










UNC Modification	At what stage is this document in the process?
<p>UNC 0831 0831A:</p> <p>0831 - Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method</p> <p>UNC 0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method</p>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid green; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 01 Modification </div> <div style="border: 1px solid blue; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 02 Workgroup Report </div> <div style="border: 1px solid purple; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 03 Draft Modification Report </div> <div style="border: 1px solid orange; border-radius: 5px; padding: 2px; display: flex; align-items: center; gap: 5px;"> 04 Final Modification Report </div> </div>
<p>Purpose of Modification:</p> <p>0831: The purpose of this Modification is to change the method by which unidentified gas (UIG) is allocated to Shippers from the current AUGE table of weighting factors to a throughput or universal allocation model.</p> <p>0831A: The purpose of this Modification is to remove the current AUGE process and create a permanent weighting table that encourages movement to Daily Metering, reduces levels of UIG and discourages risk premiums for customers.</p>	
<p>Next Steps:</p> <p>The Workgroup recommends that these Modifications should not be subject to Self-Governance</p> <p>The Panel will consider this Workgroup Report on 17 August 2023. The Panel will consider the recommendations and determine the appropriate next steps.</p>	
<p>Impacted Parties:</p> <p>High: Shippers, Suppliers</p> <p>Low: CDSP</p> <p>None: Transporters</p>	
<p>Impacted Codes:</p> <p>No Codes, other than the UNC, are expected to be impacted.</p>	

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Timetable			Transporter: Guv Dosanjh, Cadent
Modification timetable:			 guv.dosanjh@cadentgas.com
0831 Date Modification Raised	04 November 2022		 07773 151 572
0831A Date Modification Raised	06 March 2023		Systems Provider: Xoserve
0831 New Modification to be considered by Panel	17 November 2022		 UKLink@xoserve.com
0831A New Modification to be considered by Panel	16 March 2023		
0831 First Workgroup Meeting	12 December 2022		
0831A First Workgroup Meeting	23 March 2023		
Workgroup Report to be presented to Panel	17 August 2023		
Draft Modification Report issued for consultation	18 August 2023		
Consultation Close-out for representations	11 September 2023		
Final Modification Report available for Panel (at short notice)	13 September 2023		
Modification Panel decision	21 September 2023		

1 Summary

What

0831

The allocation of UIG for each Local Distribution Zone (LDZ) has long been an issue in the gas industry. There were many discussions on this issue in the mid 2000's which resulted in UNC Modification 0229 - Mechanism for correct apportionment of unidentified gas that, in 2010, introduced the Allocation of Unidentified Gas Expert (AUGE) whose role was to allocate UIG to the different types of Shipper Users. To date, there have been two organisations appointed as the AUGE, with the initial AUGE's allocations being in place until the end of the gas year 2019/20 when its contract to provide the service ended.

For the gas year 20/21 a new AUGE was appointed, who has taken a very different view as to how UIG should be allocated. Both AUGE's created perceived winners and losers in the allocation of UIG to different EUC bands and Shipper User markets. It is widely recognised in the industry that the causes of UIG are very complex, impossible to allocate accurately, and due to the different methods employed by the two AUGE's, the resulting allocations have been very different. Any future AUGE may come up with another different allocation method to the current and previous AUGE. As the UIG allocations change annually, this is creating uncertainty for many shippers and suppliers in the pricing of contracts to customers and potentially results in increased risk premiums versus the proposed solution benefits.

0831A

The allocation of UIG for each Local Distribution Zone (LDZ) has long been an issue in the gas industry. There were many discussions on this issue in the mid 2000's which resulted in UNC Modification 0229 - Mechanism for correct apportionment of unidentified gas, that, in 2010, introduced the Allocation of Unidentified Gas Expert (AUGE) whose role was to allocate UIG to the different types of Shipper Users. To date, there have been two organisations appointed as the AUGE, with the initial AUGE's allocations being in place until the end of the gas year 2019/20 when its contract to provide the service ended.

For the gas year 2020/21 a new AUGE was appointed, who has taken a different view as to how UIG should be allocated. Both AUGE's created perceived winners and losers in the allocation of UIG to different EUC bands and Shipper User markets. It is widely recognised in the industry that the causes of UIG are very complex, impossible to allocate accurately, and due to the different methods employed by the two AUGE's, the resulting allocations have been very different. Any future AUGE may come up with another different allocation method to the current and previous AUGE. As the UIG allocations change annually, this is creating uncertainty for many Shippers and Suppliers in the pricing of contracts to customers and potentially results in increased risk premiums versus the proposed solution benefits. In addition, the continued variation in 'sources' of UIG makes targeting the reduction of overall UIG levels near impossible.

Market-wide Half Hourly Settlement (MHHS) in electricity was introduced to support customers in "managing the way they use energy so that they can reduce their bills and help manage the grid." (Ofgem). This is a mandatory move. As it stands there is no equivalent in Gas however with the leaps forward in smart meter data it is becoming a more frequent topic of discussion. By utilising daily read data customers are more accurately billed, shippers can forecast more accurately and overall levels of UIG and allocation volatility is reduced.

Why

0831

UNC Request 0781R– Review of the Unidentified Gas Process – was raised in order to look at ways of improving the UIG allocation process. The associated Workgroup looked at several possibilities to improve the UIG allocation, and the universal allocation or ‘vanilla smear’ option, where UIG is allocated flatly based on throughput, was determined to be the most favoured out of eight options discussed by the Workgroup.

It is very difficult to identify the sources of UIG, as whilst both the AUGE^s employed to date have assumed that a large majority of UIG is due to theft (as they could not explain any other reason for it). However, the industry view is that theft is a smaller factor and more UIG is due to other factors, such as shrinkage calculations being too low, assumptions of average temperature and pressure at meters being incorrect, metering inaccuracies and significant amounts of gas being vented due to leakage from gas pipework.

These other reasons for UIG all further the argument for a throughput allocation of UIG as the losses cannot be blamed on any particular type or category of customer. Also, the current AUGE table is not produced for each LDZ which would be a requirement in order to even attempt to calculate UIG allocation accurately. If this Modification is not implemented, the allocation uncertainty will remain and any future AUGE may allocate UIG on a very different basis to the current AUGE.

0831A

UNC Request 0781R– Review of the Unidentified Gas Process, was raised in order to look at ways of improving the UIG allocation process. The associated Workgroup looked at several possibilities to improve the UIG allocation, and the universal allocation or ‘vanilla smear’ option, where UIG is allocated flatly based on throughput, while opinion was divided, the ‘vanilla smear’ option was favoured.

UNC 0831 looks to implement this change. While a ‘Vanilla Smear’ approach does eliminate volatile AUGE values and hence reduces risk premiums to customers, it does not tackle overall levels of UIG and arguably discourages movement to Daily Metered status which ultimately increases UIG on a like for like basis in future years.

It is very difficult to identify the sources of UIG, as whilst both the AUGE^s employed to date have assumed that a large majority of UIG is due to theft, they do not agree on the volumes or sources of UIG. Ultimately this supports the conclusion that UIG is impossible to allocate accurately.

Instead, viewing UIG as ‘model error’ is a more effective way to tackle overall levels. Increasing meter read frequency ultimately reduces overall levels of UIG due to reducing propagation of model error from Non-Daily Metered (NDM) customers. Historically Class 2 has not seen widespread adoption due to the higher AUGE factors, and higher operational costs to migrate.

Viewing UIG as an additional cost that can be used to incentivise Shippers to provide Daily Meter Reads ultimately encourages the industry to move in the right direction for customers. Reducing UIG, providing more accurate billing and aligning more closely with the progress made in the electricity market to Mandatory Half Hourly Settlement. Demonstrating progress under a non-mandatory programme is a preferred option as it allows shippers to move customers to the new status at their own pace as opposed to mandating movement to Class 2 which would be in line with the current direction in electricity.

Given the recent review of Class 2 by the CDSP, it is clear that more work needs to be done to widen access to Class 2 before a mass migration can be catered for.

With that in mind it makes sense to maintain the concept that Daily Metered classes should not be allocated UIG volume in line with the original proposal of 0831A but the widening of access to Class 2 should be separated out into it’s own individual modification based on the outcome of a review group.

How

0831

The proposed solution is that the UIG allocation table will be updated with a set of permanent and common allocation factors so that UIG is allocated to all LDZ customers equally on a throughput basis. The role of the AUGE will be removed.

0831A

The proposed solution in this Alternative Modification Proposal is that the UIG allocation table will be updated with a set of permanent and common allocation factors so that UIG is allocated to all NDM customers equally on a throughput basis. In addition, the cost of UIG from Classes 1 will be removed with an alternative workgroup raised to appropriately widen access to Class 2 to allow for a second modification to be raised to 0 out of Class 2 values. The role of the AUGE will also be removed.

2 Governance

Justification for Authority Direction

0831

This Modification will require Authority direction given the potential financial impact it will have on Shippers and Suppliers as moving away from the AUGE table of factors for UIG allocation to the proposed throughput method will change how UIG is allocated to Shippers. The changes to UIG allocation would be materially significant for some customers when compared to their allocation based on the current UIG table and could therefore impact competition.

0831A

This Modification will require Authority Direction given the potential financial impact it will have on Shippers and Suppliers as moving away from the AUGE table of factors for UIG allocation to the proposed throughput method will change how UIG is allocated to Shippers. The changes to UIG allocation would be materially significant for some customers when compared to their allocation based on the current UIG table and could therefore impact competition positively.

Panel's view on Governance

At the Panel Meeting on 17 November 2022, Panel Members determined that Modification 0831 did not meet the Self-Governance criteria and should proceed under Authority Direction.

At the Panel Meeting on 16 March 2023, Panel Members determined that Modification 0831A did not meet the Self-Governance criteria and should proceed under Authority Direction.

Workgroup view on Governance

The Workgroup agreed with Panel's view that these Modifications did not meet the Self-Governance criteria and should proceed under Authority Direction.

Requested Next Steps

These Modifications should:

- be considered a material change and not subject to Self-Governance.
- proceed to Consultation.

3 Why Change?

History of Unidentified Gas

0831

The allocation of UIG for each LDZ has long been an issue in the gas industry, as prior to the implementation of Project Nexus in June 2017, only I&C sites (excluding small ones) had their actual usage reconciled back to their settlement charges via meter readings entering the settlement systems. All domestic customers (with the exception of a small number of larger ones) and smaller I&C customers had their settlement charges based on their annual quantity (AQ) which was calculated based on their previous year's usage. The result of this was that I&C Shippers only paid for the gas their customers had used, whereas domestic Shippers paid the rest (including the unidentified gas) based on their percentage of AQ allocation via the 'reconciliation by difference' (RbD) process.

There were many discussions on this issue in the mid 2000's with domestic Shippers trying to get I&C Shippers to contribute to UIG and I&C Shippers trying to downplay the amount of UIG that existed and that should be allocated to them. The upshot of all of these discussions was UNC Modification 0229 - Mechanism for correct apportionment of unidentified gas that, in 2010, introduced the Allocation of Unidentified Gas Expert (AUGE). The independent expert's task was to allocate a fixed amount of gas from the domestic sector to the I&C sector based on detailed analysis from information provided to them by Xoserve.

The implementation of Project Nexus in 2017 saw the introduction of gas allocation at all meter points being in line with actual usage, with meter readings for all customers entering the settlement system. The result of this was that UIG for each LDZ became visible as it is the gap between gas entering the LDZ networks and that consumed by customers based on meter readings. This resulted in a different role for the AUGE, in that it had to allocate the UIG between different customer types and sizes via an annual UIG table, which is based on detailed information from Xoserve, including theft data. The initial AUGE allocated a higher percentage of UIG to domestic customers, largely based on the view that theft accounts for the majority of UIG and that most theft is undertaken by domestic customers. This AUGE's allocations were in place until the end of the gas year 2019/20 when its contract to provide the service ended. For the gas year 20/21 a new AUGE was appointed who has taken a very different view in terms of where theft is occurring by allocating a much higher proportion of UIG to I&C sites, especially smaller ones.

0831A

The allocation of UIG for each LDZ has long been an issue in the gas industry, as prior to the implementation of Project Nexus in June 2017, only Large Supply Points had their actual usage reconciled back to their settlement charges via meter readings entering the settlement systems. All domestic customers (with the exception of a small number of larger ones) and smaller I&C customers had their settlement charges based on their annual quantity (AQ) which was calculated based on their previous year's usage. The result of this was that I&C Shippers only paid for the gas their customers had used, whereas domestic Shippers paid the rest (including the unidentified gas) based on their percentage of AQ allocation via the 'reconciliation by difference' (RbD) process.

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UNC 0781R – Review of the Unidentified Gas Process

0831

UNC Request 0781R – Review of the Unidentified Gas Process – was raised in order to look at ways of improving the UIG allocation process. The Workgroup looked at several possibilities to improve the UIG allocation, and the universal allocation or 'vanilla smear' option, where UIG is allocated flatly based on throughput, was determined to be the most favoured out of eight options discussed by the Workgroup. It is very difficult to identify the sources of UIG, as whilst both the AUGE's employed to date have assumed that a large majority of UIG is due to theft (as they could not explain any other reason for it), the industry view is that theft is a smaller factor and more is due to other factors, such as shrinkage calculations being too low, assumptions of average temperature and pressure at meters being incorrect, metering inaccuracies and significant amounts of gas being vented due to leakage from gas pipework. These other reasons for UIG all further the argument for a throughput allocation of UIG as the losses cannot be blamed on any particular type or category of customer.

Retail Energy Code Analysis

The Retail Energy Code has recently published a theft analysis report compiled by Cap Gemini, where the amount of theft has been determined by a different method. This report looks at theft in isolation, (rather than UIG in totality) and considers actual cases of theft rather than assuming that all unexplained UIG that is the subject of a non-technical loss is theft, as is the case with the AUGE. Unsurprisingly, the REC analysis proposes a much lower figure for theft that is approximately one seventh of the AUGE's theft figure. This further justifies the case for the throughput method of allocation as, in reality, the industry evidence since Project Nexus made UIG visible all points to the fact that there are significant unaccounted for losses on the network. It is also worth pointing out that the Cap Gemini analysis has been done at the supplier level, which is correct when it comes to theft. However, the AUGE is using supplier theft data to derive shipper allocation of UIG, which, it could be argued, is not correct as not all shippers are suppliers and some shippers ship gas for multiple suppliers. In addition to the various sources of UIG that have been mentioned, no reconciliation exercise has ever been done between the gas industry and the Land Registry in order to identify sites that may have had a gas meter installed and have been put on supply, but have never, for whatever reason, been registered in the central systems and so are contributing to UIG.

Incentives on Shippers

In workgroup discussions it has been argued that a modification of this nature disincentivises the reduction of UIG as any reduction would not be reflected in the sector in which the UIG was discovered. However, the discovery of UIG by a shipper is, by its very nature disincentivised as if a shipper discovers a source of UIG on its portfolio then it will likely lead to an increase of gas allocation to that shipper. Furthermore, any theft that is discovered by a shipper is used by the AUGE to allocate more UIG to that sector as the amount of unallocated theft (the balancing factor used by the current AUGE to explain all non-explainable UIG) is, largely, allocated

based on the amount of theft that has been detected in that sector. This is likely to be probably true in the future, where any source of UIG discovered by a sector will lead to a higher proportion of UIG being allocated to that sector, which may outweigh any reduction in actual UIG to that sector as a result of its discovery. This has been recognised by Ofgem in its decision letter on modification UNC 0840 (urgent) as the letter states the following:

“It is acknowledged by the AUGE and industry that the data which underpins the weighting factors of the AUG Table is biased towards PPMs. One of the factors which contribute towards this bias and was highlighted by a consultation respondent is that historical theft detection rates are higher for PPM consumers due to the additional layer of data, such as top-up histories, which makes theft easier to detect in consumers not vending. This does not validate that more theft occurs within the PPM market segment, only that more theft is detected, creating the identified bias. We agree and believe that this bias is reflected in the AUG weighting factors and inflicts detriment on PPM customers. Whilst we are aware that datasets are never completely unbiased, as the gas wholesale market conditions have changed, this bias has put an unfair weighting on these EUCs that not only is unsustainable but is unjustifiable. “

Whilst the Ofgem letter relates to PPM customers, there is an implication that allocating future UIG based on theft detected in a sector creates a bias to allocate more theft to that sector and is a clear deterrent to the investigation of theft.

With a straight throughput allocation of UIG there is more of an incentive for all shippers to work together (possibly with assistance) in order to identify and correct sources of UIG, as the savings to all will be in proportion to their gas usage, and no groups of shippers will be reluctant to identify sources of UIG in the sectors they have a majority of customers in, as it will not lead to more UIG being allocated to those sectors. An example of all shippers working together may be for the industry to do a reconciliation of gas customers between the CDSP's data and the Land Registry's data.

0831A

UNC Request 0781R – Review of the Unidentified Gas Process – was raised in order to look at ways of improving the UIG allocation process. The Workgroup looked at several possibilities to improve the UIG allocation, and the universal allocation or ‘vanilla smear’ option, where UIG is allocated flatly based on throughput, was determined to be the most favoured out of eight options discussed by the Workgroup. This was mainly favoured due to the reduction in AUGE volatility however it was recognised that this would make Class 1 and 2 see a significant increase in allocated UIG. It is very difficult to identify the sources of UIG, as whilst both the AUGE's employed to date have assumed that a large majority of UIG is due to theft the industry view is that theft is a smaller factor and more is due to other factors, such as shrinkage calculations being too low, assumptions of average temperature and pressure at meters being incorrect, metering inaccuracies and significant amounts of gas being vented due to leakage from gas pipework.

Electricity Equivalent

0831 and 0831A

During one of the UNC 0781R Workgroup meetings, Elexon presented how the corresponding concept worked in electricity, which is by means of the correction factor, that is very similar to the proposed throughput UIG method, as it allocates unexplained electricity losses to customers based on their throughput. Elexon explained that this concept had been introduced at the start of competition and there has been very little discussion or change to it over the past few decades, which is totally different to gas, where there have been numerous meetings, discussions, modifications, etc., each year over the past twenty or so years and there is still no consensus in the industry, as any method tends to create perceived winners and losers. The allocation method based on throughput is seen by many as the only fair and equitable solution that won't need constant revisiting and discussion.

Justification for the Modification

0831

Should the Modification not be implemented then the UIG uncertainty and risk to Shippers and Suppliers will continue, especially when there is a change of AUGE, as any future AUGE may choose a different allocation methodology, which could cause an even bigger swing in the UIG allocation factors than was experienced by the last change of AUGE. UIG is being allocated largely based on the views and opinions of a few people as to the best analytical method to be employed, and on the level of each cause of UIG, without any concrete evidence to back these views up.

Should the Modification not be implemented there will be numerous further gas industry meetings, discussions, etc., on the subject when the industry's time could be much better spent addressing other initiatives, such as the decarbonisation of the gas network.

The proposal doesn't intend to change the calculation of UIG but to create greater stability in the allocation on an ongoing basis.

0831A

UIG has been an ever-divisive topic for industry, ultimately there is no 'right answer' in UIG allocation. A change of mindset to view UIG as arising from 'model error' and a cost that can be useful to incentivise the right direction of travel for industry benefits Shippers, Suppliers and ultimately the customer. In that light, Daily Metered Customers should not be allocated UIG as they do not contribute to model error; any short-term estimate used for allocation for Daily Metered Customers is usually rapidly corrected. Incentivising movement of customers to Daily Metered (Class 2) also helps improve settlement accuracy so reducing UIG long-term.

Modification 0831 has the benefit of stabilising AUGE factors and reducing risk premiums associated with volatile AUGE factor but does not recognise the inherent difference between Daily Metered and Non-Daily Metered Customers when determining the level of contribution to UIG. This proposed alternative to 0831 furthers the added value by reducing overall levels of UIG (at D+5), with a view of incentivising movement to Class 2 in the future via a workgroup and additional modification while there is no mandating from the Regulator and minimising costs to customers through.

Should the Modification not be implemented then the UIG uncertainty and risk to Shippers and Suppliers will continue, especially when there is a change of AUGE, as any future AUGE may choose a different allocation methodology, which could cause an even bigger swing in the UIG allocation factors than was experienced by the last change of AUGE. UIG is being allocated largely based on the views and opinions of a few people as to the best analytical method to be employed, and on the level of each cause of UIG, without any concrete evidence to back these views up.

Should the Modification not be implemented there will be numerous further gas industry meetings, discussions, etc., on the subject when the industry's time could be much better spent addressing other initiatives, such as the decarbonisation of the gas network.

4 Code Specific Matters

Reference Documents

0831 and 0831A

A link to the output from Request 0781R Workgroup is here: [0781R - Review of the Unidentified Gas process | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/0781R-Review-of-the-Unidentified-Gas-process)

A link to a presentation given by Elexon to the 0781R workgroup on the explanation of the electricity GSP group correction factors is included here: [Group Correction Factors \(GCFs\) \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk)

0831A

A link to the original UNC0831 Modification can be found here: <https://www.gasgovernance.co.uk/0831>.

5 Solution

0831

The solution is that the annual AUGGE process and statement production will cease to exist and that a fixed UIG table will be permanently set with the same factor allocated to all EUCs and Class types. A link to the current table is here: [AUG Table for 2022_23_Final.pdf \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk)

UIG Table

The UIG table, with each combination of EUC and Class having a factor of 1, is shown below.

Supply Meter Point Classification	Class 1	Class 2	Class 3	Class 4
EUC 1ND	1	1	1	1
EUC 1PD	1	1	1	1
EUC 1NI	1	1	1	1
EUC 1PI	1	1	1	1
EUC 2ND	1	1	1	1
EUC 2PD	1	1	1	1
EUC 2NI	1	1	1	1
EUC 2PI	1	1	1	1
EUC Band 3	1	1	1	1
EUC Band 4	1	1	1	1
EUC Band 5	1	1	1	1
EUC Band 6	1	1	1	1
EUC Band 7	1	1	1	1
EUC Band 8	1	1	1	1
EUC Band 9	1	1	1	1

0831A

The solution is that the annual AUGE process and statement production will cease to exist and that a fixed UIG table will be permanently set with the same factor allocated to all EUCs and Class types, excluding Class 1. A link to the current table is here: [AUG Table for 2022_23_Final.pdf \(gasgovernance.co.uk\)](https://gasgovernance.co.uk/AUG%20Table%20for%202022%2023%20Final.pdf)

UIG Table

Supply Meter Point Classification	Class 1	Class 2	Class 3	Class 4
EUC 1ND	0	1	1	1
EUC 1PD	0	1	1	1
EUC 1NI	0	1	1	1
EUC 1PI	0	1	1	1
EUC 2ND	0	1	1	1
EUC 2PD	0	1	1	1
EUC 2NI	0	1	1	1
EUC 2PI	0	1	1	1
EUC Band 3	0	1	1	1
EUC Band 4	0	1	1	1
EUC Band 5	0	1	1	1
EUC Band 6	0	1	1	1
EUC Band 7	0	1	1	1
EUC Band 8	0	1	1	1
EUC Band 9	0	1	1	1

Business Rules

0831

1. For the avoidance of doubt the CDSP will deal with the consequential commercial arrangements arising from these changes.
2. The UIG table (above) will reside in the UNC. The annual AUG table will be replaced by the UIG table. All LDZ System Exit Points will have an allocation factor of one. This will apply across all combinations of EUCs and classes. This will mean that UIG is allocated based on throughput.

3. There is a requirement to keep a UIG table as there are references in paragraph 1 of TPD Section E and paragraph 1 of TPD Section C to a table that is used to adjust energy volumes (adjusted UDQOs) and Nomination Quantities which are subsequently used in other sections of the UNC.
4. Remove the AUG processes from the UNC.
5. The Framework for Appointment of the AUG is to be removed as a UNC Related Document.

0831A

1. For the avoidance of doubt the CDSP will deal with the consequential commercial arrangements arising from these changes
2. The UIG table (above) will reside in the UNC. The annual AUG table will be replaced by the UIG table. LDZ System Exit Points under classes 2, 3 and 4 will have an allocation factor of one, whilst LDZ System Exit Point under class 1 will have an allocation factor of 0. This will apply to all EUC bands meaning that UIG is allocated based on throughput for Classes 2, 3 and 4.
3. There is a requirement to keep a UIG table as there are references in paragraph 1 of TPD Section E and paragraph 1 of TPD Section C to a table that is used to adjust energy volumes (adjusted UDQOs) and Nomination Quantities which are subsequently used in other sections of the UNC.
4. Remove the AUG processes from UNC

The Framework for Appointment of the AUG is to be removed as a UNC Related Document.

6 Impacts & Other Considerations

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

0831 and 0831A

These Modifications do not impact an SCR or any other industry projects.

Consumer Impacts

0831

The Modification is likely to reduce supplier risk premiums and make it easier for customers to understand how UIG is allocated. Also, some consumers are subject to a direct charge for what is currently a fluctuating UIG factor and this modification will reduce this uncertainty.

0831A

Shippers should have lower volatility so Suppliers have greater certainty on wholesale costs and so risk premiums will also be reduced, and it helps customers to understand how UIG is allocated. Also, some consumers are subject to a direct charge for what is currently a fluctuating UIG factor, and this Modification will reduce this uncertainty.

What is the current consumer experience and what would the new consumer experience be?

0831 and 0831A

It is not anticipated that the current customer experience will change. However, the Modification will allocate UIG differently compared to the AUG.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability	None
<p>Lower bills than would otherwise be the case</p> <p>0831</p> <p>Potentially lower price premium from suppliers for UIG uncertainty and lower industry costs due to the lack of AUGE process and industry meetings on the UIG table.</p> <p>0831A</p> <p>. Shippers should have lower volatility so Suppliers have greater certainty on wholesale costs and so risk premiums will also be reduced. In addition, lower industry costs due to the lack of AUGE process and industry meetings on the UIG table.</p>	Positive and Positive
<p>Reduced environmental damage</p> <p>0831 and 0831A</p> <p>Depending on the solution chosen for hydrogen gas, a throughput allocation for UIG may be easier to implement as without this Modification a separate UIG table for hydrogen customers may be required.</p>	Positive and Positive
Improved quality of service	None
Benefits for society as a whole	None

Cross-Code Impacts

0831 and 0831A

The legal text solution chosen for both 0831 and 0831A will not impact the IGT UNC or any other code.

EU Code Impacts

0831 and 0831A

None.

Central Systems Impacts

0831

None, as it is anticipated that the Modification will only require an update to the factors in the UIG allocation table in the Central Data Service Provider's (CDSP's) systems. The Modification will require the factors to be set to the same value rather than them being updated annually to reflect the values in the final AUGE table for each gas year.

However, there may be an impact on the CDSP due to the requirement to terminate the AUGE arrangements and contract which might have a one-off cost impact.

0831A

As it is anticipated that the Modification will only require an update to the factors in the UIG allocation table in the Central Data Service Provider's (CDSP's) systems.

There may also be an impact on the CDSP due to the requirement to terminate the AUGE arrangements and contract which might have a one-off cost impact.

Rough Order of Magnitude (ROM) Assessment

Indicative cost saving £300,000 - £400,000 for both 0831 and 0831A

22 June 2023

XRN 5658 The ROM notes that there is a lead time of around 6 weeks (prior to a 1st of the month implementation) in order to change the values in the table. A DSC Change Proposal XRN 5658 is progressing through DSC governance.

The Workgroup discussed the potential impacts of implementing the Modification on a date where a Bank Holiday coincides with 1st day of the Month such as January. The consensus was that implementation should still proceed as changing the day would be problematic for systems and settlement. However, a view should be taken from the appropriate DSC Committee and/or UNCC should a Bank Holiday implementation be identified.

Performance Assurance Considerations

No specific settlement impacts were identified.

Initial Representations

0831

From M Field Sembcorp 20 December 2022:

"I note the post meeting note in the minutes from 29 November 2022, in particular 2.1.5 – Consider whether this Modification would reduce the amount of information available from AUGE which currently provides industry with an opportunity to drive actions to reduce UIG. Having now had an opportunity to review the Modification and how the AUG tables are used in more detail it would appear that the practical upshot of this proposal will simply be to push the majority of the UIG costs over to those in Class 1, within the higher EUC Bands. Off-takers in these categories will have highly accurate, daily read meters and as such are likely to contribute least to UIG. If this Modification is approved, would it not remove any output from the AUGE from the process to assess UIG and so remove any ability to drive actions to reduce UIG. Furthermore, if the vast majority of UIG is being paid by those who potentially contribute least, would this not also remove any financial incentive to improve the management of UIG overall?"

0831 Proposer view:

0831A Proposer view:

0831 and 0831A Workgroup view:

It was noted that 0831 moves the percentage of UIG by comparison to volume to Class 1 but this would not be the majority of throughput.

It was noted that 0831A recognises the concern raised in the Initial Representation and addresses the issue by excluding Class 1 sites.

Panel Questions

Q1. Consider AUGE contractual interactions

Xoserve provided a presentation detailing the timetable for the next few years of the current AUGE process, including timings, contractual break points and the appointment process. It is envisaged that the notice period will be given as soon as possible following a decision to implement one of the modifications, and that the AUGE process would continue for the work included under its remit until the notice period took effect, albeit that any UIG table produced would not take effect but it would inform the new process. It was noted that some transitional rules may be required based on the scenario in terms of timing of implementation and termination conditions at that time.

Q2. Consider effects of market flux (parties exiting etc.) and any need for reconciliation

As the proposal is to replace the current or a future AUG table with a fixed table of UIG factors, then implementation of this modification has the same effect as a new annual AUG table and so there is no impact on any changes in the market or any need for a reconciliation, as things would flow through in terms of the UIG allocation process as they currently do.

Q3. Consider effect on IGT UNC of the proposed to Legal Text drafting

There is no impact on the IGT UNC as the reference from the IGT UNC to the UNC is at a higher level than UNC TPD Section E Paragraph 9 that would be largely removed as a result of the implementation of this Modification.

Q4. Consider information coming as a result of this Modification and whether it would drive action to reduce UIG

The contributors to UIG identified in the AUG process are likely to remain the same and other industry groups have a remit to reduce contributors e.g. PAC for settlement risk and REC processes to identify theft.

Q5. Consider any impact/interaction on Licences

There is no impact on Licences as the AUGE or the process is not referenced in the Licence. The AUG and UIG are commercial processes detailed within the UNC.

Q6. Consider whether this Modification would reduce the amount of information available from AUGE which currently provides industry with an opportunity to drive actions to reduce UIG

As the AUG process would stop then there would be no information available from the AUGE, but it is questionable as to how much information the AUGE provides that can be used and is actually used by the industry to reduce UIG. However, given the money that would be saved by not having an annual AUGE process, that money could be used by the industry on an adhoc basis to pay various bodies to help identify the size of each cause of UIG and to help implement actions to drive down UIG. Examples of this could be a study into shrinkage and a reconciliation exercise between the CDSP's data and Land Registry's data. Given the REC's recent analysis provided by Cap Gemini on theft and its future plans on work in this area, there may be an opportunity to work with the REC to help reduce some of the sources of UIG which are outside of Shippers and Transporters control.

0831A

Q1. Consider the inclusion/treatment of Product Class 3 daily read sites.

Workgroup view:

It was noted that Class 3 daily read sites have not been excluded from the scope of the Modification.

Q2. Consider the impact of excluding daily metered sites from UIG.

Proposer view:

Excluding Class 1 sites that can provide daily reads sets the correct precedent for industry as a whole to incentivise movement to the associated classes, reducing UIG and enabling more customer-centric opportunities as a result. That begins with Class 1 through this Modification and should include Class 2 once an appropriate review group has concluded and the relevant changes made to widen access to as much of the market as possible.

Workgroup view:

The proposers comments were noted.

Workgroup Impact Assessment

No adverse impacts were identified by the Workgroup.

7 Relevant Objectives

Impact of the Modification on the Transporters' 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.	0831 and 0831A 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
f) Promotion of efficiency in the implementation and administration of the Code.	0831 and 0831A Positive
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

Relevant Objectives:

0831 Proposer's view

- d) A more stable and consistent UIG allocation will lower the UIG risk to Shipper Users and Suppliers and maintain cost stability which should support increased competition.
- f) The removal of the AUGGE and the whole annual industry process around the UIG table will lower industry costs and make the administration of the gas allocation process to Shipper Users more efficient.

Workgroup Assessment of Relevant Objectives

It was noted that the table would be stable and consistent which would reduce the degree of volatility and risk arising from the application of factors vs throughput. This is likely to improve cost stability and support effective competition.

0831A Proposer's View

- d) A more stable and consistent UIG allocation will lower the UIG risk to Shipper Users and Suppliers and maintain cost stability which should support increased competition. Penalising Class 1 meters doesn't allocate

UiG fairly given that they don't contribute to UiG error and volatility. Encouraging the industry to move towards daily settlement (comparing to MHHS in electricity)

f) The removal of the AUGÉ and the whole annual industry process around the UIG table will lower industry costs and make the administration of the gas allocation process to Shipper Users more efficient.

Workgroup Assessment of Relevant Objectives

While noting that Class 1 sites are excluded. It was noted that the table would be stable and consistent which would reduce the degree of volatility and risk arising from the application of factors vs throughput. This is likely to improve cost stability and support effective competition.

8 Implementation

0831 and 0831A

It is not anticipated that there will be any significant implementation costs for any parties as the Modification is only updating the table of UIG factors.

The Modification should be implemented on the 1st of the next month that is at least six weeks after a decision to implement is issued, or on a date determined by the Authority.

9 Legal Text

Legal Text was provided by Cadent, reviewed by the Workgroup and no issues were identified.

Text Commentary

Legal Text Commentary is published alongside this Workgroup Report.

Text

Legal Text is published alongside this Workgroup Report.

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that these Modifications should proceed to consultation.