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Modification proposal:	**Uniform Network Code (UNC) 473 and 473A: Project Nexus – Allocation of Unidentified Gas (UNC473/473A)**		
Decision:	The Authority[1] directs that UNC473 be made[2]		
Target audience:	The Joint Office, Parties to the UNC and other interested parties		
Date of publication:	9 April 2015	Implementation Date:	To be confirmed by the Joint Office

Summary

- We welcome industry's support for the role of an independent expert in determining the appropriate allocation of cost arising from unidentified gas consumption.
- Both UNC473 and UNC473A would ensure an enduring role for such an expert, with the main difference between them being the treatment of unidentified gas costs until the expert is appointed. We are sympathetic to elements of both proposals.
- Based on the evidence currently available, and analysis on the causes of unidentified gas, we consider that UNC473 offers the more accurate basis on which to allocate those costs and provide incentives for those causes to be addressed.
- In the longer term, we would like a performance assurance regime that will further help tackle the causes of unidentified gas.

Background: gas allocation, settlement and reconciliation

1. UK Link is an IT system which enables Gas Shippers and Gas Transporters (GTs) to exchange information relating to supply point administration, the balancing of the gas system and other matters. UK Link is operated by Xoserve and scheduled to be replaced in October 2015. The process to identify and develop the industry requirements for the new system is known as Project Nexus.

2. Project Nexus will fundamentally change the basis on which gas allocation, settlement and reconciliation is conducted. The principal modification that will give effect to these changes is UNC432[3], which was accepted in February 2014 and will be implemented in October 2015. Currently the way energy is allocated, reconciled and subsequently settled for a supply point is based upon the supply point's consumption levels. Post Nexus, shippers will largely be able to choose between four settlement classes, as listed below. Supply points above the mandatory daily metered (DM) consumption threshold are required to be Class 1 sites. The settlement classes are:

    - Class 1 – DM. Time-critical, with reads required by 10am. This is mandatory for supply points with an AQ above 58.6MWh only.
    - Class 2 – 'DM-lite'. Submitting reads is not time-critical and can be done at any time of day. Available to any supply point.
    - Class 3 – daily readings submitted in batches. Available to any supply point.

[1] The terms 'the Authority', 'Ofgem' and 'we' are used interchangeably in this document. Ofgem is the Office of the Gas and Electricity Markets Authority
[2] This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986
[3] UNC432: 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform'

- Class 4 – periodic meter readings, with existing standards for read submission and timing. Available to any supply point.

Changes to gas allocation under UNC432

3. Post Nexus, gas consumption within a local distribution zone (LDZ) will, as now, initially be forecast a day ahead of the day[4] on which it is consumed. Shippers will nominate the expected demand at DM supply points, based on previous readings and customer signals. Estimates will be refined for up to five days afterwards, replacing initial Class 1 and 2 gas allocations with actual meter readings. At this point the total consumption in the LDZ will be known.

4. Currently, DM consumption and an allocation for shrinkage is taken from the total LDZ consumption and the remainder is allocated to the non daily-metered (NDM) sector. NDM supply point consumption will continue to be estimated based on historical information, which is used to create 'profiles' of assumed consumption over time.

5. In order to ensure that the metered and estimated demand matches the metered input into the LDZ, a scaling factor is applied to increase or decrease the allocation of demand for each supply point. This scaling factor can be a positive or a negative figure and is a useful indicator of the accuracy of the estimated consumption.

6. Under UNC432, the scaling factor will be replaced with an unidentified gas (UG) allocation factor, which would be applied to all four settlement classes in order to match total demand with metered input into the LDZ. Therefore, rather than only changing NDM estimates to match LDZ throughput, DM allocations will also be adjusted to compensate for any consumption that is unidentified.

Changes to reconciliation under UNC432

7. Currently, the initial gas allocation to larger supply points (LSPs)[5] is reconciled as meter reads become available. LSP reconciliation results in an opposite debit or credit to the balance of gas which is allocated to the smaller supply points (SSPs), on the basis of their estimated consumption, through a methodology known as Reconciliation by Difference (RbD).[6] The SSPs are not subject to individual reconciliation and as such retain all costs which cannot be allocated elsewhere. Some of this allocation is subsequently transferred to LSPs, based on a methodology and analysis produced by an independent Allocation of Unidentified Gas Expert (AUGE).

8. UNC432 removes the concept of RbD and provides for, amongst other things, individual supply point reconciliation. A further intention is that there would be no "manual" intervention in the distribution of UG between relevant market sectors, removing the need for the AUGE. Instead, all UG on the Gas Day will initially be

[4] Gas Flow Day as defined in UNC General terms C 2.2.1
[5] Larger Supply Points are those with an AQ above 73,200kWh, Smaller Supply Points fall below this threshold.
[6] RbD is the method of reconciling the difference between the initially allocated (estimated) measurements of gas and actual (metered) consumption. RbD was introduced in 1998 to facilitate competition in the SSP sector, as at the time it was not considered practical or economically efficient to individually reconcile all such supply points, which number in excess of 20 million, based on actual meter readings.

allocated to shippers based on supply point throughput, and adjusted as further meter readings allowed for that UG to be reconciled.

9. We accepted UNC432 on the basis that the revised approach to gas allocation and settlements would lead to a more accurate allocation of costs on the whole. However, in our decision[7] we stated our concerns that the use of a single scaling factor could offer a less accurate means of allocating UG than offered by the AUGE. The aim should be to reduce UG, not simply target its allocation, and we think that a universal scaling factor would dilute existing incentives to do so.

The modification proposals

10. UNC473 and UNC473A offer two approaches to change the post Nexus allocation of UG. Under both proposals, a new independent expert would be appointed post Nexus to determine the appropriate allocation of unidentified gas. However, the proposals differ in the arrangements that would be in place in the transitional period before the new independent expert is appointed.

11. UNC473 seeks to reinstate the AUGE arrangements that will otherwise fall away upon implementation of UNC432. As now, the AUGE would be required to consider the evidence of the scale and sources of UG and propose a methodology for its allocation amongst the different market sectors. However, in keeping with the revised approach to settlement under Project Nexus, the allocation will be determined by class of settlement rather than whether the supply point is categorised as DM, LSP and SSP. UG would also occur as part of the initial gas allocation, as part of the allocation scaling adjustment, rather than on the current retrospective basis.

12. UNC473A proposes that an independent expert be appointed in readiness for Nexus implementation. The *Unidentified Gas Independent Expert* (UGIE), would be responsible for assessing the quantity of UG based on actual evidence obtained from the operation of Nexus systems and, if required, for recommending any adjustment to the UG allocation arrangements. The UGIE's methodology would also be subject to a consultation and approval process and applied every year. As an interim measure, UG would be allocated to all sites based on throughput of gas. This means that around 17% would be allocated to DM sites, with the remainder allocated to the NDM sector.

UNC Panel[8] recommendation

13. At its meeting of 20 November 2014 the UNC Panel recommended that both UNC473 and UNC473A would better facilitate relevant objective (d) of the UNC - the securing of effective competition[9].

[7] UNC432 decision is available at: www.gasgovernance.co.uk/sites/default/files/UNC432D%20.pdf
[8] The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.
[9] The securing of effective competition (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between distribution network operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers

The Authority's decision

14. We have had regard to our statutory duties and functions in reaching this decision. We have considered the issues raised within the Final Modification Report dated 20 November 2014 and the consultation responses published alongside and summarised within the report[10]. We have concluded that:

    a) implementing either UNC473 or UNC473A would better facilitate the achievement of the relevant objectives of the UNC[11];
    b) the net benefits of implementing UNC473 are greater than those of UNC473A;
    c) directing that UNC473 be made is consistent with our principal objective and statutory duties.[12]

Reasons for the Authority's decision

15. We agree with the UNC Panel and respondents, who all considered that these modification proposals should be assessed against relevant objective (d) only, and that they would have a neutral impact upon the other objectives.

16. We note that the industry consultation on these proposals attracted a high level of responses. Of the 20 responses received, ten supported implementing UNC473 and twelve supported implementing UNC473A. Three respondents offered support for both proposals and no respondent considered that both proposals should be rejected. Respondents' views generally correlated with the extent of their presence in the DM sector of the market.

17. As far as practicable, we think the costs associated with UG should be borne by those who have caused it. We consider that this will not only ensure an equitable distribution of those costs, but also provide the right incentives to ensure that they are kept to a minimum. This will reward the most efficient operators and therefore promote effective competition.

18. Both UNC473 and UNC473A will improve the allocation of UG in the long term compared with the scaling factor incorporated in UNC432. As such, they both have a positive effect on competition between shippers and suppliers. This is because both modifications allow the appointment of an independent agent with the necessary expertise to produce an independent, evidence-based methodology to assess the quantity, and determine the appropriate allocation of, UG.

19. We consider that the interim arrangements in UNC473 would provide for the most accurate allocation of costs and be most likely to incentivise shippers to address the causes of UG. Therefore, we consider it better meets the objective of securing effective competition than UNC473A. This assessment, as set out below, takes particular account of two of the significant drivers of UG - settlement error and theft.

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[10] UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at www.gasgovernance.com

[11] As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, see: https://epr.ofgem.gov.uk//Content/Documents/Standard%20Special%20Condition%20-%20PART%20A%20Consolidated%20-%20Current%20Version.pdf

[12] The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986.

20. We then discuss the development of a performance assurance regime, which is also relevant to this modification.

Relevant objective (d): the securing of effective competition between relevant shippers and suppliers

Incentivising a reduction in UG through accurate allocation of costs and risks

21. The costs of UG are significant. In the four years that the AUGE has operated, it has consistently assessed UG to be over £100m. Its latest statement gives an UG figure of £118.71m for 2015/16, with £30.27m being allocated to the LSP sector.[13]

22. Some parties consider that the true costs of UG may be much greater. In its response, British Gas estimated the costs of UG to be nearer to £300m annually, based on analysis of its own portfolio extrapolated to the rest of the market.

Daily metered sites

23. The AUGE has made a significant impact on the redistribution of UG costs, which, under the RbD mechanism, would otherwise pass through to the SSP sector only. Including the latest UG allocations for 2015/16, the AUGE will have reallocated £100m to the NDM LSP sector. However, several parties consider that it is inappropriate that UG is not being borne by all sectors of the market, including DM.

24. The AUGE regime has had some success in incentivising shippers to tackle the causes of UG, particularly in relation to unregistered and shipper-less sites. The first AUGE statement published in 2011 attributed UG costs of around £19m to these sites. Subsequently a number of modifications were raised to address the issue of unregistered and shipper-less sites, and the latest AUGE statement now estimates their contribution to UG costs at less than £2m.

25. Although the interim AUGE table for 2015/16[14] suggested that 5GWh (around £0.1m) of UG had been identified in relation to three DM supply points, this was subsequently removed from the final table following further detailed investigation by the AUGE, based on additional information provided by Xoserve. Therefore, no costs have been allocated to DM supply points following the AUGE process to date. However, we consider that this demonstrates that the DM sector is not exempt from UG allocation thorough the prevailing process, simply that there has not, to date, been sufficient evidence to do so under the prevailing methodology.

Settlement error

26. We have some sympathy with the views of respondents who suggested that there has been a historic presumption that 'settlement error' – a temporary inaccuracy in the amount of gas assumed to have been consumed – is the cause of UG. This has led to UG being predominantly allocated to the SSP sector which is not subject to individual

[13] AUGE: '2014 Allocation of Unidentified Gas Final Table for 2015/16'. These values are based on prevailing system average prices, as set out in the AUGE statement.
[14] AUGE: '2014 Allocation of Unidentified Gas Interim Table for 2015/16', published 15 October 2014

supply point reconciliation. However we do not agree that settlement error and UG are entirely separate issues; settlement error plays a role in UG.

27. In removing the current Scaling Factor and RbD and replacing it with a universal UG allocation, the rules that would be in effect through UNC432 and UNC473A, would redistribute some of the settlement risk inherent in the use of estimated consumption profiles from the NDM sector, to the DM sector which does not use these profiles.

28. The premise of UNC473A is that any profiling error in the initial allocation of gas will be largely addressed through the subsequent reconciliation of each supply point. However, this depends on the timely submission of NDM reads, which may not occur, as explained in our section on meter reading below. It does not seem appropriate that the settlement risk associated with accurate reconciliations being outstanding for months, if not years, should be redistributed to those supply points for which actual consumption is reconciled in a matter of days. As explained in paragraphs 52 and 53, this timing issue can affect the overall volume of UG that needs to be allocated.

29. Secondly, although supply points will be reconciled in terms of energy usage, those in Class 4 (which is expected to be the majority) will not be reconciled accurately to each day, i.e. both their allocation and subsequent reconciliation will be based on the applicable profile. This compounds shippers' exposure to settlement risk if there are significant movements in the system average price of gas between their initial balancing purchases and final settlement.

30. Given that DM supply points do not rely on profiles for gas allocation and subsequent settlement, we consider that the interim arrangements under UNC473 provide for a more accurate allocation of settlement-related UG risks.

Theft

31. As noted by several respondents, despite the detailed analysis of the AUGE, less than 20% of UG has been traced back to its source. The AUGE considers that the remainder is largely made up of undetected theft. The costs of this are currently allocated to the NDM LSP and SSP sectors, based on throughput. The AUGE explains that:

> "It has been confirmed that out of nearly 6,000 theft records from 2008 onwards, none are from DM sites. Therefore, given that detection of theft is more likely for a DM site due to the greater scrutiny upon it, it is reasonable to assume that there is no theft from this market sector."[15]

32. The AUGE analysis suggests that undetected theft is a large contributor to UG, but that there has been no evidence of theft from DM sites. We therefore consider that the interim arrangements under UNC473A provide for a less cost-reflective, and therefore less efficient, allocation of UG than the arrangements under UNC473. Imposing UG costs on DM sites would dilute the incentives on NDM sites to invest further in theft detection to bring the instances and scale of theft down.

33. However, this does not rule out the possibility of theft occurring at a DM supply point. We have put in place a theft strategy, which includes a licence obligation upon all gas

[15] AUGE: '2014 Allocation of Unidentified Gas Statement for 2015/16', p39

suppliers to detect, investigate and prevent gas theft.[16] At the heart of the theft strategy is the Theft Risk Assessment Service[17], which will use data provided by suppliers in order to better assess the risk of theft at consumers' premises and help target subsequent investigations. Should evidence emerge from the Theft Risk Assessment Service, or elsewhere, of theft at a DM supply point, we would expect this to be reflected accordingly in future AUGE UG allocations.

34. We are sympathetic to the arguments of those respondents in favour of UNC473A, who generally considered that, where costs could not be attributed to an individual supply point or the appropriate sector, the fairest way to distribute those costs would be across all supply points, based on their consumption. We consider that there is a case for wider socialisation of UG cost where the underlying issue is not within the reasonable control of shippers and is more of a systemic problem. However, where those costs arise due to the direct action, or inaction, of shippers (or GTs) we consider that it is appropriate to attempt to target them accordingly.

35. We do not think that the risk and cost of theft cannot reasonably be managed. We also do not think that enough has been done to examine the residual elements of the balancing factor to conclude that those costs are not directly linked to shipper (or GT) performance, and should therefore be socialised in the manner set out in UNC473A.

Differing treatment of parties

Differentiation based on connection arrangements

36. Two respondents noted that under UNC432, LDZ-connected DM supply points will be subject to UG allocation while those connected directly to the National Transmission System (NTS) would not be. They stated that there seems to be no reason for such differentiation between otherwise comparable DM sites, which they felt strengthened the argument in favour of UNC473 which exempts all DM sites from UG.

37. In contrast, one respondent considered that exempting DM from an allocation of UG costs would be discriminatory to smaller shippers who could not offer a Class 2 product, whilst another considered it to be unfair to discriminate against customers based on the volume of gas they consume. This theme of fairness was echoed in several other responses in favour of UNC473A.

38. We agree that there will be different treatment in respect of UG between LDZ- and NTS-connected DM supply points. However, we consider this difference to be justified. Firstly, the scope of the UG as set out in UNC432 and UNC473/A is specific to LDZ off-take, i.e. gas which is known to have entered the LDZ but cannot subsequently be accounted for through metered consumption or calculated shrinkage. NTS-connected sites do not off-take gas from an LDZ and therefore cannot contribute to LDZ UG. Secondly, whilst some of the issues that may lead to UG could apply equally to an NTS-connected supply point, National Grid NTS is specifically accountable for UG on its own network to a far greater extent to than other GTs, and is required under its licence[18] to investigate the causes.

[16] Gas Suppliers' Standard Licence Condition 12A: 'Matters relating to theft of gas'
[17] For the latest details on TRAS see: www.electralink.co.uk/services/procurement-services/tras-project
[18] Special Condition 8E: 'Requirement to undertake UAG Projects to investigate the causes of Unaccounted for Gas (UAG)'

39. There can be valid and objective reasons to differentiate between customers based on their consumption. For instance, several transportation charges are derived from the supply point AQ, and most gas suppliers offer larger customers a lower unit charge for energy, reflecting economies of scale. However, we agree that customers should not be treated differently in respect of UG solely because of their consumption thresholds.

40. As several respondents noted, it is already possible for a wide range of supply points to be categorised as DM, and upon implementation of Project Nexus there will be no volume constraints on a supply point being characterised as Class 2. The relevance of DM is therefore not the volume of consumption but the availability of meter readings which form the basis of gas allocation and subsequent reconciliation.

Differentiation between settlement product classes

41. Some respondents noted that under the UNC473 transitional period, no UG is to be allocated within the proposed AUGE Guidelines document[19] to sites within Class 2, while there is a higher allocation to Class 4 than to Class 3. We understand that this was the proposer's attempt to retrofit the proportions of the AUGE's figures within the proposed allocation table, though we note that they have not been revised in line with the AUGE's recent figures.[20]

42. We have sympathy with the argument that for the purposes of UG allocation, settlement product Classes 2 and 3 differ only in the speed with which daily reads are submitted for daily settlement. Given our views on meter reading set out above, we consider that the relevant differential in UG treatment is between the procurement of daily reads (whether submitted daily or in batch), and periodic reads which may still be several months, if not years, apart. To the extent that daily reads are critical to whether or not the supply point will, or is more likely to, contribute to UG, we would expect this to be reflected in the allocation.

43. We note concerns that this weighting of UG allocation may incentivise shippers to nominate a greater, and potentially inefficient, number of supply points into settlement Class 2 in order to avoid UG costs. However, while the costs of UG are significant, they make up a relatively small proportion of overall energy costs. Set against this, the Class 2 product has a number of additional requirements above those of Class 3, not least the exposure to ratchet charges.[21] It would ultimately be for each shipper to decide whether such investment is efficient for the interim period to which these proposals apply. Market pressures should provide appropriate incentives for shippers in making these decisions.

44. We consider it possible that the AUGE would, in due course, recommend a greater differentiation between Class 3 and Class 4 supply points than currently proposed. We would expect this decision to be based on evidence, reflecting the contribution that supply points make to UG under each settlement class. This may form part of

[19] See: www.gasgovernance.co.uk/sites/default/files/AUGE%20Guidelines%20v6.3%20(change-marked).pdf
[20] See UNC473 workgroup 12 May 2014: www.gasgovernance.co.uk/0473/120514
[21] Ratchet charges provide incentives for shippers to book sufficient supply point off-take quantity (SOQ) for each of their DM supply points and to ensure that the network operator has made sufficient capacity available to those sites to meet demand in peak flow conditions. In the event that the amount off-taken by a DM supply point exceeds the SOQ during the winter period, shippers incur a supply point ratchet charge for the quantity of gas that exceeds the SOQ.

shippers' consideration of which settlement class they nominate their supply points to. We recognise that such choice may not be available for supply points which do not yet have a smart meter installed and cannot provide daily readings. However, we consider that this choice provides an incentive to take on smart meters, rewarding those who have moved early to make the necessary investment.

45. UNC473 would distinguish between settlement products 3 and 4, whereas UNC473A would group all SSPs together irrespective of their metering arrangements, and therefore irrespective of the quality of consumption data they can provide. We therefore consider that UNC473 forms a more objective and accurate basis for the differing treatment of UG allocation.

Other relevant issues

Improving the allocation of costs and risks in enduring arrangements – a performance assurance regime

46. We consider that it would be possible to combine the AUGE's work with the development of a performance assurance regime. This regime would result in the cost of UG being targeted more accurately upon individual parties. Under such a regime, we would expect only a residual amount of UG, which cannot appropriately be allocated and/or associated with a reduction incentive, to be socialised on the basis of throughput.

47. Recent reports on settlement risk[22], produced by Engage Consulting on behalf of the performance assurance workgroup, identified 37 separate causes of settlement risk. Subsequent modelling of the top 15 those risks aligned with the AUGE view that theft was by far the biggest risk to overall settlement accuracy. The reports also echoed the views of some respondents who suggested that issues such as off-take meter accuracy and errors contributed to the UG balancing factor but were outside shippers' control. However, the vast majority of risks identified are controllable by industry parties, and therefore lend themselves to a performance assurance regime. We would like to see strong progress made by industry in implementing a performance assurance regime. We consider that this will play an important role in reducing UG and improving the overall operation of the gas market.

48. Below we set out our thoughts on how a performance assurance regime could improve the arrangements relating to meter reading and meter bypasses.

Meter reading

49. The Engage report suggested that shipper failure to submit a valid meter reading constituted a relatively small risk to overall settlement accuracy.[23] The report notes that the post-Nexus regime will continue the current UNC requirement that Shippers must submit a read for only 70% of annual-read meters each 12 months, therefore up to 30% will go unread each year. Engage also noted that meter readings are not currently a major risk to overall settlement accuracy as the UNC permits reconciliations to take place up to a maximum of 48 months after the Gas Day,

[22] See: www.gasgovernance.co.uk/pa/IndRiskStudy
[23] This is based, in part, on prevailing performance, which is better that required under UNC.

therefore the risk to accurate settlements does not crystallise until the reconciliation window expires.

50. This is consistent with the views of two respondents, who referred to figures produced by Xoserve, such as those presented to the Data Cleansing Forum[24] which suggest that the oldest reading recorded on Xoserve's systems is less than two years old for over 99% of supply points. One respondent concluded that this meant that measurement of UG (via the allocation factor) will be >99% accurate within two years.

51. However, a further report produced by Xoserve and submitted to the industry's Performance Assurance Workgroup suggests that read performance is much lower than this.[25] When presenting the report, Xoserve confirmed that a reading had not been submitted for some sites for up to ten years.[26] We consider that this problem is compounded by the GT policy of electing not to enforce must read provisions of the UNC[27] in relation to SSPs.

52. After the implementation of Project Nexus, the timeliness of NDM read submission will be increasingly critical to the accurate reconciliation of UG. This is because the effect of these reconciliations will be shared out across only the preceding 12 month shares of consumption[28]. This means that readings submitted more than 12 months after the last read used in settlements will not reconcile energy costs back to the same period in which the gas was consumed.

53. As full and accurate reconciliation may be 'timed out' by the late submission of reads, unreconciled gas may contribute to UG for any given period. As explained above, allocating UG to NDM sites would strengthen the incentives for more timely submission of readings from these sites, thereby reducing the contribution of late reads to UG. We would welcome a thorough review of the prevailing UNC rules around meter read submission, particularly around the timeliness of meter read provision and the application of "must-read" provisions, as part of the performance assurance work.

Meter bypasses

54. Meter bypasses allow a site access to a temporary unmetered supply of gas, for example, to maintain supply during a meter fault. We understand that despite there being over 26,000 bypasses installed nationally, Xoserve has not received any shipper reports,[29] of an bypass in use, nor as it received related estimates of non-metered consumption on any category of supply point for several years. We urge further consideration of the use and monitoring of meter bypasses. To the extent that 98 bypasses are installed on existing DM sites, we agree with those respondents who suggested that they add a significant risk of UG across all settlement classes, even if there is currently little documented evidence of their use.

[24] See Xoserve website at: www.xoserve.com/wp-content/uploads/February-15-Progress-Report.pdf
[25] See: February 2015 Report on analysis of meter reading submissions against meter read frequency for East Midlands LDZ
[26] See PA workgroup minutes from 6 March 2015: www.gasgovernance.co.uk/sites/default/files/Minutes%20PAF%20060315%20v1.0.pdf
[27] UNC Section M3.6. These provisions allow the GT to procure a reading and recover the costs of doing so from the relevant shipper, where the shipper has failed to provide a reading within the required timescales.
[28] See: www.gasgovernance.co.uk/sites/default/files/Reconciliation%20BRD%20v3.1%20for%20Review.pdf
[29] As required under UNC Section M2

Conclusion

55. Both UNC473 and UNC473A would reinstate an independent expert in order to produce an evidence-based approach to the allocation of UG. We therefore consider that both proposals would address the main concern that we raised with respect to the approach set out in UNC432. We agree with the UNC Panel that either proposal would better facilitate effective competition – relevant objective (d).

56. We consider that of the two proposals, UNC473 would provide the most accurate allocation of costs and be most likely to incentivise shippers to address the causes of UG. Therefore, we consider it better meets the objective of securing effective competition than UNC473A.

Decision notice

57. In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority hereby directs that modification proposal UNC473: '*Project Nexus: allocation of unidentified gas*' be made.

Rob Church
Partner, Retail Markets
Signed on behalf of the Authority and authorised for that purpose