UNC Workgroup 0781R Minutes
Review of the Unidentified Gas process
Thursday 28 October 2021
via Microsoft Teams

Attendees		
Alan Raper (Chair)	(AR)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Alison Tann	(AT)	National Grid
Carl Whitehouse	(CW)	Shell Energy
Claire Louise Roberts	(CLR)	Scottish Power
Clare Manning	(CM)	E.ON Energy
David Addison	(DA)	Xoserve
Dan Fittock	(DF)	Corona Energy
David Mitchell	(DM)	SGN
David Morley	(DMo)	Ovo Energy
Ellie Rogers	(ER)	Xoserve
Fiona Cottam	(FC)	Correla on behalf of Xoserve *(0781R and 0782 only)*
James Knight	(JK)	Centrica
Kate Lancaster	(KL)	Xoserve
Kundai Matiringe	(KM)	BU-UK
Louise Hellyer	(LH)	Totalenergies Gas & Power
Mark Field	(MF)	Sembcorp Energy UK
Marion Joste	(MJ)	ENI
Neil Cole	(NC)	Correla on behalf of Xoserve *(0781R and 0782 only)*
Ryan Prince	(RPr)	Northern Gas Networks
Shiv Singh	(SS)	Cadent
Steven Britton	(SB)	Cornwall Insight
Steve Mulinganie	(SM)	Gazprom Energy
Tracey Saunders	(TS)	Northern Gas Networks

Copies of all papers are available at: http://www.gasgovernance.co.uk/0781/281021

The Workgroup Report is due to be presented at the UNC Modification Panel by 21 April 2022.

1.0 Outline of Modification

Gareth Evans (GE) provided a presentation explaining that this Request is proposing a review of the process for allocating Unidentified Gas.

GE explained to Workgroup that the Unidentified Gas process is an extremely contentious process therefore it is necessary to make sure any residual gas is dealt with; settlement errors will be included in the Review and that the whole process has not been looked at for some years.

Scope

GE noted that input will be required from the Allocation of Unidentified Gas Expert (AUGE); CDSP; Shippers and Transporters. Also to look outside of Uniform Network Code (UNC) and possibly look at REC.

GE proceeded to walk through the material provided for the meeting. The presentation covered the following main topics. Where there was specific interaction regarding particular slides with the Workgroup, this has been captured within the minutes for each section of the presentation, and full details can be found on the published presentation here:

When Steve Mulinganie asked if the review will include (Demand) "Model Error" which is used to derive consumption (downstream shrinkage conceptually), GE agreed that it was included.

GE explained that he has identified nine different options as follows:

Uniform Allocation (by LDZ)

GE explained this option would allocate UIG to all throughput equally.

Dave Morley (DMo) requested that the underlying logic for implementing the AUG process, and conversely the logic for not implementing a flat allocation methodology as is proposed by GE first option, should be taken note of and assessed to a) guide our conversation on the proposal being considered under 0781R and b) avoid duplication of work that has already taken place:

Note: Both the Ofgem Agency Charging Statement decision letter and the Ofgem Decision Letter for Modification 0229 *Modification 0229 – Mechanism for correct apportionment of unidentified gas* have been published here*: www.gasgovernance.co.uk/0781*.

It was suggested as part of Workgroup Review, the following should be looked at:

- Market evolution when considering downstream shrinkage, look at what components can be removed.
- Gain granularity and strip out a lot of Model Error.
- Look back to why decisions were made but also technology has moved forward and that previous assessments need to be resurrected and re-tested in the current environment .

Static Model

For a Static Model, GE explained the AUGE process would be discontinued and replaced with a static model that Xoserve would manage which would operate unchanged except via an industry process (e.g. UNC modification).

When asked GE clarified this would be a new set of static weighting factors.

GE advised there are some underlying assumptions for this option such as:

- LDZ apportionment;
- A residual amount that has to be managed, for example, settlement error; model error; leakage.

Static model (with regular audit)

GE advised the AUGE process would be discontinued and replaced with a static model that Xoserve would manage which would operate unchanged except via an industry process (e.g. UNC Code change). There would be a requirement for an annual audit.

Utilise existing industry datasets

GE explained this option would be utilised for determining levels and proportions of UIG, with data used to update the model. An example of this would be industry theft reporting which has significantly improved since the inception of the AUGE concept in 2009.

GE clarified DNV and Engage took industry data and added their own appropriate adjustments.

SM noted there is something that is called 'Found Theft', and Theft that is not found requiring the AUGE to make a determination on the quantity unfound theft. Consequently, the unknown becomes subjective and based on how the AUGE goes about determining what the value of the unknown theft is.

GE confirmed that this option removes that unknown feature. If there are errors in the data, they would be reflected in the UIG allocations.

Utilise existing industry datasets with (AUGE top-up)

GE explained this option would use existing industry datasets for determining levels and proportions of theft where appropriate. The AUGE role would then be limited to identifying areas of UIG which cannot be derived from industry datasets.

Balancer of last resort

GE advised this option aggregates UIG losses for each LDZ and allocates them to a "Balancer of Last Resort" with the costs of the new third-party being recovered from the industry.

GE advised this came up a couple of years ago where it was considered taking the variability of individual shipper UIG costs and giving it wholesale to separate single party.

This modification, if raised, will require all losses, not allocated directly via a customer, to go to third-party (shipper) who would then buy the gas, e.g one large player buying the gas on behalf of everyone with the corresponding downside for certain individual Shippers that they lose the ability to manage this cost.

DMo said if there have been previous conversations regarding this type of option, could the Workgroup review the outcome of those conversations.

Smoother transition of scaling factor changes

GE advised this option would mean the annual AUGE process would continue, but any changes to scaling factors would be smoothed over a period of years, (say 3 years).

GE explained how the scaling factors over a 3-year period could be used on an averaging basis. (rather than ignoring the previous years factors on a year-by-year basis).

UIG framework responsibility of sub committee

GE advised that under this option, UIG management would be formally controlled by a sub-committee committee who would be responsible for setting values and managing the model. This could be achieved by mirroring the current DESC process.

GE noted this would mean the creation of a formal sub-committee which would have responsibility of producing scaling factors in their own right and managing the model.

DMo asked if a similar outcome be achieved by expanding the budget of the AUGE.

Louise Hellyar (LH) suggested there could be a hybrid, where the sub-committee can do analysis or whatever requested by the Workgroup.

LH offered a different option where a flat volume is determined, creating a pence / meter charge, with UIG overlaid on top as a balancing volume, with the overall charge being proportional to numbers of meter points.

DMo asked GE whether he had brought a solution to mirror electricity losses. DMo reminded GE of the discussion on this topic that were held within the pre- Modification discussions at the UNC Modification panel. In summary, within the pre- Modification discussions GE noted that gas losses should be following the same model as electricity losses, as the electricity model was a simple case of flat allocation. DMo showed concern at a proposal as within Elexon Market Domain Data (MDD) there are thousands of Profile Class (PC); Measurement Class (MC); Line Loss Factor Class (LLFC) combinations used to allocate losses to individual sites. DMo then went on to question why GE had chosen to not bring an electricity-based solution forward. GE explained that he had reconsidered the electricity arrangements and decided that, in his view they were complex, but that perhaps using the Group Correction Factor (GFC) could provide be a good solution.

DMo proposed a further method for ensuring the quality of the AUGE. DMo noted that, as there is a greater propensity for complaints about the AUG Statement whenever the consultants running the AUG process change and the methodology shifts, it would be beneficial to analyse the variance that occurs on consultant change, and to explore extending the minimum duration for the contract of the AUGE as a way of limiting the variance that occurs in such a scenario.

There is a mechanism in which you can change the group correction factors with no annual requirement to review.

If the Workgroup intends to consider Electricity losses, GE advised he could invite Elexon to attend this meeting. He added in terms of options, it fits closest to the static model (with regular audit).

SM said that if everyone with AMR and Smart had to be daily read the Demand Model Error and reconciliation would disappear. Unregistered sites would decrease too.

New Action 0110: GE to provide for Workgroup how market changes would factor into this group

2.0 Initial Discussion

2.1. Issues and Questions from Panel

None raised.

2.2. Initial Representations

None received.

2.3. Terms of Reference

The standard UNC Workgroup Terms of Reference will apply and is available at www.gasgovernance.co.uk/mods

3.0 Next Steps

AR confirmed the next steps to be:

- GE will produce a table of options for each suggestion
- Provide a deeper dive into some of the options
- Assess where opinion seems to be settling

4.0 Any Other Business

None.

5.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
10:30 Thursday 25 November 2021	5pm Tuesday 16 November 2021	Microsoft Teams	• Standard Agenda

Action Table (as at 28 October 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0110	28/10/21	2.2	GE to provide for Workgroup how market changes would factor into this group.	Gareth Evans (GE)	**Pending**