

UNC Workgroup 0473 Minutes
Project Nexus – Allocation of Unidentified Gas
Wednesday 05 February 2014
Consort House, 6 Homer Road, Solihull B91 3QQ

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
Ed Hunter	(EH)	RWE npower
Elaine Carr*	(EC)	ScottishPower
Fiona Cottam	(FC)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
Huw Comerford	(HC)	Utilita
James Hanks	(JH)	EDF Energy
James Hardy	(JHa)	Wingas
James Hill	(JHi)	EDF Energy
Jon Dixon*	(JD)	Ofgem
Leigh Chapman	(LC)	first-utility
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Martin Connor	(MC)	National Grid NTS
Michele Downes	(MD)	Xoserve
Mike Bagnall	(MBa)	British Gas
Sallyann Blackett	(SB)	E.ON UK
Steve Mulliganie	(SM)	Gazprom
Sue Cropper	(SC)	British Gas
Tony Perchard	(TP)	DNV GL

* via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/0473/050214

The Workgroup Report is due to the Panel on 19 June 2014

1. Review of AUG Guidelines

Opening, TP explained that C Whitehand had previously provided some suggested changes to the guidelines to the UNCC.

FC advised that she had also provided a presentation to the 21 November 2013 Uniform Network Code Committee (UNCC) in which she highlighted a number of issues and conflicts identified between the AUG Guidelines and the Uniform Network Code (UNC) (i.e. timeline related query window 'drop dead' dates etc.). FC advised that any queries raised from mid to end of December in any year would not be included in that particular (re) iteration of the table, as a balance between 'certainty v's clarity' is required.

To look to help parties to better understand some of the issues, FC provided a brief onscreen review of the Xoserve 'Request for Clarification on AUG Rules' presentation to

the November UNCC¹. Focusing only on those parts of the presentation that stimulated most debate:

Background – the consensus is that the provisions of the UNC would prevail over those of the AUG Guidelines;

UNC Section E (2) – slight conflict between UNC and guidelines insofar as in Code once approved the statement and table would not be modified during the AUG year, whilst the guidelines appear to suggest that they can. FC advised that a 2 tier query window system would followed whereby policy changes could only be implemented for the following year's Statement, but the calculation table would be open to change until it was published for UNCC approval. It was suggested that care would be needed to avoid being able to unduly influence the figures

It was felt that the progress made to date provided for a sound foundation on which to build.

TP advised that the AUGE had suggested splitting the methodology from the data to avoid similar issues to those experienced during the current year.

In debating the issue surrounding energy apportionment going forward, it was noted that future UNC modifications would/could impact on future (energy) volumes;

AUGS Guidelines 8.4 (v3 24/02/11) – FC advised that whilst this is looking at the options, currently the guidelines do not show a cut off date between items b) and c).

Possible revised Query outcomes – FC explained that it had not been Xoserve's intention to change the guidelines per se.

An extensive debate then took place during which several concerns were highlighted, one of which related to aspects of the governance process surrounding the guidelines going forward – it was noted that there are currently no plans to amend the guidelines prior to Project Nexus 'go-live' date.

Some of the 'key' discussion points have been summarised and listed below:

- may be beneficial to adopt a 'best practise' feedback loop to ensure development of guidelines that are 'fit for purpose';
- potentially short review windows are heavily dependant on a fixed date early in the month and not on the date the UNCC falls within a month – answer may lie in adjusting process front end lead time(s);
- it is preferable for the guidelines to utilise business days and not calendar days – need to consider the 42 day guidelines paragraph 7.1.3 impacts;
- disagreement remained around whether or not when calculating the % share (in the post Nexus world) you are also (indirectly) calculating the volume – some believe that having the AUGE calculate the volume would be a legitimate process, as this potentially identifies proportional impacts;
- concerns voiced that there may be a risk that the industry might develop a 'perverse' mechanism that will not allow the AUGE to carry out calculations, as this also potentially impacts on forecasting – quick explanation given on how seasonal weather corrections are currently, and thereafter may be applied going forward;
- some parties questioned whether the existing 'gaps' between the methodology and the table should be expected to carry on through into the post Nexus world (i.e. can the AUGE deliver the methodology and the table at the same time in future to avoid the 'disconnect'. TP suggested that this might be possible.). It was noted that previously the AUGE (C Whitehand) had suggested that political decisions of this nature might be better if made by Ofgem or the Transporters;

¹ A copy of the Xoserve November UNCC presentation (Request for Clarification on AUG Rules) is available to view and/or download from the Joint Office web site at: <http://www.gasgovernance.co.uk/uncc/211113>

- in recognising that care would be needed to avoid a process that enables parties to unduly influence the market, GE indicated that whilst Waters Wye Associates proposed the initial changes they now acknowledge that in hindsight the market now has access to more information and therefore less levels of uncertainty, which begs the question as to whether or not the AUGE is required to undertake the calculations – some parties remained gravely concerned at such a suggestion as they believe that there would still be some allocation related uncertainties going forward and that parties would still wish to be able to scrutinise the data as the calculations will be subtly different in future. Having stated that, it was acknowledged that there are some benefits to be had in removal of some of the ‘politicking’ elements. It was generally accepted that a 100% market agreement is neither on impossible;
- some felt giving the AUGE the ability to make a decision (i.e. give them the evidence to make a suitable judgement) on whether the data is correct would/could be beneficial;
- it was recognised that tensions within the process exist – one suggested process model being to prepare the draft methodology – review and feedback loop – issue (final) methodology and table changes (if possible) – followed by a second review and feedback loop;
- TP advised that currently a great deal of work is undertaken by the AUGE in developing the ‘top level’ figures. He asked for it to be noted that the earlier in the process they (the AUGE) provide the methodology and figures, the more likely they are to subsequently change;
- concerns remained around the ‘dynamic’ and ‘temporary’ aspects of the proposed process, especially which of the direct components would be expected to change in the post Nexus world;
- in considering what would happen in the post Nexus world if the industry failed to agree the methodology in a timely manner, it was suggested that the ‘default’ would/could be that the current proportion of throughput to volume would apply, supported by the raising of an urgent UNC Modification;
- when asked, FC provided a brief explanation on how the transition period would operate in terms of switching between the old and the new AUGS and table. The proposed new approach to managing unallocated gas identifies the quantity, but does not give an itemised account (this would remove the ‘unknown’ bit of the current process) – some felt that it would be important to make it absolutely clear that the total unallocated gas volume was not a calculated value;
- concerns still remained around the fact that the number of direct calculations would diminish in the post Nexus world;
- AUGE would welcome additional clarity around what their expected role in future meetings would be, and whether or not a vote is required on any proposed changes, and
- brief discussion around voting level for methodology and table changes was undertaken where it was suggested that a unanimous (UNCC) vote was beneficial as this protected against manifest errors – some concerns remained on whether the UNCC should be allowed to defer decision from one month to the next as this potentially builds in delay.

In attempting to sum up the discussion, BF suggested that the main question relates to whether the current AUG process is likely to remain similar to the new post Nexus process and what in the AUGE’s view be improved within the future guidelines to cater for this.

SM indicated that he would now consider the points raised, with a view to possibly amending the modification in due course. He also agreed to undertake a new action to review the guidelines and look to RED line the document prior to circulation in marked up mode. BF advised that the Joint Office would publish a word version of the guidelines

document for all parties to utilise when submitting their comments. A related action was then placed on all parties to provide their comments on the guidelines document by no later than 21 February.

Action 0473 02/01: Gazprom (SM) to review the guidelines² and look to RED line the document prior to circulation in marked up mode for comments.

Action 0473 02/02: All parties to review the guidelines and provide their comments/suggested changes by no later than close of play on 21 February 2014.
(Post meeting note: guidelines published at www.gasgovernance.co.uk/0473/050314)

2. Review of Minutes and Actions

2.1. Review of Minutes

The minutes of the previous meeting were accepted.

2.2. Review of Actions

0473 01/01: Gazprom (SM) AUGE Guidelines to be provided for review by the Workgroup.

Update: SM suggested that obtaining a view from the AUGE (TP) on which parts of the guidelines the Workgroup should focus on, and then what parts may be required to be 'tweaked' so that they are 'fit for purpose' in the future world, would be an extremely beneficial exercise. **Carried Forward**

0473 01/02: Xoserve (AM) to arrange for the current AUGE to attend a future meeting.

Update: With T Perchard in attendance at the meeting for item 1 above, it was agreed this action could now be closed. **Closed**

3. Discussion

Consideration of AUGE Contractual Arrangement

In the absence of the AUGE (or a representative of), a brief discussion took place around the arrangements for the existing AUGE (i.e. appointment timeline impacts etc.) and various associated governance aspects.

SM pointed out that the modification does NOT propose any changes to the contractual (tendering) aspects of the AUG guidelines, unless this is deemed absolutely necessary at a later date.

FC reminded everyone present that the working assumption remains that a 'go-live' date of 01 October 2015 remains the target. It was noted that this potentially impacts upon the AUG methodology and table provision timelines going forward. In recognising that the first year would be a 'transitional' one, a new action was placed upon SM/GE to consider the potential impacts associated with the proposed changes.

In closing, FC advised that a view on the potential future contractual arrangements would be provided in due course.

Action 0473 02/03: Gazprom (SM) and Waters Wye Associates (GE) to consider the (transitional) year 1 (2015 which is a 6 month process year) and thereafter year 2 (2016 which is a 12 month process year) process (methodology and table provision) timeline dates in light of the proposed pre and post Nexus AUG process changes.

4. Any Other Business

None.

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

² guidelines in this instance is a reference to the 'Guidelines for the Appointment of an Allocation of Unidentified Gas Expert and the provision of the Allocation of Unidentified Gas Statement' document version 3.0 created on 24/02/2011.

The following meetings are scheduled to take place during 2014:

Time/Date	Venue	Workgroup Programme
10:30 Wednesday 05 March	Solihull	Review of the AUG Guidelines

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0473 01/01	08/01/14	3.	AUGE Guidelines to be provided for review by the Workgroup.	Gazprom (SM)	Carried Forward
0473 01/02	08/01/14	3.	Arrange for the current AUGE to attend a future meeting.	Xoserve (AM)	Closed
0473 02/01	05/02/14	1.	To review the guidelines and look to RED line the document prior to circulation in marked up mode for comments.	Gazprom (SM)	Pending
0473 02/02	05/02/14	1.	To review the guidelines and provide their comments/suggested changes by no later than close of play on 21 February 2014.	All	Pending
0473 02/03	05/02/14		To consider the (transitional) year 1 (2015 which is a 6 month process year) and thereafter year 2 (2016 which is a 12 month process year) process (methodology and table provision) timeline dates in light of the proposed pre and post Nexus AUG process changes.	Gazprom (SM) and Waters Wye Associates (GE)	Pending