sum of the quantities under paragraph (1);

(each as determined pursuant to the AUG Methodology).

10.4.3 For the purposes of this paragraph 10.4, for each AUG Year:

- (a) the AUG Expert shall prepare a proposed AUG Methodology;
- (b) the Committee shall consult or arrange for consultation with Users and Transporters (and other persons) in respect of the proposed AUG Methodology;
- (c) the outcome of such consultation shall be taken into account in preparing a further proposed AUG Methodology;
- (d) such further steps or iterations (if any) as are set out in the Allocation of Unidentified Gas Document shall be taken in relation to the proposed AUG Methodology
- (e) the Committee shall decide upon, adopt and publish the AUG Methodology;

- (f) the AUG Expert shall implement the AUG Methodology and prepare a proposed AUG Table;
- (g) such steps as are set out in the Allocation of Unidentified Gas Document shall be taken in relation to the proposed AUG Table, following which the AUG Expert shall submit a final AUG Table to the Committee;
- (h) the Committee shall adopt the final AUG Table submitted by the AUG Expert under paragraph (g) unless by unanimous resolution the Committee determines:
 - (i) to revise such AUG Table and adopt the revised AUG Table; or
 - (ii) to require any further iteration of any steps as referred to in paragraph (g), in which case paragraph (g) (to that extent) and this paragraph (h) shall further apply;
- (i) the Committee shall publish the AUG Table as adopted under paragraph (h);

all in accordance with and subject to and according to the timetable provided in the Allocation of Unidentified Gas Document.

10.4.4 For the purposes of the Code:

- (a) the AUG Methodology and AUG Table established for an AUG Year for the purposes of paragraph 10.4.1 shall be those adopted by the UNCC under paragraph 10.4.3, and shall not be subject to modification in relation to such AUG Year;
- (b) the AUG Methodology and the AUG Table shall be binding for the purposes of the Code.

10.4.5 Each Transporter and User shall, to the extent provided in the AUG Methodology, cooperate with and provide data to the AUG Expert in connection with the preparation of the AUG Table.

10.5 Allocation of Unidentified Gas

10.5.1 For the purposes of this paragraph 10, for each AUG Year, for each User, Reconciliation Billing Period and SPC Class:

- (a) the "**User SPC Aggregate AQ**" ($USAAQ_{SPC}$) is the amount calculated as follows:

$$USAAQ_{SPC} = \sum_d \sum_r AQ_{rd}$$

where

\sum_d is the sum over Days in the Reconciliation Billing Period;

\sum_r is the sum over the User's Registered Supply Point Components and CSEP Equivalent Points of the relevant SPC Class in all LDZs on Day d;

and where for each such Supply Point Component or CSEP Equivalent Point and Day, AQ_{rd} is the Annual Quantity of such Supply Point Component or the equivalent quantity determined pursuant to the relevant CSEP Network Exit Provisions;

- (b) the "**User SPC Aggregate AQ Proportion**" ($USAAQP_{SPC}$) is the

decimal factor calculated as follows:

$$USAAQP_{SPC} = USAAQ_{SPC} / \sum_U USAAQ_{SPC}$$

where \sum_U is the sum over all Users.

10.5.2 For the purposes of this paragraph 10, for each AUG Year, for each User and Reconciliation Billing Period:

(a) the "**User Unidentified Gas Quantity**" (UUGQ) is the amount in kWh calculated as follows:

$$UUGQ = \sum_{SPC} (\sum_{UGS} UGQ_{SPC} * USAAQP_{SPC}) / 12$$

where

\sum_{SPC} is the sum over SPC Classes

\sum_{UGS} is the sum over Unidentified Gas Sources set out in the AUG Table

and where for each Unidentified Gas Source and SPC Class

UGQ_{SPC} is the Unidentified Gas Quantity set out in the AUG Table

and where for each SPC Class

$USAAQP_{SPC}$ is User SPC Aggregate AQ Proportion

(b) the "**User Unidentified Gas Amount**" (UUGA) is the amount calculated as follows:

$$UUGA = UUGQ * TDSAP$$

where

$TDSAP$ is the arithmetic average of the values of System Average Price for each of the Days in the Reconciliation Billing Period.

10.5.3 The User Unidentified Gas Amount shall be payable, by way of adjustment in respect of the aggregate User Aggregate Reconciliation Clearing Values:

(a) by the User to National Grid NTS, where such amount is positive;

(a) by National Grid NTS to the User, where such amount is negative;

and shall be invoiced (at the same time or as soon as practicable after the Invoice in respect of the Aggregate NDM Reconciliation) and payable in accordance with Section S.

10.5.4 This paragraph 10.5 does not apply where for any AUG Year no AUG Table is established or there are no non-zero values of Unidentified Gas in the AUG Table.

Table E1 – Form of AUG Table

AUG Table for AUG Year

Unidentified Gas Source	Aggregate quantity of Unidentified Gas	Unidentified Gas Quantity		
		Larger DM SPCs (A)	Larger NDM SPCs (B)	Smaller SPCs (C)*
(etc)				

*C = – (A + B)

TPD Section F

Insert in Section F 4.5.3(a)(ii), after 'Reconciliation Clearing Charges (payable to National Grid NTS)':

"User Unidentified Gas Amounts (payable to National Grid NTS)"

Insert in Section F 4.5.3(b)(ii), after 'Reconciliation Clearing Charges (payable to National Grid NTS)':

"User Unidentified Gas Amounts payable to National Grid NTS"

TPD Section V

Insert in paragraph 6.5.2 a new paragraph (d) (and renumber existing paragraph (d) to (e) and renumber existing paragraph (e) to (f)):

"(d) the performance of the Transporters' functions in relation to the engagement of the AUG Expert under Section E9;"

Insert in paragraph 12.1 a new paragraph (e):

"(e) the Allocation of Unidentified Gas Document referenced in Section E9.1.1."

For and on behalf of the Relevant Gas Transporters:

Tim Davis

Chief Executive, Joint Office of Gas Transporters

Attachment 1

Mechanism for correct apportionment of unidentified gas Charging Methodology

1. The Allocation of Unidentified Gas Expert (AUGE) shall prepare an initial Allocation of Unidentified Gas Statement ('Statement') detailing the methodology by which it considers volumes of Unidentified gas should be:

- a) calculated for the twelve months from April; and
- b) attributed between supply points based on their contribution to the overall volume of unidentified gas.

2. The AUGE shall seek to ensure that the methodology:

- (a) is transparent and objective ;
- (b) does not discriminate between shippers;
- (c) does not result in cross-subsidies between shippers or between supply points; and
- (d) facilitates effective competition between gas shippers and between gas suppliers.

3. In preparing the methodology contained in the Statement, the AUGE shall seek to ensure that it has:

- (a) been able to access data from relevant market participants;
- (b) consulted shippers on the proposed methodology and allowed them a formal period of not less than 28 days within which to make written representations; and
- (c) taken into account comments made by respondents or explain why it would not be appropriate to do so by reference to para 2 above.

4. The Statement shall be finalised following consideration of comments received and submitted to the Uniform Network Code Committee (UNCC) for approval

5. After the initial Statement has been finalised and in each subsequent year, the AUGE shall submit a Statement to the UNCC regarding the application of the existing charging methodology detailing the –

- (a) the extent to which, in the AUGE's opinion, the existing relevant methodology achieved and /or continues to achieve the objectives as set out in para 2 above; or
- (b) basis on which the objectives contained in para 2 above could more closely be achieved by modification of the charging methodology as specified in the AUGS.

6. Where para 5(b) applies, the AUGE shall ensure that any proposed modifications, suggested by the AUGE itself or shippers, have been subject to a minimum 28-day consultation period. For the purposes of para 5(b), the Statement referred to in para 5 shall detail:

- (i) the change or changes as originally proposed for the modification;
- (ii) how the change or changes proposed better facilitate the objectives contained in para 2; and
- (iii) the consultation responses (if any) made by relevant shippers.

Appendix 1 -

Guidelines for the Appointment of an Allocation of Unidentified Gas Expert

Document Control

Version	Date	Reason for Change
0.1	20 March 2009	Initial Draft
0.2	12 April 2009	Draft changed to take into account comments from the Distribution Workstream
1.0	19 May 2009	Final Version

Development of Rules

1. The requirement to publish the XXX Name of Document XXX is specified in Section X.X of the Transportation Principal Document (TPD) of the Uniform Network Code (UNC). This section also provides for the document to be published and revised from time to time. The provision reads :

“Each Document shall be kept up to date and published by the Transporters on the Joint Office of Gas Transporters website.”

2. The Rules set out below meet the Transporter’s obligation to prepare Guidelines, while the Document Control Section records changes which have been made to the Guidelines. The document is published on the Joint Office of Gas transporters website, www.gasgovernance.com.
3. These guidelines can only be modified in accordance with the requirements set out in paragraph 12 of Section V of the UNC Transportation Principal Document, which reads as follows:

**“UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT
SECTION V - GENERAL**

12 GENERAL PROVISIONS RELATING TO UNC RELATED DOCUMENTS

12.1 Purpose

The purpose of this Section is to establish generic governance arrangements in respect of the following UNC Related Documents (each a “**Document**” and collectively the “**Documents**”):-

- (a) Network Code Operations Reporting Manual as referenced in Section V9.4;
- (b) Network Code Validation Rules referenced in Section M1.5.3;
- (c) ECQ Methodology as referenced in Section Q6.1.1(c); and

- (d) Measurement Error Notification Guidelines for NTS to LDZ and LDZ to LDZ Measurement Installations as referenced in OAD Section D 3.1.5
- (e) Allocation of Unidentified Gas Statement referenced in section xxx

12.2 Publication Requirements

Each Document shall be kept up to date and published by the Transporters on the Joint Office of Gas Transporters website.

12.3 Modifications

Should a User or Transporter wish to propose modifications to any of the Documents, such proposed modifications shall be submitted to the Uniform Network Code Committee and considered by the Uniform Network Code Committee or any relevant sub-committee where the Uniform Network Code Committee so decide by majority vote.

12.4 Approved Modifications

- 12.4.1 In the event that a proposed modification is approved by a majority vote of the Uniform Network Code Committee, the modification shall be implemented. Where the Uniform Network Code Committee fails to achieve majority approval the proposed modification shall be considered in accordance with the provisions set out in Section 7 of the Uniform Network Code Modification Rules unless the Uniform Network Code Committee determines otherwise.
- 12.4.2 Each revised version of a Document shall be version controlled and retained by the Transporters. It shall be made available on the Joint Office of Gas Transporters website.

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1. **Definitions**

Unless otherwise stated, terms in these XXX Name of Document XXX (**“these Guidelines”**) shall have the meanings given to them in the Uniform Network Code. Such terms will be capitalised within quotation marks where first used in the Guidelines.

In these Guidelines:

“Allocation of Unidentified Gas Expert or AUGE”- an independent measurement expert who has been appointed by the Committee, to undertake the compilation of an Allocation of Unidentified Gas Statement. As a consequence of appointment, the Independent Technical Expert will subsequently be in the employment of the Transporters by means of a contractual arrangement for the purposes of the compilation of the Allocation of Unidentified Gas Statement.

“Allocation of Unidentified Gas Statement or AUGS” - a document compiled by the **“Allocation of Unidentified Gas Expert”**, detailing the process undertaken and methodology used in the determination of the value of Unidentified Gas .

“The Committee” - The UNCC, or an authorised technical workstream or sub committee appointed by the UNCC to administer the AUGS process.

“Generic Terms of Reference” – the standard terms of reference to be applied as basis of the contracts between the Transporters and the Allocation of Unidentified Gas Expert for the compilation of an Allocation of Unidentified Gas Statement.

“Unidentified Gas” - the values derived by the AUGE using the process and methodology detailed within the AUGS to populate the Large Supply Point Unidentified Gas allocation table contained within Annex xxxx Section E of the Transportation Principal Documents of the UNC

2. The Guidelines

These guidelines set-out the means by which the AUGE is appointed and how the AUGS is published on the Joint Office of Gas Transporters website (www.gasgovernance.com) and outline the high level process to be followed for the creation of a methodology to calculate the materiality of Unidentified Gas.

3. Responsibilities under the tender process for the position of AUG

- The Committee:
 - Will produce a set of criteria for the appointment of the AUGE including;
 - the ability for the AUGE to produce an AUGS in line with the Generic Terms of Reference, including Attachment 1, contained in this document plus any other criteria agreed by the Committee.
 - the evaluation of the cost of undertaking the role of the AUGE over the period stated in the tender document.
 - the consideration of **the relevant knowledge and expertise of the candidates;**
 - **the prospective AUGE's ability to follow and take into account relevant industry developments.**

And to use those criteria to derive a methodology to assess each submitted tender bid.

- Where more than one prospective candidate indicates interest in the position of **AUGE** shall:
 - Assess each tender bid against the tender assessment methodology;
 - Collate aggregated scores for nominated **AUGE** from the criteria specified in the tender document;
 - Rank the proposed **AUGE** from 1-n (1 least favoured, n most favoured) and
 - Endorse (by Panel Majority) the appropriate person to the Gas Transporters as the AUGE;
- Shall endorse (by Panel Majority) the final version of the AUGS from the AUGE, except in the event of fraud or where the Committee considers, with reference to the requirements in Attachment 1, it is so clearly erroneous on its face that it would be unconscionable for it to stand.
- Review the proposed terms of reference and approve (by Panel Majority) the terms of reference for use when producing the AUGS; and
- Identify any improvements that may be made to the tender process, and recommended to the UNCC they be incorporated into these guidelines
- The Gas Transporters will:
 - Organise any meetings held in relation to the AUGE appointment.
 - Provide legal resource to prepare a tender document in conjunction with the Committee.
 - Organise the advertisement of the tender to all interested Parties, in accordance with national and European legislation.
 - Communicate to Users the progress and outcome of the tender process, including all relevant documentation.
 - Invite the endorsed AUGE to take up the appointment;
 - Where the favoured AUGE does not accept the appointment, invite the next most favoured AUGE in turn.
 - Upon acceptance of appointment, establish the contract with the AUGE, including the agreed terms of reference.
 - Have the right to use the Joint Office or any other agency to discharge any obligations placed upon them by this document.

- Shippers (with supply point exit capacity) will:
 - Bear their respective costs including without limitation costs of providing documentation, information, data, submissions or comments, and all costs and expenses of all witnesses and other persons retained by it.
 - Comply with any reasonable request for data or assistance from the AUGGE to help the AUGGE ascertain the magnitude of the Unidentified Gas error.
- The AUGGE, once appointed as such:
 - Will act with all due skill, care and diligence when the performance of its duties as the AUGGE and shall be impartial when undertaking the function of the AUGGE, ensuring that any values derived will be equitable in their treatment of end users.
 - Shall compile the AUGGS in accordance with the guidelines within this document
 - The AUGGE shall confirm to the Gas Transporters before his appointment that he does not hold any interest or duty which would or potentially would conflict with the performance of his duties under his contract with the Gas Transporters.

If after his appointment the AUGGE becomes aware of any interest or duty which conflicts or potentially conflicts with the performance of his duties under his contract with the Gas Transporters, the AUGGE shall inform the Gas Transporters forthwith of such conflict giving full details thereof.

The Gas Transporters shall forward any such information to all Users and Committee Members as soon as reasonably practicable.

Any User or Committee Member may within 5 Business Days of the disclosure of any such conflict or potential conflict object to the appointment or continued appointment of an AUGGE, in which case the AUGGE shall not be or shall cease to be appointed and a new AUGGE shall be selected and appointed by the Gas Transporters in accordance with the process in these Guidelines.

- 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.

4. Tendering process

This section details the processes undertaken by the Committee, to appoint an AUGES using a tender process.

- The Committee will, in conjunction with the Gas Transporter, prepare a tender document to be sent when required to all interested parties by the 1st October.
- The tender will detail the requirement:
 - To compile a publicly available methodology statement, the AUGS.
 - To use the AUGS to derive the volumes of Unidentified Gas, that will be used to populate the Large Supply Point Unidentified Gas allocation table within the UNC.
 - To provide the Unidentified Gas volumes to the Gas Transporters in good time to allow calculation of the relevant charges in the manner outlined in the modification.
 - To hold public consultation meetings to provide an opportunity to allow Code Parties to discuss the AUGS, in accordance with the timetable contained within this document.
 - To allow Users to submit representations and queries with regard to the AUGS in accordance with the timetable contained within this document.
 - To consider adjusting the AUGS in response to those representations if the AUGES feels it would improve the process.
 - To adhere to the Generic Terms of Reference contained within these guidelines, as well as any other criteria the Committee includes within the contract.
 - To take into account any queries that were raised in the previous query period where the AUGES proposed and the Committee agreed a change to the AUGS, but they were not incorporated.
 - To maintain good relations with the Committee and the Gas Transporters, to be available for discussion with Users on any relevant issues, and to answer any general queries promptly.
- When issued, the tender will be for an initial 1-5 year contract, as determined by the Committee.
- The Committee will advertise the tender to all interested Parties via the Gas Transporters including, if applicable, the Official Journal of the European Union.
- All tenders response must be submitted by any interested party, in an acceptable format to the Gas Transporters by the 1st December.
- Each tender response will detail:
 - How the AUGES will comply with the Generic Terms of Reference
 - The methodology to be used by the prospective AUGES, and why such a process would be suitable
 - The data that would need to be collated for such use, and the methods to be used for acquiring such data.
 - How the AUGES will address any previous queries that were raised in the previous query period and agreed to requiring a change to the AUGS, but were not incorporated.
 - The likely time for such work to be carried out.
 - The cost of producing the AUGS.
 - Contact details that a Code Party may use to query any aspect of the tender or the AUGS when produced.
 - Their independence and impartiality.

- Once the tender have been received, then the Committee will then rank the prospective AUGÉ in order of preference (1 to n, where 1 is the least favoured and n the most favoured) using the tender assessment methodology, taking into account the following:
 - **relevant knowledge and expertise of the candidates**
 - **cost of service provision**
 - **ability to take into account industry developments**
 - **the suitability of the methodology proposed**
 - **the equitability of the values that will be derived.**
- All prospective AUGÉs will, if so requested, present their proposals to the Committee at an appropriate time.
- Once all AUGÉs' tenders have been assessed, then the Committee will endorse (by Panel Majority) the top-ranked tender to the Gas Transporters for appointment.
- Once the tender process has been completed and the Committee has ranked each prospective tender, the transporters will use reasonable endeavours to contract with the highest ranked acceptable party that wishes to become the AUGÉ by the 1st March. Transporters will consider contracting with the next highest ranked party if they reach agreement with the 1st ranked party.
- In the event that the 1st March deadline is not met, the Committee will decide by a majority vote on whether to: a) maintain the current AUGS for another year; or b) to apply zero volumes.
- Once the tender process has been completed and the transporters have contracted with an interested party to be the AUGÉ, then the Committee will review the tender process, and incorporate any updates that are believed are required to this document.

5. Generic Terms of Reference for Appointed AUGÉ

This section will include the main principles the AUGÉ will operate under, once appointed.

- The AUGÉ will create the AUGS by developing appropriate methodologies and collecting necessary data.
- The decision as to the most appropriate methodologies and data will rest solely with the AUGÉ taking account of any issues raised during the development and compilation of the AUGS.
- The AUGÉ will determine what data is required from Code Parties in order to ensure appropriate data supports the evaluation of Unidentified Gas.
- The AUGÉ 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.
- The AUGÉ will use the latest data available.
- Where multiple data sources exist the AUGÉ will evaluate the data to obtain the most statistically sound solution, will document the alternative options and provide an explanation for its decision.
- Where data is open to interpretation the AUGÉ will evaluate the most appropriate methodology and provide an explanation for the use of this methodology.
- Where the AUGÉ considers using data collected or derived through the use of sampling techniques, then the AUGÉ will consider the most appropriate sampling technique and/or the viability of the sampling technique used.
- The AUGÉ will present the AUGS in draft form, to Code Parties seeking views and will review all the issues identified submitted in response.
- The AUGÉ will consider any query raised by a Code Party with regard to the AUGS or the data derived, and will respond promptly with an explanation on the methodology used.
- The AUGÉ will consider any relevant query that was raised during the creation of the previous AUGS and was identified as requiring a change to the AUGS, but was not incorporated into the immediately previous AUGS.
- The AUGÉ will provide the final AUGS to the Gas Transporters for publication.
- At all times, the work of the AUGÉ will be in line with the requirements contained in Attachment 1.
- The AUGÉ's final determination shall be binding on Shippers (with supply point capacity) except in the event of fraud or where the Committee considers, with reference to the requirements in Attachment 1, it so clearly erroneous for it to be applicable.
- Save for the paragraph above, no Shipper (with supply point capacity) shall commence legal proceedings in respect of the AUGÉ's findings.
- The AUGÉ shall limit the extent of any legal proceedings to recovery of its fees as contained in its contract with the Gas Transporters.

6. Creation of AUGS Document

This section covers the activities and timescales for the creation of the AUGS document by the AUGE.

- The AUGE must provide a Draft AUGS to the Gas Transporters for publication by the 1st May each year.
- The draft AUGS must detail:
 - How the AUGE has adhered to the Generic Terms of Reference and to any other relevant provisions within its contract.
 - The methodology to be used by the prospective AUGE, and why such a process would be suitable
 - The data that would need to be collated for such use, and the methods to be used for acquiring such data.
 - Contact details that a Code Party may use to query any aspect of the draft AUGS.
- Once published, Users may provide responses to the AUGE via the Gas Transporters, within 28 days. The Gas Transporters will then provide these responses to the AUGE by the 1st June.
- The AUGE will consider any submissions made, and will provide responses to the Gas Transporters for publication to all Code Parties prior to the draft AUGS discussion meeting, which is to be held on, or around, the 1st July.
- The AUGE will be required to organise a meeting, via the Gas Transporters, and provide to Code Parties:
 - an overview of methodology used in AUGS;
 - present data employed in calculation of AUGS
 - the initial results of the AUGS process;
 - its view of any issues raised by Code Parties as a result of submissions.
- Code Parties may raise issues for consideration by the AUGS at this meeting. The AUGE will review the AUGS in light of these comments, as well as any made by Code Parties via submissions, and will adjust the AUGS where it believes appropriate.
- The final AUGS document will be published by the 1st August on the Joint Office website.
- Once the final AUGS documents have been published, the AUGE will then organise a meeting via the Gas Transporters with the Committee for approval of the final document, on or around the 1st September.
- The Committee shall approve the document in the form presented by the AUGE, unless they unanimously agree changes to any part of the document. Any changes directed by the Committee in this fashion will be implemented by the AUGE immediately.
- Once the AUGS has been approved (by Panel Majority) by the Committee, the AUGE will produce the indicative Unidentified Gas volumes in a format consistent with the UNC requirements, and send them to the Gas Transporters for inclusion in the Large Supply Point unidentified gas allocation table by the 1st October.
- The AUGS will provide the final Unidentified Gas volumes to the Gas Transporters by the 1st January.
- If the AUGE does not alter the indicative volumes, for whatever reason, prior to the 1st January immediately after the provision of the indicative Unidentified Gas volumes to the gas Transporters, then they shall be treated as the final Gas

Unidentified volumes and will not be required to provide them after the first submission.

7. Query process

This section covers how Code Parties may raise any issues or queries once the final AUGS has been published and before the AUGS commences development of the new methodology. This process is only to be used if a Code Party identifies a potential material error with the AUGS which has not been addressed in any prior stage of the AUGS process by any Code Party or the AUGS.

- Once the final AUGS document has been approved by the Committee, then Code Parties may submit any subsequent queries to the AUGS using the AUGS query form. For the avoidance of doubt, this process will run from the 1st September to the last day in February. Any issues raised under this process and not resolved by the last day in February will be considered in the next tender period.
- The Code Party must provide;
 - contact details for the Code Party
 - a description of the issue
 - the likely impact this issue may have.
- The AUGS will, as soon as possible, investigate the issue and classify the change accordingly.
- In the event that the AUGS classifies the change as:
 - Requiring no action;
 - Requiring a change to the AUGS, but will not have a material impact on the final Unidentified Gas volumes; or
 - Requiring a change to the AUGS, which will not have a material impact, but cannot be implemented in time for the creation of the final Unidentified Gas volumes;

As appropriate, the AUGS will also provide a summary of the changes that it expects that would need to be considered in the creation of the next AUGS, as well as reasons why those changes cannot be implemented.

- In the event that the AUGS classifies the change as:
 - Requiring a change to the AUGS, which will have a material impact, and can be implemented in time for the creation of the final Unidentified Gas volumes;

Then the AUGS will provide an updated AUGS taking into account those changes it believes should be incorporated, as well as reasons as to why those changes are necessary.

- Once the AUGS has provided its recommendation to the Committee and the Code Parties, the Committee will convene as soon as possible to consider the issue, and the proposed solution.
- The Committee will endorse the course of action recommended by the AUGS unless it votes unanimously to reject the proposed solution. If the Committee has endorsed the proposed course of action, then the Gas Transporters will communicate to all Code Parties the outcome of the query process and calculate the final Unidentified Gas volumes using the updated AUGS if necessary.
- If the Committee has not endorsed the proposed course of action, then the Gas Transporters will communicate to all Code Parties the outcome of the query process and the AUGS will review its proposed changes and submit its proposed solution to the Committee within 28 days.

- If the Committee has rejected any proposed solution, then it shall review any adjusted solution presented to it within 28 days by the AUGE and shall endorse the revised solution unless it unanimously votes to reject that solution.
- Code Parties, the Committee and the AUGE will use reasonable endeavours to ensure that any query is considered and, where possible, resolved to allow the AUGS to be adjusted prior to the submission of final Unidentified Gas volumes to the Gas Transporters by the AUGE.
- The Committee will provide all relevant information relating to any query that was identified as requiring a change to the AUGS, but which was not incorporated into the AUGS or any subsequent AUGS, to any AUGE appointed as a result of the tender process.

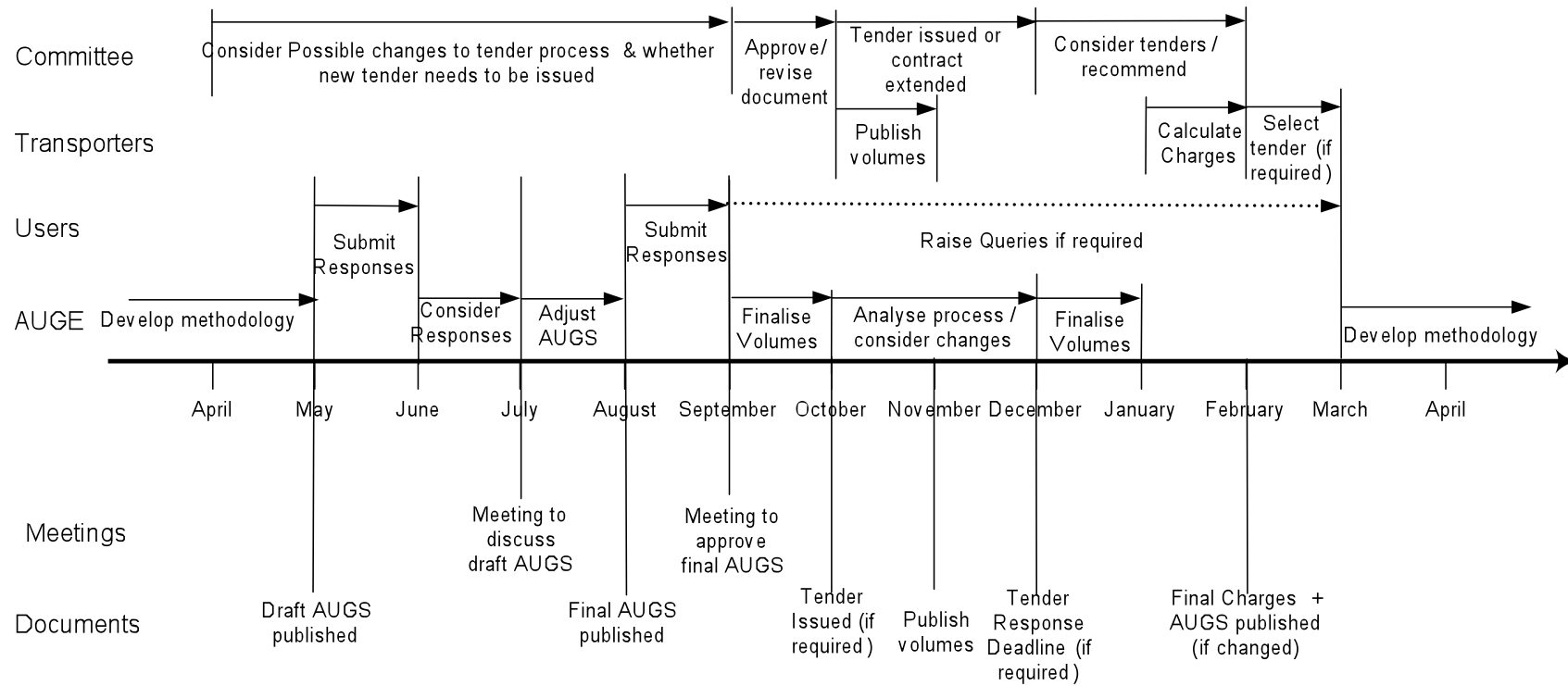
8. Charge Calculation

- The Gas Transporter shall be responsible for calculating and publishing the charges to be levied in accordance with the UNC when allocating Unidentified Gas costs to Code Parties.
- These volumes will be published at the following times:
 - When the indicative Unidentified Gas volumes are received from the AUGS, the draft Large Supply Point Unidentified Gas allocation table will be published by the 1st November.
 - When the final Unidentified Gas volumes are received from the AUGS, the final Large Supply Point Unidentified Gas allocation table by the 1st February.
- If, for whatever reason, the AUGS does not produce volumes for any or all of the categories of the Large Supply Point Unidentified Gas allocation table, then the Gas Transporters will use the most recent values used in the calculation of the applicable charges. In the event that no valid values are available, then a zero value will be used for all aspects of the Large Supply Point Unidentified Gas allocation table.

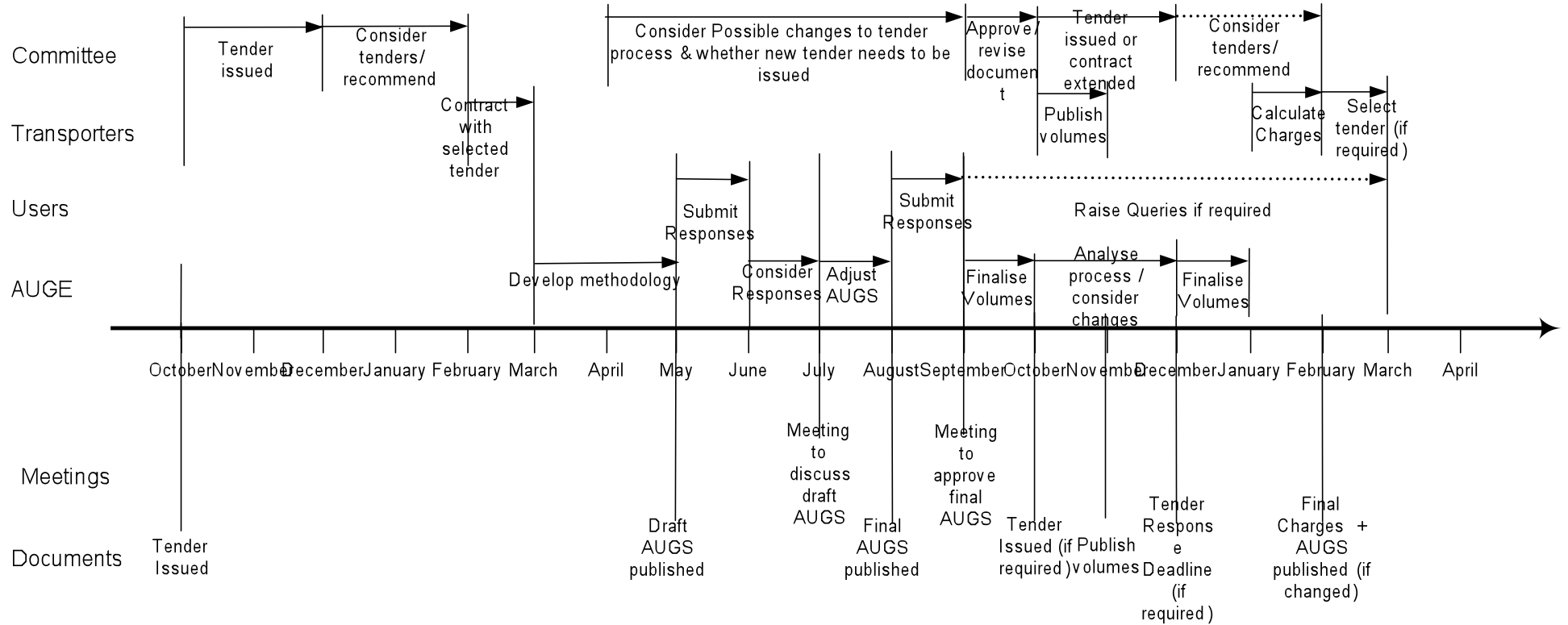
9. Contract Extension

- Once the tender process has been completed and the transporters have contracted with an interested party to be the AUGE, then the Committee will review the tender process, and recommend (by Panel Majority) incorporate any updates that are believed to be required to this document.
- Once the final AUGS document has been published by the Gas Transporters, then the Committee will decide (by Panel majority) to either extend the contract or to issue a new tender by the 1st October.
- If the Committee decides to extend the contract with the incumbent AUGE, then no tender process will need to be undertaken, and the current contract which the AUGE operates under will be extended for a further period.

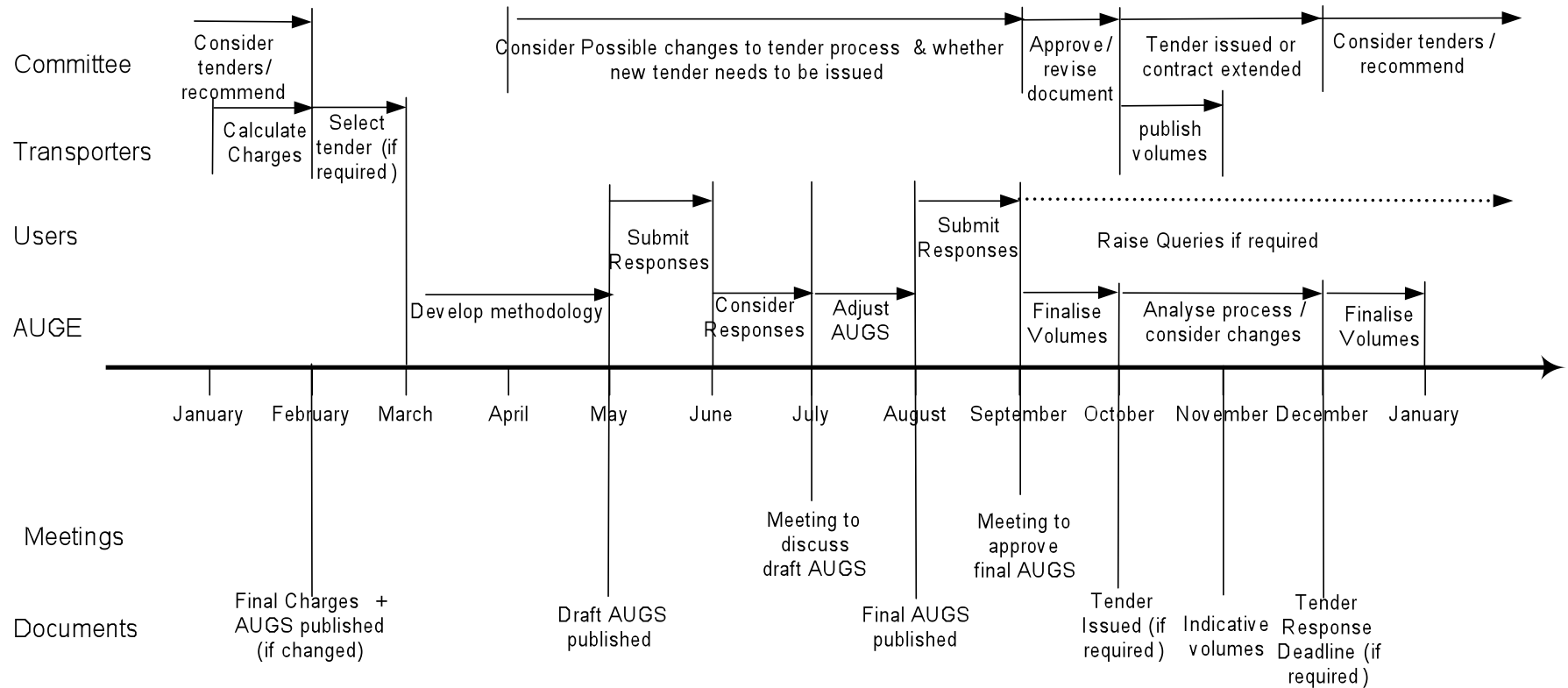
10. AUGS Creation timeline



11. Contract Tendering process timeline



12. Timeline (Jan-Jan)



13. AUGS query form

Originator details	
Code Party	
Code Party Contact	
Telephone number:	
Fax number:	
Email address:	

Issue Description

•

Anticipated Impact on the AUGS process

Date of Submission:	
Signed	