

09 June 2010

Dear Colleague,

**NOTICE OF IMPLEMENTATION
MODIFICATION PROPOSAL No: 0229**

“Mechanism for Correct Apportionment of Unidentified Gas”

Please note that Modification Proposal No 0229 will be implemented with effect from 06:00 hours on 10/06/2010. The Final Modification Report, Version 5.0, was signed by Ofgem on 26 May 2010.

The new Code text resulting from this Modification follows:

Modified 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 offtaken at 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 offtaken

at 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

Σ_{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;
 (b) 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."

Yours sincerely,

Bob Fletcher
Modification Panel Secretary