

UNC Final Modification Report	At what stage is this document in the process?
<h1>UNC 0711S:</h1> <h2>Update of AUG Table to reflect new EUC bands</h2>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #00a651; padding: 5px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid #00a651; padding: 5px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification: This modification updates the Allocation of Unidentified Gas (AUG) Table set out in UNC TPD Section E Annex E-1 to include the new End User Categories (EUC) brought in by DSC Change Proposal XRN4665 Creation of New End User Categories</p>	
	<p>Panel consideration is due on 19 March 2020 <i>(at short notice by prior agreement)</i></p>
	<p>High Impact: Shippers</p>
	<p>Medium Impact: None</p>
	<p>Low Impact: None</p>

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Timetable		
Modification timetable:		
Initial consideration by Workgroup	28 November 2019	
Amended Modification considered by Workgroup	17 December 2019	
Workgroup Report presented to Panel	20 February 2020	
Draft Modification Report issued for consultation	21 February 2020	
Consultation Close-out for representations	12 March 2020	
Final Modification Report available for Panel	13 March 2020	
Modification Panel decision	19 March 2020 (<i>at short notice</i>)	

 Any questions?

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1 Summary

What

At present the AUG Table does not fully reflect the combination of End User Categories (EUC) and Product Classes that are utilised by the CDSP to meet its Uniform Network Code (UNC) and Data Services Contract (DSC) requirements.

Why

The AUGE is required to populate the AUG Table as set out in UNC TPD Section E Annex E-1. Any mismatch between the Adjustment Factors developed by the Allocation of Unidentified Gas Expert (AUGE) and the EUCs that are utilised by the CDSP in demand estimation processes will reduce the accuracy of the AUGE process.

How

Update the AUG Table to reflect the new EUCs that were created by DSC Change Proposal XRN4665 Creation of New End User Categories.

2 Governance

Justification for Self-Governance

This Modification is suitable for Self-Governance as the change is to update the AUG Table and not the application of adjustment factors. It is simply allowing the AUGE to reflect these new End User Categories in the AUG statement, so aligning the demand estimation and AUG processes. This change does not have a material impact in itself as it does not constrain the AUGE in the application of adjustment factors against each of the existing new sub-classes of EUC Band.

As the change is comparatively straightforward, simply aligning the two processes, it did not feel necessary to undertake any prior discussion of possible alternative solutions.

Requested Next Steps

This Modification should:

- be considered a non-material change and subject to self-governance
- be assessed by a Workgroup

3 Why Change?

When the AUG Table was last revised as part of Project Nexus, there were 9 End User Categories and 4 Product Classes, which the table reflected. This allows the AUGE to align the Adjustment Factors it calculates with each End User Category.

Since then, EUC Bands 1 & 2 have each been split into four new categories by Change Proposal XRN4665 Creation of New End User Categories:

- Non-Prepayment/Domestic
- Prepayment/Domestic

- Non-Prepayment I&C
- Prepayment I&C

As a result, the AUG Table no longer fully aligns with the End User Categories in effect for demand estimation.

4 Code Specific Matters

Reference Documents

Link to: UNC Related Document – [Framework for the Appointment of an Allocation of Unidentified Gas Expert](#)

Link to: [AUGE Appointment AUGE Statement Approval Process](#)

Knowledge/Skills

Not required, though it would be advantageous if the AUGE was engaged in the finalisation of this document.

5 Solution

Update the AUG Table contained in UNC TPD Section E Annex E-1 by splitting EUC Band 1 & EUC Band 2 into four categories:

- Non-Prepayment/Domestic
- Prepayment/Domestic
- Non-Prepayment I&C
- Prepayment I&C

6 Impacts & Other Considerations

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

None

Consumer Impacts

Consumer Impact Assessment

Criteria	Extent of Impact
Which Consumer groups are affected?	<ul style="list-style-type: none">• Domestic Consumers• Small non-domestic Consumers• Customers falling into EUC bands 01 & 02• Large non-domestic Consumers• Very Large Consumers

What costs or benefits will pass through to them?	The actual costs / benefits would only be quantifiable once the new AUGE statement with the new EUC sub-bands incorporated has been produced.
When will these costs/benefits impact upon consumers?	The costs / benefits will materialise once the energy variances resulting from the new allocation adjustment factors become effective post October 2021.
Are there any other Consumer Impacts?	The workgroup view is that the customer impacts are limited to, and are a function of, the methodology adopted by shippers to recover the costs associated with the resulting energy variances costs.
General Market Assumptions as at December 2016 (to underpin the Costs analysis)	
Number of Domestic consumers	21 million
Number of non-domestic consumers <73,200 kWh/annum	500,000
Number of consumers between 73,200 and 732,000 kWh/annum	250,000
Number of very large consumers >732,000 kWh/annum	26,000

Cross Code Impacts

Given that IGT UNC automatically adopts the prevailing UIG Allocation Adjustment Factors table, there is no requirement for a matching proposal to be raised.

EU Code Impacts

None

Central Systems Impacts

We anticipate there will be some changes required to align Unidentified Gas (UIG) processes to take account of the new End User Categories.

While the new EUC01 & 02 sub-bands have already been implemented for the purposes of allocation, these new EUC bands are not yet reflected in the AUG Statement Allocation Factors table in Gemini. A change to Gemini would have to be implemented before any changes to the AUGE Statement adjustment factors would have any effect on shippers' allocations of Unidentified Gas.

An assessment of the Gemini impact would suggest that a change of this nature & complexity should be included in a system release that would result in the Allocation Adjustment Factors table being effective from October 2021.

Rough Order of Magnitude (ROM) Assessment *(Workgroup assessment of costs)*

Cost estimate from CDSP	Change Costs (implementation): An enduring solution will cost at least £ 115,500 but probably not more than £185,500 to implement.
ROM Document	Link to: Change Reference Number: XRN5068

7 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.	Positive
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

This Modification should further Relevant Objective d) as the update to the AUG Table to align the new End User Categories in place will allow the AUGGE to provide Allocation Adjustments Factors for those new End User Categories as it sees fit. This should improve the accuracy of UIG allocation and place costs into the markets sectors where they occur. Better cost reflectivity allows costs to be placed where they are incurred and the increased level of granularity should provide better cost discovery for all market participants, and so further competition between relevant shippers and supplier.

8 Implementation

As self-governance procedures are proposed, implementation could be sixteen business days after a Modification Panel decision to implement, subject to no Appeal being raised.

The workgroup noted the documents appended in Section 4, which set out the process for the appointment of the AUGGE and the for agreeing the annual AUGGE statement. As can be seen from the schedule of events, the production of an AUGGE Statement is a process which takes approximately 16 months and the process for establishing the Statement to take effect on 1st October 2020 is already well underway.

However, the overarching factor was the time required to deploy the new table into Central Systems and fully integrate it into Gemini, and consequently, it is proposed that the effective implementation date is 1st October 2021.

However, it should be noted that, while the proposed effective implementation date is 1st October 2021, the implementation date for the proposal, and hence the revised table being available for associated UNC purposes, (for example being incorporated into the 2020/21 AUG Statement production timeline), should remain as 16 business days after a Modification Panel decision to implement, subject to Appeal.

Therefore, to be clear, the key dates for the integration of the new EUC 01 & 02 sub-bands into UNC processes would be as follows:

- Modification Proposal Implementation would be to be confirmed once governance is complete
- circa June 2020 Incorporation of new EUC 01 & 02 sub-bands into the AUGE Statement production timeline
- 1st October 2021 Go live for new EUC 01 & 02 sub-band specific Allocation Adjustment Factors in Gemini

9 Legal Text

Text Commentary

0711S Transitional Legal Text Commentary

The current AUG Table which constitutes TPD E: Annex E-1 will be moved to new Section 24 of the Transitional Document: TDIIC – Transitional Rules. The Transitional Document will allow for the current table to continue to be used until the central system changes can be implemented by Xoserve in October 2021, and the updated AUG Table is published by the AUGE.

0711S Legal Text Commentary

The current AUG Table which constitutes TPD E: Annex E-1 will be replaced with a new table which includes the new End User Categories (EUC) introduced as part of Xoserve Change Proposal XRN4665, New EUC Profiles for Bands 01 and 02.

Text

Transitional Text: New section to be added to TDIIC – Transitional Rules:

24 Transitional AUG Table to Reflect New EUC Bands

24.1 AUG Table transitional period

24.1.1 The below AUG Table shall apply from 01 May 2020 until 30 September 2021, after which the new table inserted into UNC TPD E: Annex E-1 as part of Modification 0711S will apply.

**Annex E-1
UIG Allocation Adjustment Factors**

FORM OF AUG TABLE						
Supply Points				Metered CSEPs		
	Class 1	Class 2	Class 3	Class 4	Category	Allocation factor
EUC	Allocation factor				All Metered CSEPs as a single category	
1						
2						
3						
4						
5						
6						
7						
8						
9						

UNC TPD E: Annex E-1 Legal Text

FORM OF AUG TABLE						
Supply Points				Metered CSEPs		
	Class 1	Class 2	Class 3	Class 4	Category	Allocation Factor
EUC	Allocation Factor				All Metered CSEPs as a single category	
1ND						
1PD						
1NI						
1PI						
2ND						
2PD						
2NI						
2PI						
3						
4						
5						
6						
7						
8						
9						

10 Consultation

Panel invited representations from interested parties on 20 February 2020. The summaries in the following table are provided for reference on a reasonable endeavours' basis only. It is recommended that all representations are read in full when considering this Report. Representations are published alongside this Final Modification Report.

Of the 6 representations received 3 supported implementation and 3 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives	Key Points
Centrica	Oppose	d) - none	<ul style="list-style-type: none"> • In opposing the modification, Centrica acknowledges the intent of the change is to more accurately allocated UIG to the source, however: • Are not convinced the data available to the AUG Expert is sufficiently reliable to accurately and robustly allocate UIG to the new EUC bands. • Expects that the change will shift UIG costs further towards residential and particularly pre-payment customers. The consideration of this impact has been explicitly removed from the remit of the AUG Expert, however it is relevant to the consideration of the UNC Panel and Ofgem. • Notes that in their opinion it has not been sufficiently established that the benefits will outweigh the costs to implement the change. • Disagrees that self-governance status applies on the grounds that self-governance guidance specifies that a change that “materially increases costs that are passed on to consumers or may be in future” should seek Authority decision. Whilst noting arguments that insist that this is simply a change to the table and in and of itself does not impact consumers (as it is up to the AUG Expert to determine the weightings), Centrica would counter that the changes to the structure of the table will almost surely lead to a change to the weighting factors, and hence materially change the distribution of UIG costs to consumers. • On balance it should be up to Ofgem to decide whether this change is in line with policy goals, particularly in relation to increasing cost pressures on residential and pre-payment customers. • If implemented, would expect the new table to be in place for the 2021/22 Gas Year, commencing 01 October 2021 - conditional on changes to Xoserve systems and the AUG Expert contract being implemented with enough lead time to

			<p>avoid any unintended outcomes – for example we wouldn't want the AUG Expert to be asked to produce a table in the new format without certainty that the Xoserve systems will be delivered on time.</p> <ul style="list-style-type: none"> • Points out that aside from the CDSP implementation costs and the changes in UIG cost allocations, Centrica would face an increase to reporting and analysis costs of less than £50,000. At this point Centrica have not yet assessed the costs to update our invoicing system, or other related systems. • Believes that the legal text would deliver the intent of the solution.
E.ON	Oppose	d) - positive	<ul style="list-style-type: none"> • Supports the intent of the change to ensure information to the AUG E aligns to the updated EUCs. • Does not support the cost as the ROM (XRN 5068) is far greater than expected. • Feels there is a lack of a clearly outlined benefits case which demonstrates that it will deliver any benefits at all for the investment given. Believes it is essentially a template change but due to system design it is a lot more costly. • Does not believe that the granular information in the refreshed reporting will be any more influential to the amalgamated EUC reporting utilised by the AUG E today. • Has concerns that the AUG E methodology is not robust, although E.ON do recognise this is not part of the intent of this Modification, but does believe it is linked. • Believes if the EUC data changes influence the methodology and there has not been any test runs to confirm that the data does not have any detrimental impact. • Has concerns that the investment of this change may see the exact same output as the AUG E review completed in 2019. • Agrees with the self-governance status. • Agrees with the proposed implementation timelines. • Believes there would be limited implementation costs for E.ON.
Gazprom Energy	Support	d) - positive	<ul style="list-style-type: none"> • Supports the proposal to address the miss alignment between the Aug Table format implemented as part of the project NEXUS and subsequent amendments that have been made to EUC Bands 1 which have been split into four new categories Change Proposal XRN4665 Creation of New End User Categories.

			<ul style="list-style-type: none"> • Supports self-governance status for the modification on the grounds that the change is minor in nature and with the implementation date being October 2021 substantial advance notice is provided thus mitigating any material concerns. • Believes this modification will have a positive impact regarding Relevant Objective d) as the update to the AUG table to align the new End User Categories in place will allow the AUG to provide Allocation Adjustments Factors for those new End User Categories as it sees fit. • Feels this will also improve the accuracy of UIG allocation and place costs into the market sectors where they occur. • Suggests that better cost reflectivity allows costs to be placed where they are incurred, and increased level of granularity should provide better cost discovery for all market participants and so further competition between relevant Shipper and Suppliers. • Gazprom have not identified any significant costs associated with implementation of the modification. • Believes that the implementation date of October 2021 is sufficient, as it provides adequate notice for any changes. • Has no further comments on the legal text provided.
ICoSS	Support	d) - positive	<ul style="list-style-type: none"> • Believes the modification corrects a misalignment between the AUG process and industry settlement processes. Updating the AUG table with the End User Categories currently used by Xoserve will allow the AUG to allocate UIG costs more accurately by EUC band, rather than smearing these costs at an aggregate level for EUC Bands 1 & 2. Also believes that this will improve cost targeting, furthering competition and so promoting relevant objective (d). • Suggests that the cost of the change, a single charge of £115 - £185k, should be compared against the cost to the market from UIG of £800,000/day (derived from a snapshot of 10 March, total LDZ D+1 demand of 2,073GWh, UIG of 3.15% (Xoserve latest view), price 35.65p/th (Platts Winter 20 prices)). • Is of the opinion that this change will improve cost targeting and incentivise actions by shippers to address the source of these costs in their portfolio, and believes that this industry investment is therefore justifiable as we expect a net positive financial gain for the market, and eventually customers, over time.

			<ul style="list-style-type: none"> • Supports self-governance status for the modification. • Supports the proposed October 2021 implementation date as this will provide the AUGÉ time to take into account the revised table when compiling the AUGÉ statement. • Believes that ICoSS members will see a more appropriate cost targeting will improve cost forecasting and so reduce wholesale balancing costs, and that there will be no change to operating costs. • ICoSS did not review the legal text.
Npower Group	Oppose	d) - positive	<ul style="list-style-type: none"> • Whilst supportive of the intent behind the proposed change, remains concerned around aspects of the solution, such as the fact that the EUC a MPRN is allocated to, is based on the Market Sector Flag which is submitted by the shipper and that this field is not mandatory or validated. Believes that unless there are some controls put around this data field as part of this modification, having UIG factors at this level could open up the market to potential risk of shippers using this to avoid UIG (i.e. if the UIG factors are less for I&C then what is to stop shippers falsely entering their portfolio as I&C and not domestic to avoid UIG?). Whilst Npower believe this is unlikely to happen, it is still a risk, which this solution does not mitigate. • Has concerns over the quality of data used to determine said factors for the new EUCs by AUGÉ, given that there is insufficient data for the profiles to be created for PP in some categories by DESC - the industry would need to be confident around the data that AUGÉ would use to produce the factors ahead of it being implemented with some form of formal review/sign off. • Observes that previously the data that the AUGÉ used re: theft, which drove the big move to the Class 4 weighting was challenged after the factors were implemented. • Supports both the self-governance status and proposed implementation timeline for the modification. • Has not identified any significant costs associated with the implementation of the modification at this stage. • Provided no comments on the legal text.
SSE Energy Supply Ltd	Support	d) - positive	<ul style="list-style-type: none"> • Supports the modification on the grounds that it will allow the AUGÉ to align the Adjustment Factors it calculates with each End User Category, which will result in the allocation of UIG being able to be more accurate and in line with the new EUC bands. • Supports both the self-governance status and proposed

			<p>implementation timeline for the modification.</p> <ul style="list-style-type: none">• Has not identified any significant costs associated with the implementation of the modification.• Is satisfied that the legal text will deliver the intent of the solution.
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Please note that late submitted representations will not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

12 Recommendations

Panel Determination

Members agreed:

- that Modification 0711S should [not] be implemented.