

## **Modification 229 Mechanism for the correct apportionment of unidentified gas – summary report for User Pays costs for the financial year 2010 / 11**

### **1. Introduction**

The report outlines the activities performed in the financial year 2010 / 11 and the User Pays development costs to be charged to the industry for this work. The User Pays ongoing services will not commence until the financial year 2011/12.

The charging basis for Modification 229 is shown in Appendix A.

### **2. Modification 229 development activities**

Modification 229 placed an obligation on the Gas Transporters (GTs) to appoint an organisation to undertake the role of Allocation of Unidentified Gas Expert (AUGE) with responsibility for the production of the Allocation of Unidentified Gas Statement in accordance with the AUGE Guidelines Document (this document can be found at

<http://www.gasgovernance.co.uk/sites/default/files/AUGE%20Guidelines%20v3.1%20approved.pdf> ).

The GTs requested that Xoserve undertake the requirements defined in the UNC on their behalf and that Xoserve were to be the contracting party with the AUGE.

The development activities undertaken for the financial year 2010 / 11 included:

#### **Appointment of the AUGE**

Xoserve followed EU procurement guidelines and invited tenders for the services. Twelve companies responded to the pre-qualification questionnaire and four of these companies were selected to tender for the service. The tender responses from the four companies were assessed (this included presentations from each company) and one company was selected as the preferred bidder. Contract negotiations were held with this company and in March 2011 GL Noble Denton were appointed as the AUGE.

#### **Analysis for the development of the invoicing tool for unidentified gas**

The formula for apportioning the unidentified gas charges, to be charged to the relevant industry parties, is defined in the Modification. In the financial year 2010 / 11 Xoserve undertook analysis work for the system to be built for the invoicing solution.

#### **Provision of data to the AUGE**

Xoserve and the AUGE met on a number of occasions in March 2011 to consider the data held by Xoserve and the possible data requirements of the AUGE. Some data was provided in March, although most data has been provided in the financial year 2011 / 12. An industry introductory meeting was held with the AUGE and industry participants on 9<sup>th</sup> March 2011.

### **3. User Pays development costs to be recovered for the financial year 2010 / 11**

The User Pays costs to be recovered for the period are £93,301.91. These will be charged in accordance with the Agency Charging Statement and are expected to be invoiced in October 2011.

The cost activities provided in the October 2010 update report to the Joint Office were:

“The costs for the activities required to set up and establish the service are estimated to be in the range of £120,000 to £180,000. The reason for the wide range is that xoserve is unable to assess in detail the extent of effort that will be incurred within the tender process; assessing responses, engaging in discussions with potential AUGEs and discussing and agreeing contractual terms. ”

The appointment of the AUGE process went more smoothly than forecast and as a result the costs are lower than the range provided in October..

Appendix A – Extract from Agency Charging Statement

<p>12. Apportionment of Unidentified Gas activity, (UNC Modification 229 refers)</p>	<p>Set-up service</p> <p>A mechanism to apportion unidentified gas is to be developed and applied on an ongoing basis.</p> <p>The set-up activities include appointing an expert to develop a methodology to apply unidentified gas, and the means of assessing the amount of unidentified gas.</p> <p>This set up activity occurs each time an expert is appointed. There may be more than one set-up activity occurring within a year</p>	<p>Code Service</p>	<p>Shippers under UNC incurring LDZ capacity invoice charges</p>	<p>The activities in the set-up service include:</p> <ul style="list-style-type: none"> <li>- Establishment of terms of reference for the expert</li> <li>- Tender activity</li> <li>- Contract development activity</li> <li>- Appointment activity</li> <li>- All other set-up activities associated with the contractual appointment of the expert</li> <li>- Relevant Xoserve operational set up charges e.g. transportation invoicing set up for unidentified gas volumes</li> </ul>	<p>The charging basis is:</p> <ol style="list-style-type: none"> <li>1. Set-up costs incurred for the period between 1 April and 31 March each year.</li> <li>2. This value then Invoiced to Shippers in one instalment using the formula below to determine the Shipper charge for the relevant billing period;</li> </ol> <p>Total SOQ for all LDZs for the relevant billing period for each Shipper (as at the end of the relevant billing period (31<sup>st</sup> March)) as a percentage of the total SOQ for all LDZs for the relevant billing period for all Shippers (as at the end of the relevant billing period(31<sup>st</sup> March))</p>	<p>Total industry charge to be recovered for the forthcoming year to be confirmed each June</p>
	<p>Ongoing service</p> <p>Ongoing application of the methodology</p>	<p>Code Service</p>	<p>Shippers under UNC</p>	<p>The activities for the ongoing service include:</p> <ul style="list-style-type: none"> <li>- Support provided to the expert in undertaking its activities</li> <li>- Convening meetings to discuss the statement</li> <li>- invoicing the values provided by the expert</li> <li>- All other activities not included within the set up charge</li> </ul>	<p>The charging basis is:</p> <ol style="list-style-type: none"> <li>1. Ongoing costs incurred for the period between 1<sup>st</sup> April and 31<sup>st</sup> March.</li> <li>2. This value then Invoiced to Shippers in one instalment using the formula below to determine the Shipper charge for each relevant billing period;</li> </ol> <p>Total SOQ for all LDZs for the relevant billing period for each Shipper (as at the end of the relevant billing period(31<sup>st</sup> March)) as a percentage of the total SOQ for all LDZs for the relevant billing period for all Shippers (as at the end of the relevant billing period (31<sup>st</sup> March))</p>	<p>Total industry charge to be recovered for the forthcoming year to be confirmed each June</p>