














Stage 02: Workgroup Report	At what stage is this document in the process?
<h1>0572:</h1> <h2>Amendment to the definition of AUG Year within UNC TPD Section E</h2>	
<p>This modification proposal amends the definition of 'AUG Year' as introduced by UNC Modification 0473, by changing the 'AUG Year' period start date from 01 April to 01 October.</p>	
	<p>The Workgroup recommends that this modification should now proceed to consultation.</p>
	<p>High Impact: None</p>
	<p>Medium Impact: Shipper Users</p>
	<p>Low Impact: Transporters</p>

Contents		 Any questions?
<b>1 Summary</b>	<b>3</b>	Contact: <b>Code Administrator</b>
<b>2 Why Change?</b>	<b>4</b>	 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
<b>3 Solution</b>	<b>4</b>	
<b>4 Relevant Objectives</b>	<b>6</b>	 0121 288 2107
<b>5 Implementation</b>	<b>6</b>	Proposer: <b>Graham Wood</b>
<b>6 Impacts</b>	<b>7</b>	 <a href="mailto:graham.wood@britishgas.co.uk">graham.wood@britishgas.co.uk</a>
<b>7 Legal Text</b>	<b>7</b>	
<b>8 Recommendation</b>	<b>7</b>	 07979 567686
About this document:		<b>Transporter:</b> <b>Scotia Gas Networks</b>
This report will be presented to the panel on 17 March 2016.		 <a href="mailto:Sue.Hilbourne@sgn.co.uk">Sue.Hilbourne@sgn.co.uk</a>
The panel will consider whether the modification should proceed to consultation or be returned to the workgroup for further assessment.		 01293 818480
The Proposer recommends the following timetable:		<b>Systems Provider:</b> <b>Xoserve</b>
Initial consideration by Workgroup	28 January 2016	 <a href="mailto:commercial.enquiries@xoserve.com">commercial.enquiries@xoserve.com</a>
Workgroup Report presented to Panel	17 March 2016	
Draft Modification Report issued for consultation	17 March 2016	
Consultation Close-out for representations	13 April 2016	
Final Modification Report presented to Panel	16 April 2016	
UNC Modification Panel decision	21 April 2016	

# 1 Summary

## Is this a Self-Governance Modification?

The Modification Panel determined that this is not a self-governance modification because it is likely to have material effect on gas consumers and competition.

The Workgroup agreed with the Modification Panels determination on self-governance as this modification is likely to impact the period of time allowed to notify consumers of changes to their bills and therefore materially impact consumers.

## Is this a Fast Track Self-Governance Modification?

Fast Track Self-Governance criteria does not apply because it is not a housekeeping modification.

## Why Change?

Modification Proposal 0473 - Project Nexus – Allocation of Unidentified Gas introduces new Allocation of Unidentified Gas (AUG) arrangements with effect from the Project Nexus Implementation Date. Section 7 of the AUG framework document covers the activities and timescales for the creation, submission to The Committee and publication of the AUG Statement by the AUG Expert and the subsequent population and publication of the resulting AUG Table by Gas Transporters.

The Modification 0473 arrangements introduce a period of 9 months between 01 July (publication of the populated AUG Table) and 01 April (commencement of the next AUG Year and effective date of the new AUG Table published on 01 July).

It is considered that the introduction of a 7 month delay, to introduce a new AUG Table that has been based on the work of the independent AUG Expert, is not in the interests of consumers or improves the incumbent process. Instead, arrangements should be such that any changes to the allocation of unidentified gas that are affected by the introduction of a new or revised AUG Table can be implemented at the earliest possible opportunity and are closer aligned to timescales within the existing arrangements.

## Solution

The solution simply seeks to amend the definition of 'AUG Year' such that the period commences on 01 October and concludes on 30 September. These dates will replace the dates introduced by Modification 0473 of 01 April and 31 March respectively.

There are no costs associated with the implementation of this Modification.

## Relevant Objectives

The Workgroup considers this modification would impact Relevant Objective d) securing effective competition between Shippers and Suppliers.

## Implementation

No implementation timescales are proposed. However, it is anticipated this modification could be implemented in line with the implementation of Modification 0473, which is currently set as 01 October 2016 and defined under code as the Project Nexus Implementation Date.

## Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This modification does not impact a Significant Code Review or any other significant industry change projects.

## 2 Why Change?

Modification Proposal 0473 - Project Nexus – Allocation of Unidentified Gas introduces new arrangements with effect from the Project Nexus Implementation Date (currently 01 October 2016). In addition to the inclusion of new legal text within TPD Section E, Modification 0473 will also introduce a UNC related document entitled 'Framework for the Appointment of an Allocation of Unidentified Gas Expert'.

Section 7 of this UNC related document covers the activities and timescales for the creation, submission to The Committee and publication of the AUG Statement by the AUG Expert and the subsequent population and publication of the resulting AUG Table by The Gas Transporters.

The process outlined in Section 7 concludes The Committee 'approval process' of the AUG Experts Draft AUG Statement by 01 June, with publication of the populated AUG Table being completed by 01 July.

The AUG Table will subsequently become effective at the commencement of the next AUG Year. The AUG Year is defined within TPD Section E as detailed below:

*'AUG Year' means the period from 01 April in any year until and including 31 March in the following year and in relation to any AUG Year the "Preceding AUG Year" is the AUG Year ending at the start of such AUG Year;*

The Modification 0473 arrangements introduce a period of 9 months between 01 July (publication of the populated AUG Table) and 01 April (commencement of the next AUG Year and effective date of the new AUG Table published on 01 July).

Under the existing AUG arrangements, introduced by Modification Proposal 0229, the period of time between publication of the final populated AUG Table (1<sup>st</sup> February) and its effective date (1<sup>st</sup> April) is only 2 months. These arrangements have been successfully utilised since the implementation of Modification 0229 in 2010.

When compared to the existing AUG arrangements, the new Modification 0473 arrangements introduce a delay of an additional 7 months (from final AUG Table publication to implementation).

It is considered the introduction of a 7 month delay, to introduce a new AUG Table that has been based on the work of the independent AUG Expert, is not in the interests of consumers or improves the incumbent process. Instead, arrangements should be such that any changes to the allocation of unidentified gas that are affected by the introduction of a new or revised AUG Table can be implemented at the earliest possible opportunity.

## 3 Solution

The solution simply seeks to amend the definition of 'AUG Year' such that the period commences on 01 October and concludes on 30 September. These dates will replace the existing dates introduced by Modification 0473 of 01 April and 31 March respectively.

The proposer does not expect there to be any costs associated with the implementation of this proposal.

This modification would provide a more consistent approach with the existing arrangements.

**Proposed amendment to the legal text introduced by the implementation of Modification 0473**

TPD Section E

9.1.1(f) "**AUG Year**" means the period from 1 ~~April~~ **October** in any year until and including ~~31-March~~ **30 September** in the following year and in relation to any AUG Year the "**Preceding AUG Year**" is the AUG Year ending at the start of such AUG Year;

User Pays	
Classification of the modification as User Pays, or not, and the justification for such classification.	No User Pays service would be created or amended by implementation of this modification and it is not, therefore, classified as a User Pays Modification.
Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.	n/a
Proposed charge(s) for application of User Pays charges to Shippers.	n/a
Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.	n/a

## 4 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
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.	None
c) Efficient discharge of the licensee's obligations.	None
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.	Impacted
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.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Some Workgroup participants consider this modification has a positive impact upon d) Securing of effective competition enhances competition between relevant Shippers and Suppliers because it will ensure that any changes to the AUG Table, as defined by the AUGGE, will be implemented at the earliest opportunity leading to a more accurate allocation of Unidentified Gas costs between Shipper Users and will align more closely to existing arrangements, therefore further competition.

Other participants consider the impact of the proposed date changes would have a negative impact on Shippers and Suppliers, as they would have a reduced timeframe to reflect the impacts of the AUG Table in their prices, which would be detrimental to competition.

## 5 Implementation

No implementation timescales are proposed. However, the Workgroup anticipates this modification would be implemented in line with the implementation of Modification 0473, which is currently set as 01 October 2016 and defined under Code as the Project Nexus Implementation Date.

## 6 Impacts

### Does this modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

This proposal does not impact a Significant Code Review or any other significant industry change projects.

## 7 Legal Text

### Text Commentary

The legal text has the effect of amending the definition of the AUG Year within the UNC TPD Section E such that the period commences on 1 October and concludes on 30 September. This replaces the existing dates of 1 April and 31 March respectively. For the avoidance of doubt, the insertion of the below legal text into the UNC TPD Section E 9.1.1(f) is predicated on the prior incorporation into Code of the legal text for UNC Modifications 432 and 473.

### Legal Text

Scotia Gas Networks advised that they were willing to adopt the Proposer Legal Text. However, the reference numbering would need to be reviewed to ensure it is implementable with the Legal Text being implemented for Project Nexus.

The Workgroup raised no concerns with the Suggested Text or its adoption by Transporters.

Scotia Gas Networks provided the following Legal Text and Commentary after conclusion of the final Workgroup meeting.

#### TPD Section E

*Amend paragraph 9.1.1(f) as follows:*

9.1.1(f) **“AUG Year”** means the period from 1 ~~April~~ October in any year until and including ~~31 March~~ 30 September in the following year and in relation to any AUG Year the **“Preceding AUG Year”** is the AUG Year ending at the start of such AUG Year;

## 8 Recommendation

The Workgroup invites the Panel to:

- AGREE that this modification should be submitted for consultation.