
UNC Workgroup 0473 Minutes
Project Nexus – Allocation of Unidentified Gas
Tuesday 15 April 2014
at 31 Homer Road, Solihull B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Mike Berrisford (Secretary)	(MB)	Joint Office
Ben Trasler	(BT)	Opus
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
Edward Hunter	(EH)	RWE npower
Elaine Carr	(EC)	ScottishPower
Emma Lyndon	(EL)	Xoserve
Fiona Cottam	(FC)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
James Hardy	(JHa)	Wingas
James Hill	(JHi)	EDF Energy
James Rigby	(JR)	RWE npower
James Wilson	(JW)	GDF Suez)
Kathryn Allen	(KA)	RWE npower
Leigh Chapman	(LC)	first-utility
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Michael Hunter	(MH)	GDF Suez
Michele Downes	(MD)	Xoserve
Mike Bagnall	(MB)	British Gas
Steve Mullinganie	(SM)	Gazprom
Sue Cropper	(SC)	British Gas

** via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0473/150414>

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

1. Review of Minutes and Actions

1.1. Review of Minutes

The minutes of the previous meeting were accepted.

1.2. Review of Actions

0473 04/01: Xoserve (FC) to investigate whether or not a legal view (in summary, or in full) on the feasibility (or not) of amended the current procurement process to 'fit in' with 0473 as a basis for the future procurement process (inc. threshold considerations) could be provided to Ofgem in due course.

Update: FC advised that following discussions with her legal contacts, it has been concluded that whilst she can provide a plain English summary (for provision to Ofgem, if needed) on the feasibility (or not) of amending the current procurement process, a (full)

legal view CANNOT be provided due to the nature and constraints surrounding legally privileged information. Participants noted the concerns around legal privilege. **Closed**

Post meeting update provided by Xoserve: Modification 473 is being developed to place an obligation on the GTs to appoint an expert to determine the factor values for the allocation of unidentified gas across market sectors. Currently the services created under Modification 229 "Mechanism for correct apportionment of unidentified gas" are procured by Xoserve from G L Noble Denton (trading as DNV GL).

Xoserve is expecting to act as the procurement body for the Mod 473 services. Having assessed the:

- *Expected Mod 473 service requirements*
- *Mod 229 services*
- *Mod 229 services procurement requirements / process*
- *Mod 473 services procurement requirements / process*

Xoserve has concluded that the existing contract with G L Noble Denton (current provider of the Mod 229 services) cannot be amended to accommodate the Mod 473 services. The Mod 229 services were procured under the utilities procurement regulations, these then provide a "test" against which the contract / services may or may not be extended, this is in both terms of contract value and type of service. Xoserve's conclusion is that the amendment to the contract with GL Noble Denton for the Mod 473 services would fail the "tests" set out in the regulations.

If Xoserve is requested (as expected) to act as the procurement body Xoserve shall conduct a full procurement exercise. The procurement exercise will be in accordance with the relevant procurement requirements and this is expected to take six months from the start of the process to the appointment. To conduct the procurement exercise it is essential that the 473 requirements are fully defined prior to the process commencing.

Xoserve shall continue to work with the industry on the development of Mod 473 and the procurement activity.

0473 04/02: Waters Wye Associates (GE) to consider the potential transitional arrangements requirements and provide a view at the next meeting.

Update: GE explained that whilst he has considered the transitional requirements, these remain heavily dependant upon the awaited Ofgem decision on the Project Nexus implementation date.

Accepting that the date may slip back to April 2016, GE believes that in looking to 'backfill' the timeline, suggests seeking a decision on the modification at the August 2014 Panel meeting. He anticipates providing some detailed assumptions / options around potential compressed timescales for consideration at the 12 May meeting. **Carried Forward**

2. Review of AUGE Guidelines

Opening, BF explained that an amended version of the guidelines had been provided at short notice prior to the meeting, which is available to view on the Joint Office web site under this meetings page.

Moving on, GE provided a brief overview of some of the more recent changes undertaken on the document starting with the defined terms, which have been rationalised. In considering paragraphs 4.1.5 and 4.1.6, FC suggested that perhaps a better approach would be to simply identify a start and end date rather than specific process step dates. Furthermore, she believes that a statement around procurement requirements and processes (i.e. compliance with EU procurement regulations etc.) is needed.

In reviewing the amendments to paragraph 6.3, parties once again voiced their concerns relating to the query process windows of opportunity, believing that simply having a process included within the proposed consultation process is insufficient to meet industry requirements and the ability to raise issues with the AUGE outside of the 'normal' consultation period. SM suggested that one possible option would be to log any issues raised outside of the consultation window period for consideration at the next available opportunity/review. GE agreed to consider rewording the paragraph, adding a timeline to provide additional clarity and to also include a 'for the avoidance of doubt' statement.

GE requested that parties review the current document and provide feedback so that he can create a final draft iteration of the document (v5.0) for industry review at a later date.

Action 0473 04/03: Waters Wye Associates (GE) to further amend the Guidelines document to reflect discussions including rewording paragraphs 4.1.5, 4.1.6 and 6.3 (adding a timeline to provide additional clarity and to also include a ‘for the avoidance of doubt’ statement within 6.3).

Action 0473 04/04: All parties to review the Guidelines document (v4.0 dated 19 March 2014) and provide feedback to GE asap.

3. Discussion

Consideration of Draft UNC Modification 0473 (version 2.0 dated 14 April 2014)

GE provided a brief overview of the proposed amendments to the modification whilst BF pointed out that as it stands, the wording for the ‘Implementation’ section(s) is non-compliant.

GE then advised that the proposed business rules are a close ‘match’ to the wording in UNC TPD Section E. An extensive discussion on the merits of retaining (or not) the legality statements contained within business rules 4, 5 and 6 was undertaken, which resulted in opposing views (some believe that these BRs sit better within the guidelines, whilst others believe them to be Code related items and should therefore continue to reside within the modification) being taken alongside a recognition that ‘guidelines’ may not be the best description and that ‘framework’ might be better. CW suggested that it might be prudent to seek an informed legal view when text is being prepared.

Discussion then focused on the potential number of Bands prescribed within the table and whether or not having a smaller number increases the potential ‘gaming’ risk. GE suggested that perhaps one option would be to get the AUGE to consider 2 bands, but ensure that the system can cater for more than 2 bands, or alternatively allow the AUGE to make that decision.

During a brief discussion on the modification life cycle timeline, it was noted that there might be a need to run two AUGE processes simultaneously (overlapping new and old) during the transitional period, although the default where any slippage may be concerned is to utilise the current AUGE table values. At this point FC highlighted the ACS (start up) cost changes and impacts and their potential impact upon running dual AUGE processes. BF requested that consideration be given to the requirements of producing suitable text and guidelines to allow both AUGE processes to run simultaneously even if they are at different stages of their respective processes.

BF reminded those present that as yet, the UNC Panel had not formally requested legal text for the modification – as a consequence, SM suggested he would request this takes place at the 17 April Panel meeting.

In closing, GE advised that he would now look to provide updated guidelines and Modification (which would include consideration of the status of the guidelines) in due course.¹

Action 0473 04/05: Xoserve (FC/MD) to consider whether or not having more than 2 bands is feasible and whether it is economically viable to look to change to more bands in future and identify any potential material impacts (i.e. knock on effects on data held and utilised elsewhere in the system) of such a move.

4. Any Other Business

None.

5. Diary Planning

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

¹ Post meeting note: following the meeting an amended 0473 modification and guidelines document were provided and published on 16 April 2014.

The following meetings are scheduled to take place during 2014:

Time/Date	Venue	Workgroup Programme
10:30 Monday 12 May	National Grid Office, 31 Homer Road, Solihull. B91 3LT.	Review of draft legal text and draft Workgroup Report
10:30 Wednesday 04 June	National Grid Office, 31 Homer Road, Solihull. B91 3LT.	Sign off legal text and complete Workgroup Report

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0473 04/01	02/04/14	2.	To investigate whether or not a legal view (in summary, or in full) on the feasibility (or not) of amended the current procurement process to 'fit in' with 0473 as a basis for the future procurement process (inc. threshold considerations) could be provided to Ofgem in due course.	Xoserve (FC)	Closed
0473 04/02	02/04/14	2.	To consider the potential transitional arrangements requirements and provide a view at the next meeting.	Waters Wye Associates (GE)	Carried Forward
0473 04/03	15/04/14	2.	To further amend the Guidelines document to reflect discussions including rewording paragraphs 4.1.5, 4.1.6 and 6.3 (adding a timeline to provide additional clarity and to also include a 'for the avoidance of doubt' statement within 6.3).	Waters Wye Associates (GE)	Update due 12 May meeting.

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0473 04/04	15/04/14	2.	To review the Guidelines document (v4.0 dated 19 March 2014) and provide feedback to GE asap.	All	Update due 12 May meeting.
0473 04/05	15/04/14	3.	To consider whether or not having more than 2 bands is feasible and whether it is economically viable to look to change to more bands in future and identify any potential material impacts (i.e. knock on effects on data held and utilised elsewhere in the system) of such a move.	Xoserve (FC/MD)	Update due 12 May meeting.