

UNC Workgroup 0831 Minutes

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

Thursday 29 November 2022

via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Vera Li	(VL)	Joint Office
Aleksandra Cebo	(ACe)	EDF Energy
Andy Clasper	(AC)	Cadent
Claire Louise Roberts	(CLR)	ScottishPower
Clare Manning	(CM)	E.ON
David Mitchell	(DMi)	SGN
Ellie Rogers	(ER)	Xoserve
Fiona Cottam	(FC)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
Howard Gormley	(HG)	Cadent
Kathryn Adeseye	(KA)	Xoserve
Linda Hannaby-Doyle	(LHD)	ScottishPower
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Mark Jones	(MJ)	SSE
Oorlagh Chapman	(OC)	Centrica
Sally Hardman	(SH)	SGN
Steve Mulinganie	(SM)	SEFE Energy Limited
Tom Stuart	(TSt)	Wales & West Utilities
Tracey Saunders	(TS)	Northern Gas Networks

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 15 June 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/0831/291122>

1.0 Outline of Modification

Mark Jones (MJ) briefly walked through the presentation that was given to the November UNC Panel, this presentation can be found here: <https://www.gasgovernance.co.uk/0831/291122>. It explains that the Modification looks to change the method by which unidentified gas (UIG) is allocated to Shippers from the current AUGGE (Allocation of Unidentified Gas Expert) table of weighting factors, to a throughput or universal allocation model.

MJ explained that the current method causes uncertainty and a risk to Shippers. MJ confirmed *Request Group 0781R - Review of the Unidentified Gas process*, considered a number of solutions, and as a result this Modification has been raised.

Fiona Cottam (FC) wished to take Workgroup through her presentation which explained the application of UIG weighting factors, the presentation can be found here, <https://www.gasgovernance.co.uk/0831/291122>, and includes the following information:

- Key Principles of Daily Energy Allocation since Project Nexus;
- How Unidentified Gas is calculated;
- Explanation of UIG Weighting Factors and a worked example of how they are applied;
- Subsequent Refinement – Reconciliation; and
- What Sharing UIG would like without Weighting Factors

Referring to the Modification and considering the solution to the Modification, Workgroup discussed whether it would be beneficial to keep the UIG table in UNC or remove the table and design the solution so that it is purely based on the throughput.

Some Workgroup participants agreed that keeping the table in UNC and applying a default weighting factor of '1' would be the simplest solution, whereas others felt the right thing to do would be to remove it completely.

Ellie Rogers (ER) advised that the high-level impact assessment carried out by CDSP (Central Data Service Provider) will cover the various options for the table.

When RH (Rebecca Hailes) asked what the equation look would look like, MJ advised that it will be adding UIG as a fixed % to all throughput, all scaling factors shall be a value of 1.

A Workgroup participant noted that there could be consequences to removing the table and retaining it might have some value, whereas other participants noted that clauses in the Code should be removed if they are no longer relevant.

When asked, MJ confirmed this would remove the AUGE framework (with a sunset clause).

Gareth Evans (GE) highlighted that it is an extremely complicated process to unwind everything relating to the AUG (Allocation of Unidentified Gas) Weighting Factors in the Code and supported the suggestion that the table can be populated with a weighting factor of '1' which is simple and 100% doable.

GE advised that this process is expensive and complex for the Industry and creates a lot of uncertainty.

TS (Tracey Saunders) sympathised with the position of GE but noted, if Workgroup are not going to complete a full review because it is timely, is there a risk of leaving something in that could initiate dual governance.

FC highlighted there is a formula in Code and reference to the appointment of an AUG Expert:

SECTION E – DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

E1.1.6 (a) (ii)

(ii) the "User LDZ Unidentified Gas" ('ULUG') in respect of an LDZ shall be calculated as follows:

$$ULUG = UIG * AULOQ / AAULOQ$$

Where

UIG is the Unidentified Gas for the LDZ and the Day in accordance with Section H2.6.1;

AULOQ is the User's User Adjusted LDZ Offtake Quantity for the LDZ and the Day;

AAULOQ is the aggregate for all Users of the Adjusted User LDZ Offtake Quantities for the LDZ and the Day;

9.2 Appointment of AUG Expert

9.2.1

A person shall be appointed by the CDSP, in accordance with this paragraph 9.2, for the purposes of: (a) preparing the AUG Statement or (as the case may be) modifying the AUG Statement for the Preceding AUG Year and recommending it to the Committee; and (b) preparing the AUG Table, and recommending it to the Committee, in relation to each AUG Year.

For reference, FC noted:

Modification 0229 - Mechanism for correct apportionment of unidentified gas, put the pre-Nexus AUGE into Code

Modification 0432 Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform, was the big Nexus Modification which was a vanilla smear

Modification 0473 - Project Nexus – Allocation of Unidentified Gas, put all the text into Code and the weighting factors.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

2.1.1. Consider AUGE contractual interactions

It was confirmed that Xoserve are starting discussions with the AUGE relating to the timetable for existing key points in the process, the Contract and then this Modification.

Workgroup participants suggested that consideration of the contractual interactions and the appointment of the AUGE at a future Workgroup would be beneficial to the development of this Modification.

GE suggested that the AUGE can carry on doing its work, but Industry do not need to use the outputs. He was of the view that it was not a requirement of the Modification to remove the AUGE framework but rather Code could just reflect that it is no longer applicable.

Rebecca Hailes (RH) did not agree and felt that this was an untidy way of proceeding and would be poor practice leading to a lack of clarity in Code

Workgroup agreed that committed AUGE spend; critical timing factors (avoiding cost in terms of Modification progression) and any key dates that Workgroup need to be aware of needs to be shared.

New Action 0111: CDSP to provide information on the AUGE contractual interactions.

Post Meeting Note:

Leaving the AUGE framework intact in Code when its outputs are no longer being utilised may be considered to have a negative impact on Relevant Objective f) *Promotion of efficiency in the implementation and administration of the Code.*

2.1.2. Consider effects of market flux (parties exiting etc.) and any need for reconciliation

FC suggested the Final Modification Report should show what does and does not change in the process which could help to satisfy this question.

It was also clarified that the Modification does not change the UIG amount but will make changes to the process of allocation.

2.1.3. Consider effect on IGT UNC of the proposed to Legal Text drafting

This will be considered when LT is produced.

2.1.4. Consider any impact/interaction on Licences

MJ noted this question raised by Panel was in relation to the new *Modification 0828 - Introduction of an Independent Shrinkage Expert*, raised which is now being considered as a Review.

2.1.5. Consider whether this Modification would reduce the amount of information available from AUGÉ which currently provides industry with an opportunity to drive actions to reduce UIG

To be considered.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference has been published alongside the Modification at www.gasgovernance.co.uk/0831.

3.0 Next Steps

RH confirmed that the next meeting on 26 January 2023 will focus on Legal Text and look at an implementable solution.

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.

As the Workgroup Report is due to be submitted to the 16 March 2023 UNC Panel, it is agreed that the next Workgroup meeting for this Modification will be held in the New Year on Thursday 26 January 2022.

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Thursday 26 January 2022	5pm 17 January 2023	Microsoft Teams	<ul style="list-style-type: none"> Standard Agenda

Action Table (as at 29 November 2022)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0111	29/11/22	2.1.1	CDSP to provide information on the AUGÉ contractual interactions.	CDSP (FC/ER)	Pending