

Stage 01: Modification

0473:

Project Nexus – Allocation of Unidentified Gas

At what stage is this document in the process?

- 01 Modification
- 02 Workgroup Report
- 03 Draft Modification Report
- 04 Final Modification Report

This Modification Proposal is one of a series seeking to implement the requirements identified under Project Nexus. This modification identifies changes to the UNC to enable determination in the proposed energy allocation process to enable an appropriate distribution of Unidentified Gas.



The Proposer recommends that this modification should be (delete as appropriate):

- assessed by a workgroup



High Impact:
Shipper cost allocation

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About this document:

This modification will be presented by the proposer to the panel on 19 December 2013.

The panel will consider the proposer's recommendation, and agree whether this modification should be subject to self-governance; and whether it should be issued for consultation or be referred to a workgroup for assessment.



Any questions?

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1 Summary

Is this a Self-Governance Modification?

~~The Modification Panel determined that this is not a Self Governance modification as it. Self-Governance procedures are not proposed. This is on the basis that the modification, if implemented, would have a material effect on relevant commercial activities as set out in the Uniform Network Code (UNC), these being connected with shipping arrangements and the transportation of gas.~~

Why Change?

Development of UNC Modification Proposal 0432 'Project Nexus – Gas Demand Estimation, Allocation, Settlement and Reconciliation reform'¹ is nearing completion. The Business Requirements Documents (BRDs) which constitute the business rules currently provide that no manual intervention in the distribution of Unidentified Gas² between relevant market sectors would occur as might be a consequence of the determination of an Allocation of Unidentified Gas Expert (AUGE)³. Notwithstanding this, Modification 0432 and associated legal text identifies a mechanism whereby, should such determination be deemed necessary, this could be readily incorporated within the proposed regime.

A number of User members of the Modification 0432 Workgroup have identified a concern that the proposed 'Allocation Scaling Adjustment' methodology could be considered simplistic and insufficient to ensure accurate apportionment of Unidentified Gas when compared with the current AUGE arrangements and would therefore have to be considered a retrograde step. Some Users believe that it may be beneficial to leverage the experience of the AUGE such that a methodology is developed to enable periodic intervention in allocation using the services of an AUGE to determine the proportions of Unidentified Gas to be applied to each market sector.

Solution

The purpose of this Modification Proposal is to facilitate appropriate arrangements to permit the determination by an AUGE of the extent to which Unidentified Gas is shared between relevant market sectors. The proposed arrangements would be incorporated within the allocation and settlement framework identified within Modification Proposal 0432.

Relevant Objectives

Implementation of the changes identified within this modification could be expected to facilitate the securing of effective competition between Users. The changes are expected to lead to more accurate allocation of Unidentified Gas costs between Users.

Implementation

~~As soon as possible to allow maximum time for the AUGE tender process to be completed.~~

~~1st October 2015 if an Authority decision is made by 31st March 2014~~

~~1st April 2016 if an Authority decision is made by 30th September 2014~~

~~With a backstop lead time of 18 months (549 calendar days) should the Authority makes its decision after 30th September 2014.~~

¹ Modification Proposal 0432: <http://www.gasgovernance.co.uk/0432>

² TPD Section E10.1.1(a): <http://www.gasgovernance.co.uk/TPD>

³ TPD Section E10.1.1(f): <http://www.gasgovernance.co.uk/TPD>

2 Why Change?

The proposed energy allocation framework identified within Modification Proposal 0432 presently does not identify a methodology for the redistribution of Unidentified Gas between the Smaller Supply Point (SSP) and Larger Supply Point (LSP) market sectors over and above the simplistic approach which would occur as part of the proposed 'Allocation Scaling Adjustment mechanism'. A number of User members of the Modification 0432 Workgroup have identified a requirement for such determination and believe such an approach is consistent with current AUGE regime.

For the purposes of avoiding unnecessary delay to the development of Modification 0432, it has been decided to permit that Proposal to conclude its development on the basis of the existing business rules (i.e. no methodology for determination in allocation) albeit the Proposal (and proposed legal text) will reflect a mechanism by which the allocation of energy can be shared should the industry determine that this be necessary. The benefits of this approach is that the Transporter's agent (Xoserve) can proceed to develop relevant supporting systems and processes with certainty and with sufficient flexibility to accommodate determination in Unidentified Gas allocation should this ultimately be required.

3 Solution

The purpose of this Modification Proposal is to develop an Unidentified Gas determination and sharing methodology utilising the services of an AUGE.

Modification of the UNC is required is required to incorporate appropriate arrangements to permit the sharing of Unidentified Gas between market sectors by an AUGE post Nexus implementation. Rather than as an 'after the event' adjustment process as is presently the case, this would occur as part of the process of deriving and applying the 'Allocation Scaling Adjustment' developed within the remit of Modification Proposal 0432.

Business Rules

- 1) A person, the Allocation of Unidentified Gas Expert (AUGE), shall be appointed and engaged by the Gas Transporters through an AUG Expert Contract for the purposes of:
 - a) developing an AUG Statement or (as the case may be) a modification of the prevailing AUG Statement and recommending it to the Committee; and
 - b) by applying the AUG Statement, preparing and recommending to the Committee an AUG Table;
- 2) The AUGE table, is incorporated into the UNC, which shall be used by the transporters in determining the allocation factors applicable to each meter point class and band by LDZ.

<u>Supply Meter Point Classification</u>	<u>Allocation Factor (by AQ)*</u>		
	<u>Band 1</u>	<u>Band 2</u>	<u>Band 3, etc</u>
<u>Class 1</u>			
<u>Class 2</u>			
<u>Class 3</u>			
<u>Class 4</u>			

- 3) The process for appointing the AUG is set out in a new UNC Related Document "Guidelines for the Appointment of an Allocation of Unidentified Gas Expert".
- 4) Nothing in the process shall require the Transporters to enter into an AUG Expert Contract on terms which in the Transporters' reasonable opinion:
 - a) would be unlawful for the Transporters; or
 - b) would risk the Transporters incurring any liability, other than in respect of their wilful misconduct, gross negligence or fraud
- 5) The Transporters may enter into a AUG Expert Contract on terms which:
 - a) limit or exclude the liability (as to such matters as may be provided in such contract) of the AUG Expert, and/or
 - b) provide that if a User or any supplier or consumer makes any claim or takes any legal proceedings (as to such matters as may be provided in such contract) against the AUG Expert, the Transporters will indemnify the AUG Expert in respect of such claim or proceeding;
- 6) The Transporters may agree among themselves, upon such terms as they may so agree, that the AUG Expert Contract shall be entered into by any one of the Transporters alone; but in the absence of such agreement they shall enter jointly into such contract.
- 7) For the avoidance of doubt, the Transporters do not act as agent or trustee of any User or Users in entering into the AUG Expert Contract, and owe no duties or responsibilities to any User in respect of the AUG Expert Contract other than as provided here in these business and Guidelines for the Appointment of an Allocation of Unidentified Gas Expert

As part of the development of this Modification Proposal it will be necessary to review the need for or if necessary amend the existing 'Guidelines for the appointment of an Allocation of Unidentified Gas Expert'⁴.

User Pays

Classification of the modification as User Pays, or not, and the justification for such classification.

⁴AUGE guidelines document: <http://www.gasgovernance.co.uk/tpddocs>

It is anticipated that the existing AUGE related User Pays service will continue with no ACS amendment necessary. As the existing User Pays service is unchanged, this is not a User Pays modification. This modification changes the current AUGE process, due to be removed by UNC Modification 0432, so its reinstatement will result in Xoserve incurring costs and so result in a User Pays charge. We would expect however for some efficiency benefits to be derived from experience of the previous process.

Identification of Users of the service, the proposed split of the recovery between Gas Transporters and Users for User Pays costs and the justification for such view.

100% Users

Proposed charge(s) for application of User Pays charges to Shippers.

The proposed process for allocating Unidentified Gas post Project Nexus is to do so in proportion of total system throughput. It therefore is appropriate for the charge for managing the process to be allocated in the same way, namely in proportion of shipper AQ, as of the 1 April each year.

Proposed charge for inclusion in the Agency Charging Statement (ACS) – to be completed upon receipt of a cost estimate from Xoserve.

TBC

4 Relevant Objectives

Impact of the modification on the Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None

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f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Implementation of the changes identified within this modification would be expected to facilitate the securing of effective competition between Users. The changes are expected to lead to more accurate allocation of Unidentified Gas costs between Users.

5 Implementation

~~As soon as possible to allow maximum time for the AUGE tender process to be completed. We understand from workgroup discussions that Xoserve will need at least two months between the modifications being approved before any tender can be issued. 1st October 2015 if an Authority decision is made by 31st March 2014~~

~~1st April 2016 if an Authority decision is made by 30th September 2014~~

~~With a backstop lead time of 18 months (549 calendar days) should the Authority makes its decision after 30th September 2014.~~

~~These dates and the lead time proposed have all been selected to be consistent with Modification 0432 such that this modification is implemented coincident with other Nexus related changes.~~

6 Legal Text

Legal text will be provided upon completion of development of this Modification Proposal.

7 Recommendation

The Proposer invites the Panel to:

- Determine that this modification should not be subject to self-governance;
- Determine that this modification should progress to Workgroup assessment.

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Appendix one

- [Guidelines for the Appointment of an Allocation of Unidentified Gas Expert and the provision of the Allocation of Unidentified Gas Statement \(separate document\)](#)

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