

## UNC Workgroup 0831/0831A Minutes

### Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method

### Allocation of LDZ UIG to Shippers (Class 3 and 4) Based on a Straight Throughput Method

Thursday 25 May 2023

via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Ben Mulcahy (Secretary)	(BM)	Joint Office
Andy Clasper	(AC)	Cadent
Claire Louise Roberts	(CLR)	Scottish Power
Edd Green	(EG)	E.ON Next
Ellie Rogers	(ER)	CDSP
Dan Fittock	(DF)	Corona Energy
Dan Stenson	(DS)	Brook Green Trading
David Mitchell	(DMi)	SGN
Gurvinder Dosanjh	(GD)	Cadent
Harry Hailwood	(HH)	Brook Green Trading
Helen Bennett	(HB)	Joint Office
James Lomax	(JL)	Cornwall Insight
Kevin Clark	(KC)	Utilita
Linda Hannaby-Doyle	(LHD)	Scottish Power
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Mark Field	(MF)	Sembcorp
Mark Jones	(MJ)	SSE
Phillipa Burton	(PB)	Scottish Power
Steve Mulinganie	(SM)	SEFE Energy Limited

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0831>

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 September 2023.

Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0831/250523>

#### 1. Introduction and Status Review

Rebecca Hailes (RH) welcomed everyone to the meeting.

It was noted that a draft Amended Modification 0831 (both Marked and Clean copies) had been provided to the Joint Office as well as a Rough Order of Magnitude (ROM) response from the CDSP.

### **1.1. Approval of Minutes (03 May 2023)**

The Workgroup was asked to approve the minutes from the meeting held on 03 May 2023. Mark Field (MF) questioned if Modification 0831A had been assigned to the correct proposer, which the Joint Office committed to verifying and addressing as necessary.

No further comments were made, and the minutes were duly approved.

### **1.2. Approval of late papers**

No late papers had been submitted.

### **1.3. Review Outstanding Actions**

No actions are outstanding.

## **2. Amended Modification 0831A**

A new draft of this Modification had not yet been provided and remains at v1.0 dated 06 March 2023, with the Workgroup later agreeing that it could replicate, in the main, the text of Modification 0831.

## **3. Amended Modification 0831**

As the Proposer for Modification 0831, Mark Jones (MJ) talked through the amended text and highlighted the detrimental effect of detected theft bias for Pre-Payment Meters (PPM) as recently discussed in the Authority response to Modification 0840 (Urgent) - Equalisation of prepayment and non-prepayment AUG factors, as further justification for this Modification. The Workgroup subsequently discussed in some detail whether this was a pertinent, appropriate, or valid proposition. As aspects of this discussion were felt political it was agreed that the Chair, RH, would summarise these in the Workgroup Report to enable the Workgroup to progress to review the suggested amendments to the Modification.

MJ talked through the amended Business Rules noting that:

BR1 states that the requirement for the preparation of the AUG Statement and AUG Table will discontinue.

BR2 confirms the allocation of a factor of 1 to all LDZ System Exit Points.

BR3 as previously written has been removed.

Ellie Rogers (ER) noted that the obligation of the CDSP to appoint the AUG will cease to exist and advised that there are natural breakpoints in the contract, with the intention for the contract to be managed by the CDSP outside of this Modification.

Andy Clasper (AC) observed that BR5 looks to move the AUG table and asked why it could not remain in the Transportation Principal Section E, Annex E-1. MJ explained that was a blank template and needed to be deleted and replaced with a table with set values of 1. ER concurred, stating that the table is used by the AUG as the template for their annual values. AC suggested it would be simpler for the BR to state that the table is to be amended to show set values of 1, rather than deleted.

MJ was asked if a term used to refer to the table had been considered and he advised that he was awaiting feedback from the Lawyers in this regard.

AC expressed the view that there seems to be a lot of duplication within the Business Rules, with BR3 doing much of the same as BR5, with BR2 referring to a UIG table. His view was that the rules should be much simpler and asked if BR5 was required at all as it was just a clarification statement. MJ acknowledged this commentary and conceded that BR5 was probably too long.

Steve Mulinganie (SM) suggested including the wording; 'The AUGE contract would be discontinued' and questioned why the BRs needed to contemplate the contractual arrangements at all, especially as it introduces an obligation on the Legal Text to then address them.

It was postulated that conceptionally, this Modification could be very simple, replacing one set of table values with another, and RH suggested it may be easier to include the table within the Modification.

ER stated that clarification was needed to remove the AUGE requirement as otherwise the CDSP would still be obliged to appoint an AUGE. Acknowledging comments made thus far she suggested that potentially an 'avoidance of doubt' statement around the contractual arrangements would best serve. SM suggested wording in the meeting Chat as "For the avoidance of doubt the CDSP will deal with the consequential commercial arrangements arising from these changes".

RH summarised that BR1 is to be amended by Proposer (MJ), CDSP and Cadent (AC) to ensure that the requirements to appoint the AUGE are removed, with the CDSP then taking the required actions to manage the contractual requirements.

**New Action 0501:** BR1 is to be amended by Proposer (MJ), working with CDSP (ER) and Cadent (AC) to ensure that the requirements to appoint the AUGE are removed.

Workgroup Participants then discussed the transitional nature of the Modification and SM noted that there was no process made available for subsequent changes to the table, thus requiring another Modification to make any subsequently proposed changes.

AC was not sure BR4 could be drafted as legal text in its current form, with the AUGE Table being outside of UNC and thus resulting in two tables in existence.

Proposer (MJ) agreed to address the points raised in the Workgroup and redraft BRs, with some elements being "for the avoidance of doubt" statements only.

SM asked if the rules discussed in this Modification will similarly be updated in the Alternative Modification proposed by Brook Green Trading. Harry Hailwood (HH) confirmed that this was the case and RH suggested that 0831 should include the table so that 0831A could do the same, thereby clearly showing the value differences. HH also stated the intention to raise a subsequent Modification to address the issues for other Product Classes.

HH asked if they should wait for Modification 0831 revised Business Rules to be completed before revisiting the BRs for 0831A. This approach was agreed between the Proposers.

RH highlighted that the Workgroup Report was a combined one for both Modifications so both need to be finished to enable the Report to be submitted to the UNC Modification Panel. SM noted that the only difference for 0831A is to have different table values.

**New Action 0502:** Proposers of 0831(MJ) and 0831A (HH) to provide Joint Office with new draft Modifications before 14 June 2023.

#### 4. Legal Text consideration

As amendments to Modification 0831 BRs that are to be replicated in 0831A are still being developed, Legal Text has not yet been requested.

#### 5. Rough Order of Magnitude (ROM)

ER talked the Workgroup through the ROM, with the two Alternatives being so similar in effect that the CDSP have produced an amalgamated ROM, with text within the document solely relating to 0831 being in blue and text relating to 0831A in purple with all other black text being true for both. ER confirmed that impacts are all the same for Shippers, and shared that the CDSP Subject Matter Experts (SMEs) had advised her that as zeros have existed in previous

tables, they were more of a known quantity than values of 1, which were unprecedented and therefore required further testing.

RH noted that the ROM mentions the specified activity is completed once a year for each new Gas Year, which, given the nature of the Modifications may not be applicable anymore. ER responded that such text being retained was likely due to a desire to minimise overall changes from the Modification, and operationally the CDSP would simply load the same factors each year to fulfil this retained requirement.

SM noted that such considerations suggest a timebound requirement despite the Modification fixing the values which he remarked was strange, ER agreed to double-check this element.

**New Action 0503:** CDSP (ER) to review and clarify timebound requirements within ROM.

Claire Louise Roberts (CLR) questioned if the Modification was meant to include Product Classes 1 and 2, to which HH confirmed his Modification is being revised just for Class 1. This was due to current system limitations. ER explained that the volumes for each Class are set out in the UK LINK Manual with a maximum limit of 50,000 with Class 2 having less than 1,000 MPs currently. HH added that Brook Green Trading is looking with the CDSP at current capacities and advised that CDSP are aware and open to the current interest in the nature and capacity of Product Class 2.

RH advised that Modification development should not be directed by system capacities and Dan Fittock (DF) voiced his support of this comment. ER stated that the CDSP is supportive of enhancing Class 2 to make it more applicable, but it is not a change that they can immediately deliver, and as such the CDSP is just looking to manage expectations.

MF asked that if constraints within Product Class 2 have been identified, what constraints exist in the other Product Classes and what other multiplication factors can be made available for other Product Classes. ER explained that the UK Link manual currently limits volumes at 50k, but increases are possible. She noted that there are a lot fewer sites in Daily Metered (DM) than in Non-Daily Metered (NDM), and whilst she did not have the numbers to hand, she could obtain them if required. She elaborated that the values and capacity were set at Project Nexus, and with current discussions developing the CDSP is looking to get a feel for what parties need.

MF asked, if it was the case that the question was pertinent to the development of this Modification, for the numbers in each Product Class and the potential headroom that exists for each, and for an understanding of how long this piece of analysis would take.

SM observed that it is relevant if the Modification includes both Class 1 and Class 2, and the Proposer has the autonomy to include both but noted that this is currently not the case. He thought it a pragmatic approach to get this Modification implemented as soon as possible and then consider the wider picture. He elaborated that Project Nexus included awareness of the potential of changing Product Classes with the rollout of Automated Meter Reading (AMR) and Smart metering. DF confirmed that a quick implementation was an agreed objective of the Review group.

In response to further questions on the current volume headroom on Product Classes, ER verified that the CDSP has already started this analysis, complete with testing, to understand the best solution to enable them to later approach customers to discuss and agree on the next steps, but stated the analysis would not be ready for this Workgroup.

RH noted that the current draft of Modification 0831A still included both Product Classes 1 and 2 so the request is still pertinent but acknowledged the amount of work included.

SM felt that it would be appropriate to instead review the volumes and subsequent issues as a separate Distribution Workstream Action, to which the Workgroup Participants agreed.

**New DWG Action:** *Product Class Constraints* – Action from 0831/0831A WG Discussion to develop an understanding of system restrictions on Product Class capacities and the options available to address perceived future requirements. **CDSP (ER)**

ER progressed the ROM walkthrough, advising that whilst the CDSP will undertake testing to ensure solution resilience there are no costs for the implementation of either Modification as this work will be absorbed as part of the existing BAU process.

She also advised that removing the requirement for the AUGE contract results in a cost-saving in the range of £300k to £400k per annum, and whilst the CDSP cannot divulge commercially sensitive contract value, this range has been shared as it includes the cost of the CDSP internal processes and activities related to managing AUGE.

SM noted the commentary with the ROM regarding forward contractual costs being incurred, which ER confirmed that due to timing considerations of the potential implementation of these Modifications and the current AUGE process cycle, it is difficult to anticipate whether a contract breakpoint would be chronologically close or not. ER subsequently agreed to review the wording used in the ROM potentially using 'some contractual cost' whilst mindful of the contractual relationship sensitives.

**New Action 0504:** CDSP (ER) to review ROM wording regarding forward AUGE contractual costs.

ER also confirmed that the release would be an Ad-hoc one and would require some notice, which initiated a discussion amongst Workgroup participants regarding the implementation lead time and the commentary within the Modification, which was confirmed to currently be 3 months.

SM asked that given the discussion points today, should the implementation be as soon as reasonably practical following approval and asked for the views of the Proposer. MJ agreed that whilst there had originally been CDSP feedback that an October implementation date be best suited, this was not necessarily now the case. ER concurred that, as the AUGE work for this October and for the next Gas Year had mostly been done already this was not such a concern, and whilst her feedback to the proposer had originally been that October was the appropriate target date for implementation she had since received CDSP SME feedback that the only real caveat was that implementation should be on the first day of the month to avoid having two tables in place within the same calendar month.

SM observed that Ofgem had recently quickly approved a recent Urgent Modification (0840 Urgent - Equalisation of prepayment and non-prepayment AUG factors) due, in part, to citing that it benefited a category of consumers, and as this Modification is looking to do the same and no longer locked into a specific date, it could be approved and implemented quite quickly. Louise Hellyer (LH) added that she supported implementation as soon as reasonably practical, providing a reasonable period of notice was provided. SM suggested it would still be good to target implementation at the start of the Gas Year in October anyway, especially given the benefits to specific consumer groups.

**New Action 0505:** Proposer (MJ) and CDSP (ER) to discuss and agree revised implementation timeline.

## 6. Development of Workgroup Report

Development of the Workgroup Report was deferred pending the submission of amendments to both Modifications.

## 7. Next Steps

- Amendments to be made to Modification 0831, including consideration of the AUG Table, implementation date and Business Rules.
- Subsequent amendments to be considered for revision of 0831A.
- Review the new Rough Order of Magnitude.
- Consider Legal Text update.
- Develop the combined (0831/0831A) Workgroup Report.

## 8. Any Other Business

None.

## 9. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month).

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 22 June 2023	5 pm 14 June 2023	Microsoft Teams	<ul style="list-style-type: none"> <li>• Consider Amended Modification 0831</li> <li>• Consider Amended Modification 0831A</li> <li>• Consider an Update on the combined Rough Order of Magnitude</li> <li>• Consider Update on Legal Text</li> <li>• Develop the Workgroup Report 0831/A (combined report)</li> </ul>

### Action Table (as of 25 May 2023)

Action Ref	Meeting Date	Minutes Ref	Action	Owner	Reporting Month	Status Update
0501	25/05/23	3	BR1 is to be amended by Proposer (MJ), working with CDSP (ER) and Cadent (AC) to ensure that the requirements to appoint the AUGE are removed.	Proposer (MJ)	June 2023	Pending
0502	25/05/23	3	Proposers to provide Joint Office with New drafts of 0831/0831A Modifications with revised BRs to be provided to JO before 14 June	Proposers 0831(MJ) 0831A (HH)	June 2023	Pending
0503	25/05/23	5	CDSP (ER) to review and clarify timebound requirements within ROM.	CDSP (ER)	June 2023	Pending
0504	25/05/23	5	CDSP (ER) to review ROM wording regarding forward AUGE contractual costs	CDSP (ER)	June 2023	Pending
0505	25/05/23	5	Proposer (MJ) and CDSP (ER) to discuss and agree revised implementation timeline.	Proposer (MJ) and CDSP(ER)	June 2023	Pending