

AUG Guidelines suggested revisions.

Background

The AUG was appointed and the AUGS methodology derived to create an independent and accurate view of the volume of unallocated gas within the market and allocate this back to market participants.

There have been a number of issues with the AUG methodology for the 2013 – 2014 year relating to the methodologies proposed. This has culminated in the AUG not publishing actual volumes until the methodology has been agreed. We believe strongly that no position should be taken based on the commercial impact of an AUG statement and the Industry should work collaboratively to ensure that the result is purely an accurate portrayal of unidentified gas and is therefore allocated accurately.

To this end we believe there are a number of inefficiencies in the *Guidelines for the Apportionment of an Allocation of Unidentified Gas Expert and the provision of the Allocation of Unidentified Gas Statement, version 3 dated Feb 2011*.

Consideration of the Guidelines

As set out in 7.1.3. of the AUG Guidelines a draft AUG statement is required to be provided to gas transporters and published giving Shippers a 42 day consultation period to raise any issues for consideration.

- *7.1.3 Once published, any responses to the AUG must be received by the Gas Transporters within 42 days. The Gas Transporters will then provide these responses to the AUG as they are received or no later than 15th June.*

Paragraph 8.2 states that further queries can be submitted once the Final AUGS document has been approved:

- *8.2 Once the Final AUGS document has been approved by The Committee, then Code Parties may submit any subsequent queries to the AUG. For the avoidance of doubt, this process will run from the 1st September to the last day in February. Any issues raised under this process and not resolved by the last day in February will be considered in the next methodology and AUGS as applicable.*

This current drafting effectively leaves open a second consultation period from the 1st Sep until 1st Feb the following year. This is inefficient and serves little purpose if the methodology has already been agreed by the UNCC.

We see very little benefit to having a second lengthy consultation on a methodology that has already been agreed and believe that the AUG's time would be better spent addressing further data/operational issues that are contributing to unidentified gas. The second consultation period adds complexity and may cause confusion amongst parties with the potential to undermine the UNCC decision.

We therefore propose that the current guidelines are revised to ensure the AUGÉ can plan and therefore deliver the full table within governance timescales. In our view, a suitable way to achieve this would be to amend the 2nd consultation period (1st September – last day of February) to ensure that only volume and SAP price queries can be raised during this period and not methodology based queries/changes, as parties will already have had the opportunity to raise these queries in the first consultation.

The benefits of this approach are:

- Increased certainty for Shippers earlier in the process for forecasting AUG impact on future pricing calculations
- Efficiency in the AUGÉ's delivery by allowing them more time to finesse the future methodology further, rather than dealing with secondary consultation responses to issues that should have been identified earlier in the process
- Shippers are not raising issues with the methodology purely as they have identified the potential commercial impact of AUG statements.

Suggested text Amendment to AUG Guidelines.

8. Query Process

8.1 This section covers how Code Parties may raise ~~any volume or rate issues or queries errors~~ once the Final AUGS has been published ~~and before the AUGÉ commences development of the new methodology~~. This process is only to be used if a Code Party identifies a potential material error with the AUGS which has not been addressed in any prior stage of the AUGS process by any Code Party or the AUGÉ.

8.2 Once the Final AUGS document has been approved by The Committee, then Code Parties may submit any subsequent ~~volume or rate queries errors~~ to the AUGÉ. For the avoidance of doubt, this process will run from the 1st September to the last day in February. Any issues raised under this process and not resolved by the last day in February will be considered in the next methodology and AUGS as applicable.

8.3 The Code Party must provide;

- (a) Contact details for the Code Party;
- (b) A description of the issue; and
- (c) The likely impact this issue may have.

The AUGÉ will, publish (or arrange for the publication of) the query (including the identity of the Code Party) and as soon as possible, investigate the issue and classify the change accordingly.

8.4 In the event that the AUGÉ classifies the query as:

- (a) Requiring no action;
- (b) Requiring a change to the Final AUGS, but will have not have a material impact on the final Unidentified Gas volumes; or
- (c) Requiring a change to the Final AUGS, which will have a material impact, but cannot be implemented in time for the creation of the final Unidentified Gas

volumes. then the AUGE will publish (or arrange for the publication of) the response to the query and any correspondence between the AUGE and the Code Party. In the event of a) or b) above, the AUGE will provide to The Committee a summary of the changes that it expects that would need to be considered in the creation of the current or next AUGS, as well as reasons why any changes cannot be implemented for the current AUGS.

8.5 In the event that the AUGE classifies the change as requiring a change to the Final AUGS, which will have a material impact, and can be implemented in time for the creation of the final Unidentified Gas volumes, then the AUGE will provide an updated Final AUGS taking into account those changes it believes should be incorporated, as well as reasons as to why those changes are necessary.

8.6 Once the AUGE has provided its recommendation to The Committee and the Code Parties, The Committee will convene as soon as possible to consider the issue, and the proposed solution.

8.7 The Committee will endorse the course of action recommended by the AUGE unless it votes unanimously to reject the proposed solution. If The Committee has endorsed the proposed course of action, then the Gas Transporters will communicate to all Code Parties the outcome of the query process and calculate the final Unidentified Gas volumes using the updated Final AUGS if necessary.

8.9 If The Committee has not endorsed the proposed course of action, then the Gas Transporters will communicate to all Code Parties the outcome of the query process and the AUGE will review its proposed changes and submit its proposed solution to The Committee within 28 days.

8.10 If The Committee has rejected any proposed solution, then it shall review any adjusted solution presented to it within 28 days by the AUGE and shall endorse the revised solution unless it unanimously votes to reject that solution.

8.11 Code Parties, The Committee and the AUGE will use reasonable endeavours to ensure that any **volume or rate error** query is considered and, where possible, resolved to allow the AUGS to be adjusted prior to the submission of final Unidentified Gas volumes to the Gas Transporters by the AUGE.

8.12 The Committee will provide all relevant information relating to any **volume or rate query error** that was identified as requiring a change to the AUGS, but which was not incorporated into the AUGS or any subsequent AUGS, to any AUGE appointed as a result of the tender process.