



UNC Modification 0473 transition & timelines

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Transition Options

- A variety of transition options exist for the allocation of Unidentified Gas.
- *Status Quo* – leave the current arrangements implemented under Mod 0432 “as is” until the new process is ready.
- *Fast Tender* - Compress tender timescales for new AUGÉ to fit with commencement of Project Nexus
- *Interim Values* – determine a set of allocation factors based on current information on Unidentified Gas that would be used until the new AUGÉ process delivers values.

Status Quo

- Simplest change is to use the allocation factors proposed by UNC Modification 0432.
- Does not align with the intention of the modification or the desire expressed by Ofgem in its decision letter on UNC Modification 0432.
- Likely to see a much larger difference between uniform Unidentified Gas than interim values based on current allocation.

Fast Tender

- As set out in the framework document tender process commences by 1st April and finishes by 1st August.
- Initial document provided by the following 1st February and consultation process completed by 1st July for application by the 1st October.
- 18 month process from appointment to go-live of factors.
- Assume the following timetable for the modification:
 - Workgroup report to June Panel
 - Panel recommendation at July Panel.
 - Ofgem decision by 1st August (assume fast turnaround)
- Xoserve have indicate a two month lead-time needed for contract preparation so October 2014 implementation would mean December 2014 before contract ready.

Fast Tender

- Need to find six months.
- Could possibly save a month prior to implementation (ad hoc Panel meetings, compressed timescales for consultation, contract preparation).
- Could also possibly save 1-2 months in the tender process, but Xoserve will be constrained by legislation (OJEU requirements, etc).
- Still means AUGE process is compressed by at least 3 months, probably more.
- Leaves no room for delay or error.
- In summary compressed timescale is likely to lead to sub-optimal values with a risk of non-delivery.

Interim Values

- This would create interim allocation factors that would be hardwired into the UNC until replacement values were available.
- Interim values were used in the run-up to the previous AUGE (Modification 0317) based on initial analysis of the scale of Unidentified Gas.
- Interim values in this case would be based on the Unidentified Gas values currently derived by the AUGE.
- Two sub-options available:
 - Base interim values on current AUGE table (i.e. 2014-2015 table)
 - Build in dynamic process to use latest AUGE values produced by the current AUGE.

Interim Values

- Current values.
 - Allocation factors would be known ahead of time (1 year notice).
 - Simpler to implement and administer (does not require Xoserve to calculate and update table).
- Values derived from latest Unidentified Gas table.
 - More reflective of current view
 - More complex process
 - Create a link between current AUGE process and new AUGE process. Allowed contractually?
- Dynamic process seem worth the work, but it is achievable? Views?

Interim Values

- Table based on current values being applied for 2014-15.
- Approximate Split (UG); 2014-15, 71% SSP, 29% LSP, 0% DM
- Market Throughput Split:
 - SSP NDM = 336 TWh,
 - LSP NDM = 125 TWh,
 - DM = 91 TWh
- Factor calculation = $UG\% / \text{sector throughput } \%$

Interim Values

Supply Meter Point Classification	Allocation Factor (by AQ)*	
	0 – 73,200 kWh	>73,200kWh
Class 1	0	0
Class 2	0	0
Class 3	1.17	1.28
Class 4	1.17	1.28

Conclusions

- Status Quo does not deliver against the principle of the modification
- Compressed Tender will rush process and lead to sub-optimal delivery,
- Interim values provide certainty on numbers, are based on previous analysis and also provide an enduring interim solution until AUGÉ can provide new values.

Timeline (1st process)

