

## **Uniform Network Code Committee**

### **Minutes of the 79<sup>th</sup> Meeting**

#### **Held by Teleconference**

#### **Members Present:**

**Transporter Representatives:** A Ross (Northern Gas Networks), C Warner (National Grid Distribution), J Martin (Scotia Gas Networks) and S Trivella (Wales & West Utilities)

**User Representatives:** P Broom (GDF Suez) and R Fairholme (E.ON UK)

**Ofgem Representative:**

**Customer Representative:**

**Supplier Representative:**

**Joint Office:** T Davis (Chair) and B Fletcher (Secretary)

**Observers Present:** A Gordon (GL Noble Denton), A Miller (Xoserve), B Durber (E.ON UK), C Whitehead (GL Noble Denton), D McCrone (Scottish Power), D Ianora (Ofgem), D Stacey (British Gas Trading), D Watson (British Gas Trading), D Woodall, L Kerr (ScottishPower), M Bagnall (British Gas Trading), M Jones (SSE), N Cole (Xoserve), S Mulinganie (Gazprom) and T Perchard (GL Noble Denton)

**Record of Alternates:** A Ross for J Ferguson (Northern Gas Networks) and J Martin for A Gibson (Scotia Gas Networks)

**Apologies for Absence:** A Bal, A Gibson and J Ferguson

### **79.3 Matters for the UNC Committee's Attention**

- a) Allocation of Unidentified Gas Expert consultation responses

T Davis (TD) introduced the meeting objectives to attendees.

C Whitehead (CWh) introduced the aims of the AUGE and outlined the project plan and the tasks completed so far. One of the issues has been the difficulty obtaining the necessary data required to complete the analysis in time – though this should be addressed in the next draft AUGS. However, he highlighted a risk that the production of this draft may be delayed in order to provide a more meaningful document.

D Stacey (DS) asked if the overall process is likely to be completed on time? CWh felt this was still achievable though there may need to be an amendment to the August/September timeline to meet the October publication date.

CWh explained the consultation representations received and the concerns raised. AUGE responses to the representations have either been sent or are being drafted.

DS asked if the primary methodology has identified weaknesses, is it likely that the secondary methodology will be used? A Gordon (AG) advised that the process for representations allows the methodology to be amended to reflect elements of improvement where applicable. This has meant that the top down approach has been supplemented with a bottom up approach to ensure the analysis is robust.

AG explained that there had been an omission in the AUGS communication index in that reference had not been made to the TPA report and this had been corrected. He also clarified the difference between unidentified gas and shrinkage ie shrinkage is upstream and unidentified gas is downstream of the meter. CWh suggested that the shrinkage forum should address any issues with the accuracy of the shrinkage model, though if they considered there was an error in the model used for its calculation it was outside their scope to correct.

D Watson (DW) was concerned about the approach if errors are identified in demand estimation and shrinkage models – why is one in scope and the other not? This is particularly important where an error in the shrinkage model can affect unidentified gas. DS added his concerns as this could be a significant value and is still paid for by the SSP market.

AG agreed that there should be a distinction between shrinkage and shrinkage error, though only the error would have an impact on RbD. DS was concerned that the shrinkage error is unidentified gas as the magnitude of the error is unknown. AG advised that the shrinkage model aims to calculate shrinkage accurately and is currently the only model available, but it is beyond the scope of the AUGS to correct it.

DS was unconvinced and felt that the error could be identified by using the top down/bottom up approach for theft. CWh considered this was an issue for identifying the correct apportionment of unidentified gas to each market sector and not to validate shrinkage.

S Trivella (ST) asked if the materiality of the shrinkage error could be identified against the overall volume of unidentified gas. CWh thought it would depend which area of the shrinkage model was in error as some aspects of the model were more conservative in their assumptions than others.

CWh explained the progress made to date on CSEPs and he thanked those iGTs that have responded for their cooperation. N Cole (NC) advised that some additional information relating to iGTs would be made available soon.

DW asked if both Offtake and LSP meter errors were to be revisited. AG advised that all metering areas would be revisited.

DW asked when the additional theft analysis would be available. CWh advised that responses should be made available soon and the next draft AUGS should reflect this analysis. He added that theft is difficult to quantify, but they aim to develop a robust approach to the analysis.

M Bagnall (MB) asked if the AUGEs view on LSP/SSP consumption changed following analysis of RbD values and the TPA report. CWh

advised that they consider the LSP AQs to be overstated compared to the SSP sector. He explained how they had approached the analysis for identifying and quantifying the volume of unidentified gas for each sector. Their analysis considered that the error is around 4.4% based on LSP AQ values. However, actual unidentified gas is around 2%. Therefore it is likely the LSP AQs are overstated. He confirmed that an element of theft still needs to be considered.

MB asked if the AUGS considers the RbD levels to be consistent, as RbD changes due to the nature of its component parts. DS added that all SSP AQs are uplifted by an unidentified gas uplift - therefore any unidentified gas left in the pot should be applicable to the LSP market.

S Mulinganie (SM) did not consider this assertion to be a fact and suggested all statements should be based on analysis. That is the reason why an independent approach had been introduced and the AUGS had been employed. CWh advised that an offset is applied to RbD though this may not be sufficient as the demand estimation model may be biased towards RbD and may need to be corrected.

MB challenged this view, as he was not happy with the approach that unidentified gas should be applied to RbD and then corrected by the removal of the LSP values - why should SSPs be exposed to LSP values until they are reconciled. AG agreed this was the approach, as their role is to identify unidentified gas applicable to the LSP sector and not the market as a whole.

DW asked when they are likely to receive formal responses to their representations. CWh advised that these are likely to be available soon, hopefully by the end of this week.

LK asked, in light of the potential delay, is it possible for an initial draft AUGS to be provided with those areas they have concluded, rather than wait for all the areas to be concluded before it is published. CWh advised that they would consider this option, though the main objective is to produce a completed draft as soon as possible.

#### **79.4 Any Other Business**

None raised.

#### **79.5 Next Meeting**

The Committee noted the date and time of the next meeting as:

Thursday 21 July 2011, at the ENA, immediately after the Modification Panel meeting