

Discussion Paper: Effective from Date for AUGS

Gaining clarity on when Shippers will see the re-allocation applied from under the methodology produced under the MOD0229 process.

1 BACKGROUND

- 1.1 Modification Proposal 0229, "*Mechanism for Correct Apportionment of Unidentified Gas*", was raised by Shell Gas Direct in order to provide a mechanism through which unidentified gas could be more accurately allocated between the Small Supply Point (SSP) sector and Large Supply Point (LSP) sector.
- 1.2 The process through which the new split of allocation between the SSP and LSP sectors would be arrived at involved both a tendering process to procure an Allocation of Unidentified Gas Expert (AUGE) and subsequent work by that AUGE in order to create an Allocation of Unidentified Gas Statement (AUGS) - the determination on how unidentified gas should be allocated between the SSP and LSP sectors.
- 1.3 National Grid Distribution created the legal text in support of MOD0229 and on 26th May 2010 Ofgem directed the implementation of the modification and approved the legal text.
- 1.4 We are aware that there are different interpretations on the legal text and when the first AUGS will be applicable from. This discussion paper has been raised in order to highlight this issue to the UNCC and seek views on how the legal text for MOD0229 should be interpreted.

2 LEGAL TEXT

- 2.1 In the legal text produced by National Grid Distribution in support of MOD0229, it said the "*AUG Year*" means the twelve month period commencing 1 April 2011 and the twelve month period commencing on each subsequent 1 April; and in relation to an AUG Year a reference to the preceding year is to the twelve month period ending 31 March before the start of the AUG Year."¹ Our legal advice is that this means that the first AUG Year starts on 1st April 2011.
- 2.2 Furthermore, the legal text says that for each and every AUG year, "*a methodology ... shall be established for ... estimating for each Unidentified Gas Source ... the aggregate quantity of Unidentified Gas over the AUG Year and ... the amount which is attributable to events, circumstances, acts and/or omissions (as referred to in paragraph 9.1.1(b)) which relate to Larger DM SPCs and to Larger NDM SPCs respectively*"². Our legal advice is that this means that a methodology will be produced which covers the period starting 1st April 2011.
- 2.3 The legal text continues to say that for each and every AUG Year "*a table ... shall be established which sets out ... for each Unidentified Gas Source ... an aggregate quantity of Unidentified Gas; and ... for each SPC Class, a quantity of gas which shall be ... for Larger DM SPCs and Larger NDM SPCs respectively, the amount of the quantity under paragraph (i) which is attributable (as provided in paragraph 9.4.1(b)(ii)) to such SPC Class (and) for Smaller SPCs, an amount equal in magnitude and opposite to the sum of the quantities (above)*"³. Our legal advice is that this means that the methodology produced for the period from 1st April 2011 will detail the reallocation of costs between the SSP and LSP sectors.
- 2.4 On the use of each AUG Year's methodology, the legal text says that, following consultation, "*the Committee shall decide upon, adopt and publish the AUG Methodology*"⁴. Our legal advice is that this means that the Committee will be asked to agree the methodology which is produced for the period starting 1st April 2011.
- 2.5 On the actual reallocation, the legal text sets out a calculation to be used to calculate the actual fiscal reallocation from the table created by the AUGER "*for each AUG Year (and) for each User*"⁵.
- 2.6 Finally the legal text concludes with a statement that the amount considered above "*shall be payable, by way of adjustment in respect of the aggregate User Aggregate Reconciliation Clearing Values ... and shall be invoiced (at the same time or as soon as practicable after the Invoice in respect of the Aggregate NDM Reconciliation) and payable in accordance with Section S*"⁶. Our legal advice is that this means that the

¹ Clause 10.1.1 (i)

² Clause 10.4.1 (b)

³ Clause 10.4.2 (a) and (b)

⁴ Clause 10.4.3 (e)

⁵ Clause 10.5.1, 10.5.2

⁶ Clause 10.5.3

reallocation for the period starting 1st April 2011 will be credited or debited to Shippers as soon as possible.

3 QUESTIONS

Does the UNCC agree with our position that the effect of the legal text implemented by Ofgem means that:

- 3.1 The first AUG Year commences on 1st April 2011?
- 3.2 That the AUGC is obliged to produce a methodology for the year 1st April 2011 to 31st March 2012, albeit that this may occur at some point in 2012 under the current timeline?
- 3.3 That the methodology referred to in paragraph 3.2 of this document will set out the reallocation of costs between the SSP and LSP sector for the period from 1st April 2011 to the point at which it is produced?
- 3.4 That the table which is produced will result in a reallocation of costs by the Network Owners as soon as possible?