

Stage 03: Draft Modification Report

0343:

The ability and requirement for Users and Transporters to raise issues to be considered by the Allocation of Unidentified Gas Expert as “known” issues

It is proposed that all Users and Transporters, who are signatories to the Uniform Network Code;

1. Have the ability to raise issues directly with the AUGE for assessment and inclusion within the AUG Methodology and AUG Table and
2. Places a requirement on parties to bring forward issues that they believe are contributing to unidentified gas.

This ability and requirement would warrant that Users and Transporters provide information on issues they believe to be contributing to the unidentified gas problem and an assessment, if available, of the scale of the issue. In addition if the User/Transporter has a view or information available regarding how much of the issue is or could be attributable to the LSP market, or indeed the share between the markets, this too should be made available.



Responses invited by 08 July 2011.



High: UNC signatories

What stage is this document in the process?



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About this document:

This document is a Draft Modification Report, which was issued for consultation responses, at the request of the Panel on xx month 2011. The close-out date for responses is 08 July 2011. The Panel will consider the responses and agree whether or not this modification should be made.



Any questions?

Contact:
Bob Fletcher



bob.fletcher@gasgovernance.co.uk



0121 623 2115

Proposer:
Karen Kennedy
Scottish Power



karen.kennedy@dataserve-uk.com



0141 568 3266

Why Change?

ScottishPower is concerned that the AUGE will be expected to identify which elements of the gas allocation process and market arrangements, are to be deemed "known issues". In particular this concern relates to whether the AUGE will have the appropriate insight and experience to be able to determine these issues and also the understanding of what is believed to contribute to the unidentified gas issue. They do understand that Transporters and Users are required to cooperate and provide data to the AUGE in the preparation of the AUG Table. However the current drafting of the UNC is not explicit in the ability of signatories to the Uniform Network Code to bring issues to the attention of the AUGE for subsequent inclusion within the AUG Methodology and Table.

Solution

It is proposed that all Users and Transporters, who are signatories to the Uniform Network Code;

1. Have the ability to raise issues directly with the AUGE for assessment and inclusion within the AUG Methodology and AUG Table and
2. Places a requirement on parties to bring forward issues that they believe are contributing to unidentified gas.

This ability and requirement would warrant that Users and Transporters provide information on issues they believe to be contributing to the unidentified gas problem and an assessment, if available, of the scale of the issue. In addition if the User/Transporter has a view or information available regarding how much of the issue is or could be attributable to the LSP market, or indeed the share between the markets, this too should be made available.

The specific form of the information to be provided to the AUGE would be determined by the AUGE once appointed, but it is envisaged that there would be a standard form to be completed and submitted to the AUGE, where the User/Transporter has identified a "known issue".

This approach will ensure that the party appointed to carry out the AUGE role can utilise cross-industry experience and understanding of the AUGE issue and addresses the concern that the AUGE might not have the appropriate insight and experience to effectively determine the issues contributing to unidentified gas. In addition it will require Users and Transporters to raise awareness of issues that they know are playing into the unidentified gas volumes.

ScottishPower believes this approach will ensure that Users, who are subject to the costs of unidentified gas can raise issues that they believe are inappropriately allocating costs to their business. It will also allow Transporters the opportunity to put forward areas for consideration, which they understand to be feeding into unidentified gas.

If the proposal were not accepted, then there is a real concern that the AUGE will spend valuable time in trying to understand and identify issues contributing to the unidentified gas, when the Users affected by the issues already have an acute understanding of some of the issues and the Transporters also have ideas of issues.

The specific form of the information to be provided to the AUGE would be determined by the AUGE once appointed, but it is envisaged that there would be a standard form to be completed and submitted to the AUGE, where the User/Transporter has identified

a “known issue”.

Impacts & Costs

This proposal would be embedded in the introduction of MOD229 functionality. It is not envisaged that it would contribute further costs to the industry, but instead aid and simplify the process for the AUGE to identify “known issues”.

Implementation

It is proposed that this modification is introduced at the same time as the appointment of the AUGE and that Transporters and Users should have the ability and requirement from commencement of the contract with the AUGE to raise issues with them.

The Case for Change

This modification proposal would better facilitate the following Relevant

Objectives:

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.

This proposal would ensure more accurate allocation of costs by giving Users the opportunity to raise “known issues” and ensure that the AUGE is in a position to quickly recognise issues that the industry already know are playing into unidentified gas and perform reallocation against the agreed methodology. It would also allow Transporters and Users to raise issues to be considered “known issues” on an on going basis as they further understand the unidentified gas issue.

In addition by putting in place a process and a standard form for raising issues, the AUGE will have a transparent record of issues that it should consider and also be able to demonstrate that these are being managed.

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.

This proposal seeks to ensure the framework being introduced under MOD229 is complete in relation to ensuring costs of unidentified gas are appropriately associated and distributed to the correct market sector. This Proposal will allow UNC signatories the ability to raise issues directly with the AUGE. Where available they can provide supporting information and data to assist the AUGE in the establishment of the AUG Methodology and AUG Table.

Recommendations

All parties are invited to consider whether they wish to submit views regarding this modification.

2 Why Change?

Under the recently accepted modification 0229 the Allocation of Unidentified Gas Expert (AUGE) will be appointed to create a methodology to apportion known issues between the SSP and LSP market and rectify the current cross-subsidy where the SSP market is picking up costs associated with the LSP market. Such cross subsidy is enacted through the Reconciliation by Difference process. At the present time a process has commenced to create a tender exercise for the appointment of the AUGE, although the process of appointment is now not expected to be concluded until after 1st April 2011 (information provided in Mod 339/340). Once the expert is appointed it will create a methodology for the allocation of unidentified gas and look for issues, to become named "known issues" to be assessed and factored through the methodology. The UNC Committee will arrange for consultation on the AUG Methodology. Once established an AUG Table will be proposed and this will be used as the basis for "known issues" to be reallocated through the invoicing processes.

ScottishPower is concerned that the AUGE will be expected to identify which elements of the gas allocation process and market arrangements, are to be deemed "known issues". In particular this concern relates to whether the AUGE will have the appropriate insight and experience to be able to determine these issues and also the understanding of what is believed to contribute to the unidentified gas issue. We do understand that Transporters and Users are required to cooperate and provide data to the AUGE in the preparation of the AUG Table. However the current drafting of the UNC is not explicit in the ability of signatories to the Uniform Network Code to bring issues to the attention of the AUGE for subsequent inclusion within the AUG Methodology and Table.

Proposal

It is proposed that all Users and Transporters, who are signatories to the Uniform Network Code;

1. Have the ability to raise issues directly with the AUGE for assessment and inclusion within the AUG Methodology and AUG Table and
2. Places a requirement on parties to bring forward issues that they believe are contributing to unidentified gas.

This ability and requirement would warrant that Users and Transporters provide information on issues they believe to be contributing to the unidentified gas problem and an assessment, if available, of the scale of the issue. In addition if the User/Transporter has a view or information available regarding how much of the issue is or could be attributable to the LSP market, or indeed the share between the markets, this too should be made available.

The specific form of the information to be provided to the AUGE would be determined by the AUGE once appointed, but it is envisaged that there would be a standard form to be completed and submitted to the AUGE, where the User/Transporter has identified a "known issue".

This approach will ensure that the party appointed to carry out the AUGE role can utilise cross-industry experience and understanding of the AUGE issue and addresses the concern that the AUGE might not have the appropriate insight and experience to effectively determine the issues contributing to unidentified gas. In addition it will require Users and Transporters to raise awareness of issues that they know are playing into the unidentified gas volumes.

ScottishPower believes this approach will ensure that Users, who are subject to the costs of unidentified gas can raise issues that they believe are inappropriately allocating costs to their business. It will also allow Transporters the opportunity to put forward areas for consideration, which they understand to be feeding into unidentified gas.

If the proposal were not accepted, then there is a real concern that the AUGE will spend valuable time in trying to understand and identify issues contributing to the unidentified gas, when the Users affected by the issues already have an acute understanding of some of the issues and the Transporters also have ideas of issues.

4 Relevant Objectives

The Workgroup considers that Modification 0343 will better facilitate the achievement of **Relevant Objectives**

Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	N/A
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	N/A
c) Efficient discharge of the licensee's obligations.	N/A
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Yes
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	N/A
f) Promotion of efficiency in the implementation and administration of the Code	Yes

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in StandardSpecial Condition A11.1 and 2 of the Gas Transporters Licence

This modification proposal would better facilitate the following Relevant Objectives:

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.

This modification could ensure more accurate allocation of costs by giving Users the opportunity to raise "known issues" and ensure that the AUGE is in a position to quickly recognise issues that the industry already know are playing into unidentified gas and perform reallocation against the agreed methodology. It would also allow Transporters and Users to raise issues to be considered "known issues" on an on going basis as they further understand the unidentified gas issue.

In addition by putting in place a process and a standard form for raising issues, the AUGE will have a transparent record of issues that it should consider and also be able to demonstrate that these are being managed.

The modification obligates parties to provide issues to the AUGE and not be specific in

their submissions by omitting issues.

Standard Special Condition A11.1 (f): So far as is consistent with subparagraphs (a) to (e) the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

This modification seeks to ensure the framework being introduced under MOD229 is complete in relation to ensuring costs of unidentified gas are appropriately associated and distributed to the correct market sector. This modification will allow UNC signatories the ability to raise issues directly with the AUGE. Where available they can provide supporting information and data to assist the AUGE in the establishment of the AUG Methodology and AUG Table.

Some workgroup members consider the topic of this modification should be managed through the AUGE guidelines and the modification detracts from the efficient administration of the UNC.

5 Impacts & Costs

Costs

Indicative industry costs

N/A

Impacts

Impact on Transporters' Systems and Process

Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> The Workgroup expects changes to UK Link to be extremely limited, if at all required since the proposal utilises the mechanism introduced by MOD229
Operational Processes	<ul style="list-style-type: none"> none
User Pays implications	<ul style="list-style-type: none"> This modification would be embedded in the introduction of MOD229 functionality. It is not envisaged that it would contribute further significant costs to the industry, but instead aid and simplify the process for the AUGÉ to identify "known issues".

Impact on Users

Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> There may be a small cost to Users from the requirement to make the AUGÉ aware of issues that are playing into unidentified gas, however this costs is expected to be a small administrative cost and be particularly limited after the first year of the AUGÉ operation.
Development, capital and operating costs	<ul style="list-style-type: none">
Contractual risks	<ul style="list-style-type: none">
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">

Impact on Transporters

Area of Transporters' business	Potential impact
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Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565 Transco Proposal for Revision of Network Code Standards of Service** at the following location:
<http://www.gasgovernance.com/networkcodearchive/551-575/>

Impact on Transporters	
System operation	<ul style="list-style-type: none"> No implications have been identified
Development, capital and operating costs	<ul style="list-style-type: none"> There may be a small cost to Transporters from the requirement to make the AUGE aware of issues that are playing into unidentified gas, however this costs is expected to be a small administrative cost and be particularly limited after the first year of the AUGE operation.
Recovery of costs	<ul style="list-style-type: none"> No implications have been identified
Price regulation	<ul style="list-style-type: none"> No implications have been identified
Contractual risks	<ul style="list-style-type: none"> No implications have been identified
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> No implications have been identified
Standards of service	<ul style="list-style-type: none"> No implications have been identified

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> No implications have been identified
UNC Committees	<ul style="list-style-type: none"> No implications have been identified
General administration	<ul style="list-style-type: none"> No implications have been identified

Impact on Code	
Code section	Potential impact
TPD Section E	

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	No implications have been identified
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	No implications have been identified
Storage Connection Agreement (TPD R1.3.1)	No implications have been identified
UK Link Manual (TPD U1.4)	No implications have been identified

Impact on UNC Related Documents and Other Referenced Documents	
Network Code Operations Reporting Manual (TPD V12)	No implications have been identified
Network Code Validation Rules (TPD V12)	No implications have been identified
ECQ Methodology (TPD V12)	No implications have been identified
Measurement Error Notification Guidelines (TPD V12)	No implications have been identified
Energy Balancing Credit Rules (TPD X2.1)	No implications have been identified
Uniform Network Code Standards of Service (Various)	No implications have been identified

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	No implications have been identified
Gas Transporter Licence	No implications have been identified
Transportation Pricing Methodology Statement	No implications have been identified

Other Impacts	
Item impacted	Potential impact
Security of Supply	No implications have been identified
Operation of the Total System	No implications have been identified
Industry fragmentation	No implications have been identified
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	No additional implications have been identified other than those previously highlighted under Mod 229.

6 Implementation

It is proposed that this modification is introduced at the same time as the appointment of the AUGÉ or as soon as possible following direction to implement, and that Transporters and Users should have the ability and requirement from commencement of the contract with the AUGÉ to raise issues with them.

Advantages

By placing a requirement on parties to bring forward issues that they are aware of, that may not have been discussed at industry, the AUGE process and assessment will make the most productive start possible in understanding the issues related to unidentified gas.

Disadvantages

Currently there is no process in place to confirm if parties are complying with the modification and it is likely to be very difficult to regulate/monitor compliance with the modification.

The modification may result in parties submitting information that may not be relevant to ensure they are compliant with the modification. Some Workgroup members considered there might be a risk that relevant issues are missed by the AUGE due to the volume of issues submitted.

Some members consider that additional costs may be incurred due to the volume of issues raised by parties complying with their obligations to notify the AUGE of known issues.

Legal text provided by National Grid Distribution.

TPD Section E

Amend paragraph 10.4.3 as follows:

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, and as part of such consultation, Users and Transporters shall provide directly to the AUG Expert (in a form determined by the AUG Expert) any relevant information that they reasonably believe is causing or contributing to Unidentified Gas including, if available, the scale and allocation of such contribution to a particular SPC Class;
- ~~(c)~~ In addition to providing information as set out in paragraph (b) above, at any time Users and Transporters shall be obliged to provide directly to the AUG Expert (in a form determined by the AUG Expert) any relevant information that they reasonably believe is causing or contributing to Unidentified Gas including, if available, the scale and allocation of such contribution to a particular SPC Class;
- ~~(d)~~~~(e)~~ the outcome of any such consultation or any information provided to the AUG Expert pursuant to (c) above, shall be taken into account by the AUG Expert in preparing a further proposed AUG Methodology;
- ~~(e)~~~~(f)~~ 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;
- ~~(f)~~~~(e)~~ the Committee shall decide upon, adopt and publish the AUG Methodology;
- ~~(g)~~~~(f)~~ the AUG Expert shall implement the AUG Methodology and prepare a proposed AUG Table taking into account any relevant information provided by Users and Transporters;
- ~~(h)~~~~(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;
- ~~(i)~~~~(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
 - (iii) 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;
- ~~(j)~~~~(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.

9 Recommendations



Consultation Ends

On 08 July 2011

All parties are invited to consider whether they wish to submit views regarding this modification. The close-out date for responses is 08 July 2011, which should be sent to enquiries@gasgovernance.co.uk. A response template which you may wish to use is at www.gasgovernance.co.uk/0343.