

Draft Modification Report
Mechanism for Correct Apportionment of Unidentified Gas
Modification Reference Number 0229
Version 1.0

This Draft Modification Report is made pursuant to Rule 9.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

Nature and Purpose of this Proposal Introduction

This modification proposal seeks to establish a framework for the identification of both the causes of unidentified gas and the extent to which differing market sectors contribute to this error, and the allocation of this error to the relevant sectors. For the avoidance of doubt the term “unidentified gas” or energy refers to gas which is supplied to the GB gas network, but whose use cannot be accounted for after all known reconciliations. This is sometimes referred to as Unidentified gas or energy.

Purpose

Modification proposals 0194 and 0194a have been raised by British Gas Trading (BGT) and Corona Energy respectively and are based on creating tables in the UNC to allow for unidentified gas. In the 0194a alternative Corona argues that a reallocation mechanism based on RbD is fundamentally flawed. Shell Gas Direct (SGD) Ltd agrees with Corona but believes that both the Corona and the BGT modifications do not adequately resolve the issue of how the respective tables would be populated, at one point choosing to leave this to further UNC modification proposals.

SGD believes that rather than leave the calculation of an appropriate level of contribution by the LSP sector to the SSP sector in respect of unidentified gas to subject shipper raised modifications, the industry should appoint an independent third party to calculate the appropriate levels and allocation of unidentified gas. This third party will require a clear mandate to calculate these levels based on non-discriminatory evidence. We envisage an appropriate appeal mechanism would provide parties with the comfort that where an objective approach has not been followed then this would be subject to regulatory scrutiny.

Our proposal

1. It is proposed that the UNC be modified to provide for an allocation of unidentified gas expert (AUGE) to be appointed who would be responsible for producing an (AUGS), with the process for each being as set out in a new UNC Related Document “Guidelines for the Appointment of an Allocation of Unidentified Gas Expert”. The initial content of this UNC Related Document would be as set out in Appendix 1 of this Proposal, and subsequent changes would be subject to the process set out in V12 of the UNC, being included in the list of Documents in V12.1.
2. It is proposed that the UNC be modified to include provisions which provide for the allocation to the LSP sector of specific volumes of otherwise unidentified gas as specified in the AUGS. Adding an appendix to Section E, the ‘Large Supply Point unidentified gas allocation table’, and cross-referencing this table as appropriate

within the UNC could achieve this aim, with the applicable values being those specified in the relevant AUGS such that the table will always be up to date. This table could then be used to allocate unidentified gas (which would otherwise fall to RbD) attributed to individual causes to the LSP sector. The initial table will show zero volumes allocated to the LSP sector, thereby maintaining the status quo but facilitating population of the table in the manner described below. It is envisaged that the table could be introduced in the following format:

Large Supply Point Unidentified Gas allocation table	Market Segment	
	LSP NDM (kWh)	LSP DM (kWh)
Source of error (AQ)		
Late confirmation, unregistered and orphaned Sites	0	0
Late Confirmation, unregistered and orphaned Sites (IGT)	0	0
Shrinkage contribution	0	0
Theft and Unreported open meter by-pass valves	0	0
LDZ CSEP reconciliation	0	0
Unidentified Supply Point metering error	0	0
Other	0	0

These causes are collectively referred to below as “LSP unidentified gas”

NB. For the avoidance of doubt please note that this Proposal limits itself to the consideration of energy charges; transportation charges are excluded.

3. The changes to the size of each contribution of the LSP unidentified gas, i.e. variation in the values in the table, shall be introduced using the recommendation of an independent third party and be specified in the AUGS – see Appendix 1. We envisage that:

- a) this third party will be employed by the Gas Transporters at Shippers’ (with supply point exit capacity) cost to apportion the appropriate volumes; and
- b) apportioned volumes will be based on a mandated evidence-based approach. No User would be able to influence such this work but would have a right of appeal to

Ofgem in the event that the third party had not followed their mandate.

4. Changes to the volumes in the Large Supply Point Unidentified Gas allocation table would be announced and could only be implemented for the following year, starting on 1 April, and in the same timescale as the DNO changes to transportation charges for that year.
5. AT M+1, the monthly LSP Error Charge will be calculated for the relevant calendar month (“M”).
6. The calculation of the monthly LSP unidentified gas cost shall be 1/12 of the overall LSP unidentified gas (as specified in the Large Supply Point Unidentified Gas allocation table) multiplied by the previous month’s average SAP.
7. At M+1 the LSP unidentified gas costs will be levied on users in proportion to their share of each LSP market segment – as defined in the table - in month M. This market share will be derived from the site AQs in the shipper’s ownership. For the avoidance of doubt this will include LSP AQs for sites situated on LDZ CSEPs within the relevant shipper’s ownership. The transporters will raise debit invoices to all Shippers for their proportion of the unidentified gas. It is not envisaged that there will be any specific query process however standard invoice query rules would apply.
8. Provisions will be made for a reduction in RbD of the same value as the proposed debit invoices to the LSP sector. The reallocation of the accrued LSP unidentified gas costs payments to the SSP Shippers will be made on the basis of their SSP market share.

Following feedback from xoserve it has been decided that this will be done following current RbD rules. It is therefore proposed that all refunds go into the one month RbD pot for calculating market share.

2 User Pays

a) **Classification of the Proposal as User Pays or not and justification for classification**

Provision of the xoserve elements of this service will be on a User Pays basis.

b) **Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification**

100% to Users.

c) **Proposed charge(s) for application of Users Pays charges to Shippers**

To be advised. Currently, GTs are preparing a ‘Rough Order of Magnitude’ for xoserve costs. The level of costs will inform the decision on the period over which such costs are to be recovered.

d) **Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve**

To be advised pending information in 2c.

3 Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (b): so far as is consistent with sub-paragraph (a), the 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;*

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the 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;*

Implementation of this proposal would allocate costs more accurately to the relevant LSP and SSP market sectors.

Standard Special Condition A11.1 (e): so far as is consistent with sub-paragraphs (a) to (d), the 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;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

Our proposal introduces a framework that facilitates better-informed decision taking with regard to the allocation between market sectors of unidentified gas. We believe that this Proposal achieves this objective and ensures that the level of contribution by the LSP sector to the SSP sector is set in a fair and transparent manner.

4 The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

No implications

b) Development and capital cost and operating cost implications:

Costs are likely to be incurred by Transporters to implement and administer the contracts with the AUGE.

c) Extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

The costs of implementing this Modification Proposal do not require any special recovery outside of allowed revenue. However, Transporters are considering a suitable method to recover costs for implementing and administer the contract with the AUGE.

d) Analysis of the consequences (if any) this proposal would have on price regulation:

No such consequence is anticipated.

6 The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

No such consequence is anticipated.

7 The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

System changes would be required to allow for the billing of volumes identified populating the Large Supply Point Unidentified Gas allocation table.

8 The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Administrative and operational implications (including impact upon manual processes and procedures)

Some Users are likely to face small administrative and operational costs to manage additional bills from Gas Transporters and the requirement to pass through these costs to consumers.

Development and capital cost and operating cost implications

Some Shippers may need to make changes to their systems.

Consequence for the level of contractual risk of Users

Potentially increases liabilities passed through from the Gas Transporter to Shippers who have supply point exit capacity.

9 The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

There will be a fairer allocation of charges to consumers in the LSP and SSP markets.

10 Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No such consequences have been identified.

11 Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages

This proposal seeks to provide a framework for the determination of unidentified gas values that the market must account. The benefits of this proposal are that it:

- creates a clear and simple mechanism to allow levels of unidentified gas to be allocated between LSP Shippers.
- retains a level playing field between all shippers whether LSP SSP by ensuring there are no unintended cross subsidies.
- provides a framework that can more accurately target costs at the LSP sector, unlike Modification Proposal 0194, which assumes a linkage between RbD volumes and contributions to unidentified gas.
- avoids much of the complexity that is proposed by Modification Proposal 0194 and allows a greater range of solutions to be considered when determining appropriate values of unidentified gas to be apportioned to the LSP market.
- maintains the separation between the LSP and SSP markets, something which Modification Proposal 0194 would erode
- differs from Modification Proposal 0194a in that it provides a clear mechanism for the development of the levels of unidentified gas between the market sectors.

Disadvantages

- Introduces additional costs to the industry.

12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Written Representations are now sought in respect of this Draft Report.

13 The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Transporters need to comply with procurement legislation.

14 The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

No such requirement has been identified.

15 Programme for works required as a consequence of implementing the Modification Proposal

System changes and works programme will be defined at a later date.

16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

Implementation could be immediate on receipt of a decision.

17 Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

19 Transporter's Proposal

This Modification Report contains the Transporter's proposal [not] to modify the Code and the Transporter now seeks [agreement/direction] from the Gas and Electricity Markets Authority in accordance with this report.

20 Text

Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report.

For and on behalf of the Relevant Gas Transporters:

Tim Davis

Chief Executive, Joint Office of Gas Transporters

Attachment 1

Mechanism for correct apportionment of unidentified gas Charging Methodology

1. The Allocation of Unidentified Gas Expert (AUGE) shall prepare an initial Allocation of Unidentified Gas Statement ('Statement') detailing the methodology by which it considers volumes of Unidentified gas should be:

- a) calculated for the twelve months from April; and
- b) attributed between supply points based on their contribution to the overall volume of unidentified gas.

2. The AUGE shall seek to ensure that the methodology:

- (a) is transparent and objective ;
- (b) does not discriminate between shippers;
- (c) does not result in cross-subsidies between shippers or between supply points; and
- (d) facilitates effective competition between gas shippers and between gas suppliers.

3. In preparing the methodology contained in the Statement, the AUGE shall seek to ensure that it has:

- (a) been able to access data from relevant market participants;
- (b) consulted shippers on the proposed methodology and allowed them a formal period of not less than 28 days within which to make written representations; and
- (c) taken into account comments made by respondents or explain why it would not be appropriate to do so by reference to para 2 above.

4. The Statement shall be finalised following consideration of comments received and submitted to the Uniform Network Code Committee (UNCC) for approval

5. After the initial Statement has been finalised and in each subsequent year, the AUGE shall submit a Statement to the UNCC regarding the application of the existing charging methodology detailing the –

- (a) the extent to which, in the AUGE's opinion, the existing relevant methodology achieved and /or continues to achieve the objectives as set out in para 2 above; or
- (b) basis on which the objectives contained in para 2 above could more closely be achieved by modification of the charging methodology as specified in the AUGS.

6. Where para 5(b) applies, the AUGE shall ensure that any proposed modifications, suggested by the AUGE itself or shippers, have been subject to a minimum 28-day consultation period. For the purposes of para 5(b), the Statement referred to in para 5 shall detail:

- (i) the change or changes as originally proposed for the modification;
- (ii) how the change or changes proposed better facilitate the objectives contained in para 2; and
- (iii) the consultation responses (if any) made by relevant shippers.

Appendix 1 -

Guidelines for the Appointment of an Allocation of Unidentified Gas Expert

Document Control

Version	Date	Reason for Change
0.1	20 March 2009	Initial Draft
0.2	12 April 2009	Draft changed to take into account comments from the Distribution Workstream
1.0	19 May 2009	Final Version

Development of Rules

1. The requirement to publish the XXX Name of Document XXX is specified in Section X.X of the Transportation Principal Document (TPD) of the Uniform Network Code (UNC). This section also provides for the document to be published and revised from time to time. The provision reads :

“Each Document shall be kept up to date and published by the Transporters on the Joint Office of Gas Transporters website.”

2. The Rules set out below meet the Transporter’s obligation to prepare Guidelines, while the Document Control Section records changes which have been made to the Guidelines. The document is published on the Joint Office of Gas transporters website, www.gasgovernance.com.
3. These guidelines can only be modified in accordance with the requirements set out in paragraph 12 of Section V of the UNC Transportation Principal Document, which reads as follows:

**“UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT
SECTION V - GENERAL**

12 GENERAL PROVISIONS RELATING TO UNC RELATED DOCUMENTS

12.1 Purpose

The purpose of this Section is to establish generic governance arrangements in respect of the following UNC Related Documents (each a **“Document”** and collectively the **“Documents”**):-

- (a) Network Code Operations Reporting Manual as referenced in Section V9.4;
- (b) Network Code Validation Rules referenced in Section M1.5.3;
- (c) ECQ Methodology as referenced in Section Q6.1.1(c); and

- (d) Measurement Error Notification Guidelines for NTS to LDZ and LDZ to LDZ Measurement Installations as referenced in OAD Section D 3.1.5
- (e) Allocation of Unidentified Gas Statement referenced in section xxx

12.2 Publication Requirements

Each Document shall be kept up to date and published by the Transporters on the Joint Office of Gas Transporters website.

12.3 Modifications

Should a User or Transporter wish to propose modifications to any of the Documents, such proposed modifications shall be submitted to the Uniform Network Code Committee and considered by the Uniform Network Code Committee or any relevant sub-committee where the Uniform Network Code Committee so decide by majority vote.

12.4 Approved Modifications

- 12.4.1 In the event that a proposed modification is approved by a majority vote of the Uniform Network Code Committee, the modification shall be implemented. Where the Uniform Network Code Committee fails to achieve majority approval the proposed modification shall be considered in accordance with the provisions set out in Section 7 of the Uniform Network Code Modification Rules unless the Uniform Network Code Committee determines otherwise.
- 12.4.2 Each revised version of a Document shall be version controlled and retained by the Transporters. It shall be made available on the Joint Office of Gas Transporters website.

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1. Definitions

Unless otherwise stated, terms in these XXX Name of Document XXX (“**these Guidelines**”) shall have the meanings given to them in the Uniform Network Code. Such terms will be capitalised within quotation marks where first used in the Guidelines.

In these Guidelines:

“Allocation of Unidentified Gas Expert or AUGE”- an independent measurement expert who has been appointed by the Committee, to undertake the compilation of an Allocation of Unidentified Gas Statement. As a consequence of appointment, the Independent Technical Expert will subsequently be in the employment of the Transporters by means of a contractual arrangement for the purposes of the compilation of the Allocation of Unidentified Gas Statement.

“Allocation of Unidentified Gas Statement or AUGS” - a document compiled by the **“Allocation of Unidentified Gas Expert”**, detailing the process undertaken and methodology used in the determination of the value of Unidentified Gas .

“The Committee” - The UNCC, or an authorised technical workstream or sub committee appointed by the UNCC to administer the AUGS process.

“Generic Terms of Reference” – the standard terms of reference to be applied as basis of the contracts between the Transporters and the Allocation of Unidentified Gas Expert for the compilation of an Allocation of Unidentified Gas Statement.

“Unidentified Gas” - the values derived by the AUGE using the process and methodology detailed within the AUGS to populate the Large Supply Point Unidentified Gas allocation table contained within Annex xxxx Section E of the Transportation Principal Documents of the UNC

2. The Guidelines

These guidelines set-out the means by which the AUGS is appointed and how the AUGS is published on the Joint Office of Gas Transporters website (www.gasgovernance.com) and outline the high level process to be followed for the creation of a methodology to calculate the materiality of Unidentified Gas.

3. Responsibilities under the tender process for the position of AUGE

- The Committee:
 - Will produce a set of criteria for the appointment of the AUGE including;
 - the ability for the AUGE to produce an AUGS in line with the Generic Terms of Reference, including Attachment 1, contained in this document plus any other criteria agreed by the Committee.
 - the evaluation of the cost of undertaking the role of the AUGE over the period stated in the tender document.
 - the consideration of **the relevant knowledge and expertise of the candidates;**
 - **the prospective AUGE's ability to follow and take into account relevant industry developments.**

And to use those criteria to derive a methodology to assess each submitted tender bid.

- Where more than one prospective candidate indicates interest in the position of **AUGE** shall:
 - Assess each tender bid against the tender assessment methodology;
 - Collate aggregated scores for nominated **AUGE** from the criteria specified in the tender document;
 - Rank the proposed **AUGE** from 1-n (1 least favoured, n most favoured) and
 - Endorse (by Panel Majority) the appropriate person to the Gas Transporters as the AUGE;
- Shall endorse (by Panel Majority) the final version of the AUGS from the AUGE, except in the event of fraud or where the Committee considers, with reference to the requirements in Attachment 1, it is so clearly erroneous on its face that it would be unconscionable for it to stand.
- Review the proposed terms of reference and approve (by Panel Majority) the terms of reference for use when producing the AUGS; and
- Identify any improvements that may be made to the tender process, and recommended to the UNCC they be incorporated into these guidelines
- The Gas Transporters will:
 - Organise any meetings held in relation to the AUGE appointment.
 - Provide legal resource to prepare a tender document in conjunction with the Committee.
 - Organise the advertisement of the tender to all interested Parties, in accordance with national and European legislation.
 - Communicate to Users the progress and outcome of the tender process, including all relevant documentation.
 - Invite the endorsed AUGE to take up the appointment;
 - Where the favoured AUGE does not accept the appointment, invite the next most favoured AUGE in turn.
 - Upon acceptance of appointment, establish the contract with the AUGE, including the agreed terms of reference.

- Have the right to use the Joint Office or any other agency to discharge any obligations placed upon them by this document.
- Shippers (with supply point exit capacity) will:
 - Bear their respective costs including without limitation costs of providing documentation, information, data, submissions or comments, and all costs and expenses of all witnesses and other persons retained by it.
 - Comply with any reasonable request for data or assistance from the AUGGE to help the AUGGE ascertain the magnitude of the Unidentified Gas error.
- The AUGGE, once appointed as such:
 - Will act with all due skill, care and diligence when the performance of its duties as the AUGGE and shall be impartial when undertaking the function of the AUGGE, ensuring that any values derived will be equitable in their treatment of end users.
 - Shall compile the AUGGS in accordance with the guidelines within this document
 - The AUGGE shall confirm to the Gas Transporters before his appointment that he does not hold any interest or duty which would or potentially would conflict with the performance of his duties under his contract with the Gas Transporters.

If after his appointment the AUGGE becomes aware of any interest or duty which conflicts or potentially conflicts with the performance of his duties under his contract with the Gas Transporters, the AUGGE shall inform the Gas Transporters forthwith of such conflict giving full details thereof.

The Gas Transporters shall forward any such information to all Users and Committee Members as soon as reasonably practicable.

Any User or Committee Member may within 5 Business Days of the disclosure of any such conflict or potential conflict object to the appointment or continued appointment of an AUGGE, in which case the AUGGE shall not be or shall cease to be appointed and a new AUGGE shall be selected and appointed by the Gas Transporters in accordance with the process in these Guidelines.

- Shall ensure that all data provided by Code Parties will be held confidentially, and where any data, as provided or derived from that provided, is published then it shall be in a form where the source of the information cannot be reasonably ascertained.

4. Tendering process

This section details the processes undertaken by the Committee, to appoint an AUGGE using a tender process.

- The Committee will, in conjunction with the Gas Transporter, prepare a tender document to be sent when required to all interested parties by the 1st October.
- The tender will detail the requirement:
 - To compile a publicly available methodology statement, the AUGS.
 - To use the AUGS to derive the volumes of Unidentified Gas, that will be used to populate the Large Supply Point Unidentified Gas allocation table within the UNC.
 - To provide the Unidentified Gas volumes to the Gas Transporters in good time to allow calculation of the relevant charges in the manner outlined in the modification.
 - To hold public consultation meetings to provide an opportunity to allow Code Parties to discuss the AUGS, in accordance with the timetable contained within this document.
 - To allow Users to submit representations and queries with regard to the AUGS in accordance with the timetable contained within this document.
 - To consider adjusting the AUGS in response to those representations if the AUGGE feels it would improve the process.
 - To adhere to the Generic Terms of Reference contained within these guidelines, as well as any other criteria the Committee includes within the contract.
 - To take into account any queries that were raised in the previous query period where the AUGGE proposed and the Committee agreed a change to the AUGS, but they were not incorporated.
 - To maintain good relations with the Committee and the Gas Transporters, to be available for discussion with Users on any relevant issues, and to answer any general queries promptly.
- When issued, the tender will be for an initial 1-5 year contract, as determined by the Committee.
- The Committee will advertise the tender to all interested Parties via the Gas Transporters including, if applicable, the Official Journal of the European Union.
- All tenders response must be submitted by any interested party, in an acceptable format to the Gas Transporters by the 1st December.
- Each tender response will detail:
 - How the AUGGE will comply with the Generic Terms of Reference
 - The methodology to be used by the prospective AUGGE, and why such a process would be suitable
 - The data that would need to be collated for such use, and the methods to be used for acquiring such data.
 - How the AUGGE will address any previous queries that were raised in the previous query period and agreed to requiring a change to the AUGS, but were not incorporated.
 - The likely time for such work to be carried out.
 - The cost of producing the AUGS.
 - Contact details that a Code Party may use to query any aspect of the tender or the AUGS when produced.
 - Their independence and impartiality.

- Once the tender have been received, then the Committee will then rank the prospective AUGÉ in order of preference (1 to n, where 1 is the least favoured and n the most favoured) using the tender assessment methodology, taking into account the following:
 - **relevant knowledge and expertise of the candidates**
 - **cost of service provision**
 - **ability to take into account industry developments**
 - **the suitability of the methodology proposed**
 - **the equitability of the values that will be derived.**
- All prospective AUGÉs will, if so requested, present their proposals to the Committee at an appropriate time.
- Once all AUGÉs' tenders have been assessed, then the Committee will endorse (by Panel Majority) the top-ranked tender to the Gas Transporters for appointment.
- Once the tender process has been completed and the Committee has ranked each prospective tender, the transporters will use reasonable endeavours to contract with the highest ranked acceptable party that wishes to become the AUGÉ by the 1st March. Transporters will consider contracting with the next highest ranked party if they reach agreement with the 1st ranked party.
- In the event that the 1st March deadline is not met, the Committee will decide by a majority vote on whether to: a) maintain the current AUGS for another year; or b) to apply zero volumes.

- Once the tender process has been completed and the transporters have contracted with an interested party to be the AUGÉ, then the Committee will review the tender process, and incorporate any updates that are believed are required to this document.

5. Generic Terms of Reference for Appointed AUGE

This section will include the main principles the AUGE will operate under, once appointed.

- The AUGE will create the AUGS by developing appropriate methodologies and collecting necessary data.
- The decision as to the most appropriate methodologies and data will rest solely with the AUGE taking account of any issues raised during the development and compilation of the AUGS.
- The AUGE will determine what data is required from Code Parties in order to ensure appropriate data supports the evaluation of Unidentified Gas.
- The AUGE will determine what relevant questions should be submitted to Code Parties in order to ensure appropriate methodologies and data are used in the evaluation of unidentified error.
- The AUGE will use the latest data available.
- Where multiple data sources exist the AUGE will evaluate the data to obtain the most statistically sound solution, will document the alternative options and provide an explanation for its decision.
- Where data is open to interpretation the AUGE will evaluate the most appropriate methodology and provide an explanation for the use of this methodology.
- Where the AUGE considers using data collected or derived through the use of sampling techniques, then the AUGE will consider the most appropriate sampling technique and/or the viability of the sampling technique used.
- The AUGE will present the AUGS in draft form, to Code Parties seeking views and will review all the issues identified submitted in response.
- The AUGE will consider any query raised by a Code Party with regard to the AUGS or the data derived, and will respond promptly with an explanation on the methodology used.
- The AUGE will consider any relevant query that was raised during the creation of the previous AUGS and was identified as requiring a change to the AUGS, but was not incorporated into the immediately previous AUGS.
- The AUGE will provide the final AUGS to the Gas Transporters for publication.
- At all times, the work of the AUGE will be in line with the requirements contained in Attachment 1.
- The AUGE's final determination shall be binding on Shippers (with supply point capacity) except in the event of fraud or where the Committee considers, with reference to the requirements in Attachment 1, it so clearly erroneous for it to be applicable.
- Save for the paragraph above, no Shipper (with supply point capacity) shall commence legal proceedings in respect of the AUGE's findings.
- The AUGE shall limit the extent of any legal proceedings to recovery of its fees as contained in its contract with the Gas Transporters.

6. Creation of AUGS Document

This section covers the activities and timescales for the creation of the AUGS document by the AUGE.

- The AUGE must provide a Draft AUGS to the Gas Transporters for publication by the 1st May each year.
- The draft AUGS must detail:
 - How the AUGE has adhered to the Generic Terms of Reference and to any other relevant provisions within its contract.
 - The methodology to be used by the prospective AUGE, and why such a process would be suitable
 - The data that would need to be collated for such use, and the methods to be used for acquiring such data.
 - Contact details that a Code Party may use to query any aspect of the draft AUGS.
- Once published, Users may provide responses to the AUGE via the Gas Transporters, within 28 days. The Gas Transporters will then provide these responses to the AUGE by the 1st June.
- The AUGE will consider any submissions made, and will provide responses to the Gas Transporters for publication to all Code Parties prior to the draft AUGS discussion meeting, which is to be held on, or around, the 1st July.
- The AUGE will be required to organise a meeting, via the Gas Transporters, and provide to Code Parties:
 - an overview of methodology used in AUGS;
 - present data employed in calculation of AUGS
 - the initial results of the AUGS process;
 - its view of any issues raised by Code Parties as a result of submissions.
- Code Parties may raise issues for consideration by the AUGS at this meeting. The AUGE will review the AUGS in light of these comments, as well as any made by Code Parties via submissions, and will adjust the AUGS where it believes appropriate.
- The final AUGS document will be published by the 1st August on the Joint Office website.
- Once the final AUGS documents have been published, the AUGE will then organise a meeting via the Gas Transporters with the Committee for approval of the final document, on or around the 1st September.
- The Committee shall approve the document in the form presented by the AUGE, unless they unanimously agree changes to any part of the document. Any changes directed by the Committee in this fashion will be implemented by the AUGE immediately.
- Once the AUGS has been approved (by Panel Majority) by the Committee, the AUGE will produce the indicative Unidentified Gas volumes in a format consistent with the UNC requirements, and send them to the Gas Transporters for inclusion in the Large Supply Point unidentified gas allocation table by the 1st October.
- The AUGS will provide the final Unidentified Gas volumes to the Gas Transporters by the 1st January.
- If the AUGE does not alter the indicative volumes, for whatever reason, prior to the 1st January immediately after the provision of the indicative Unidentified Gas

volumes to the gas Transporters, then they shall be treated as the final Gas Unidentified volumes and will not be required to provide them after the first submission.

7. Query process

This section covers how Code Parties may raise any issues or queries once the final AUGS has been published and before the AUGE commences development of the new methodology. This process is only to be used if a Code Party identifies a potential material error with the AUGS which has not been addressed in any prior stage of the AUGS process by any Code Party or the AUGE.

- Once the final AUGS document has been approved by the Committee, then Code Parties may submit any subsequent queries to the AUGE using the AUGS query form. For the avoidance of doubt, this process will run from the 1st September to the last day in February. Any issues raised under this process and not resolved by the last day in February will be considered in the next tender period.
- The Code Party must provide;
 - contact details for the Code Party
 - a description of the issue
 - the likely impact this issue may have.
- The AUGE will, as soon as possible, investigate the issue and classify the change accordingly.
- In the event that the AUGE classifies the change as:
 - Requiring no action;
 - Requiring a change to the AUGS, but will have not have a material impact on the final Unidentified Gas volumes; or
 - Requiring a change to the AUGS, which will not have a material impact, but cannot be implemented in time for the creation of the final Unidentified Gas volumes;

As appropriate, the AUGE will also a summary of the changes that it expects that would need to be considered in the creation of the next AUGS, as well as reasons why those changes cannot be implemented.

- In the event that the AUGE classifies the change as:
 - Requiring a change to the AUGS, which will have a material impact, and can be implemented in time for the creation of the final Unidentified Gas volumes;

Then the AUGE will provide an updated AUGS taking into account those changes it believes should be incorporated, as well as reasons as to why those changes are necessary.

- Once the AUGE has provided its recommendation to the Committee and the Code Parties, the Committee will convene as soon as possible to consider the issue, and the proposed solution.
- The Committee will endorse the course of action recommended by the AUGE unless it votes unanimously to reject the proposed solution. If the Committee has endorsed the proposed course of action, then the Gas Transporters will communicate to all Code Parties the outcome of the query process and calculate the final Unidentified Gas volumes using the updated AUGS if necessary.
- If the Committee has not endorsed the proposed course of action, then the Gas Transporters will communicate to all Code Parties the outcome of the query process and the AUGE will review its proposed changes and submit its proposed solution to the Committee within 28 days.

- If the Committee has rejected any proposed solution, then it shall review any adjusted solution presented to it within 28 days by the AUGE and shall endorse the revised solution unless it unanimously votes to reject that solution.
- Code Parties, the Committee and the AUGE will use reasonable endeavours to ensure that any query is considered and, where possible, resolved to allow the AUGS to be adjusted prior to the submission of final Unidentified Gas volumes to the Gas Transporters by the AUGE.
- The Committee will provide all relevant information relating to any query that was identified as requiring a change to the AUGS, but which was not incorporated into the AUGS or any subsequent AUGS, to any AUGE appointed as a result of the tender process.

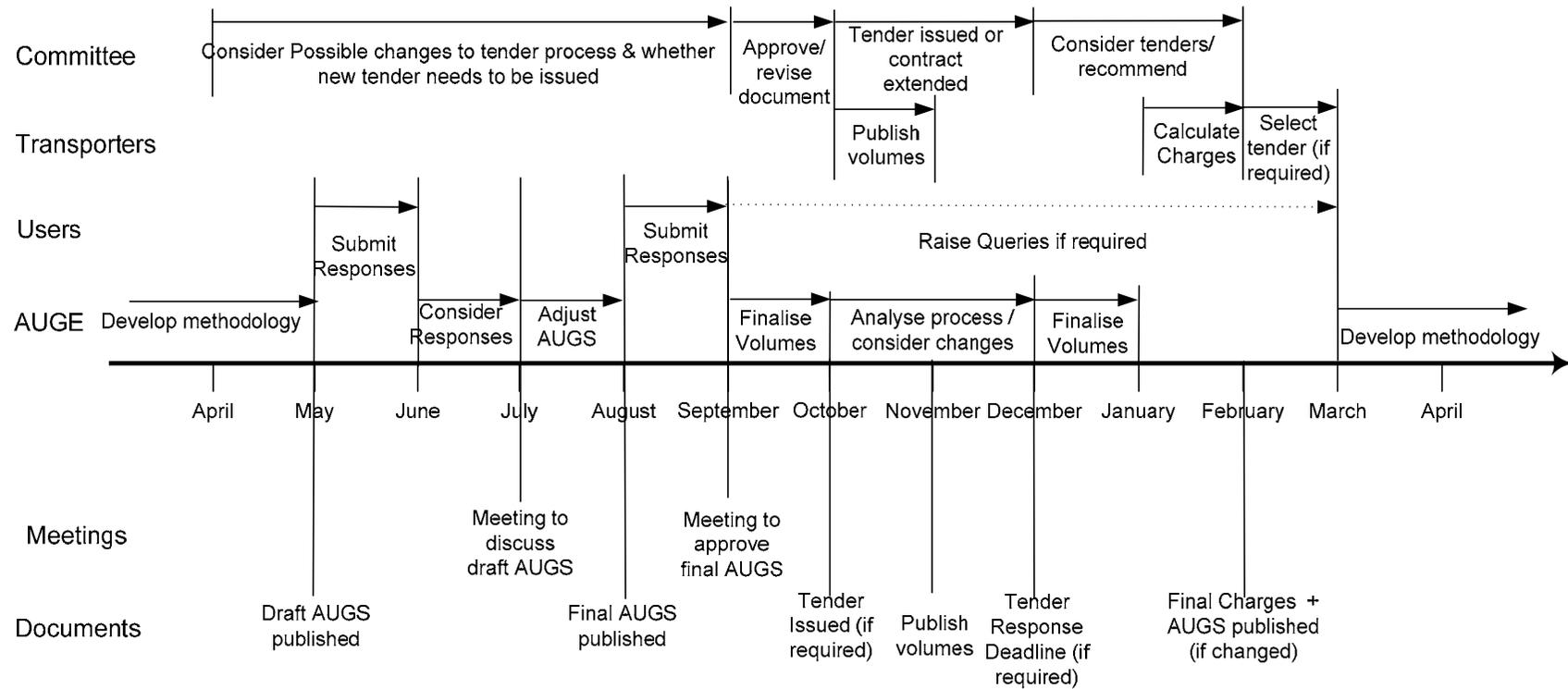
8. Charge Calculation

- The Gas Transporter shall be responsible for calculating and publishing the charges to be levied in accordance with the UNC when allocating Unidentified Gas costs to Code Parties.
- These volumes will be published at the following times:
 - When the indicative Unidentified Gas volumes are received from the AUGS, the draft Large Supply Point Unidentified Gas allocation table will be published by the 1st November.
 - When the final Unidentified Gas volumes are received from the AUGS, the final Large Supply Point Unidentified Gas allocation table by the 1st February.
- If, for whatever reason, the AUGS does not produce volumes for any or all of the categories of the Large Supply Point Unidentified Gas allocation table, then the Gas Transporters will use the most recent values used in the calculation of the applicable charges. In the event that no valid values are available, then a zero value will be used for all aspects of the Large Supply Point Unidentified Gas allocation table.

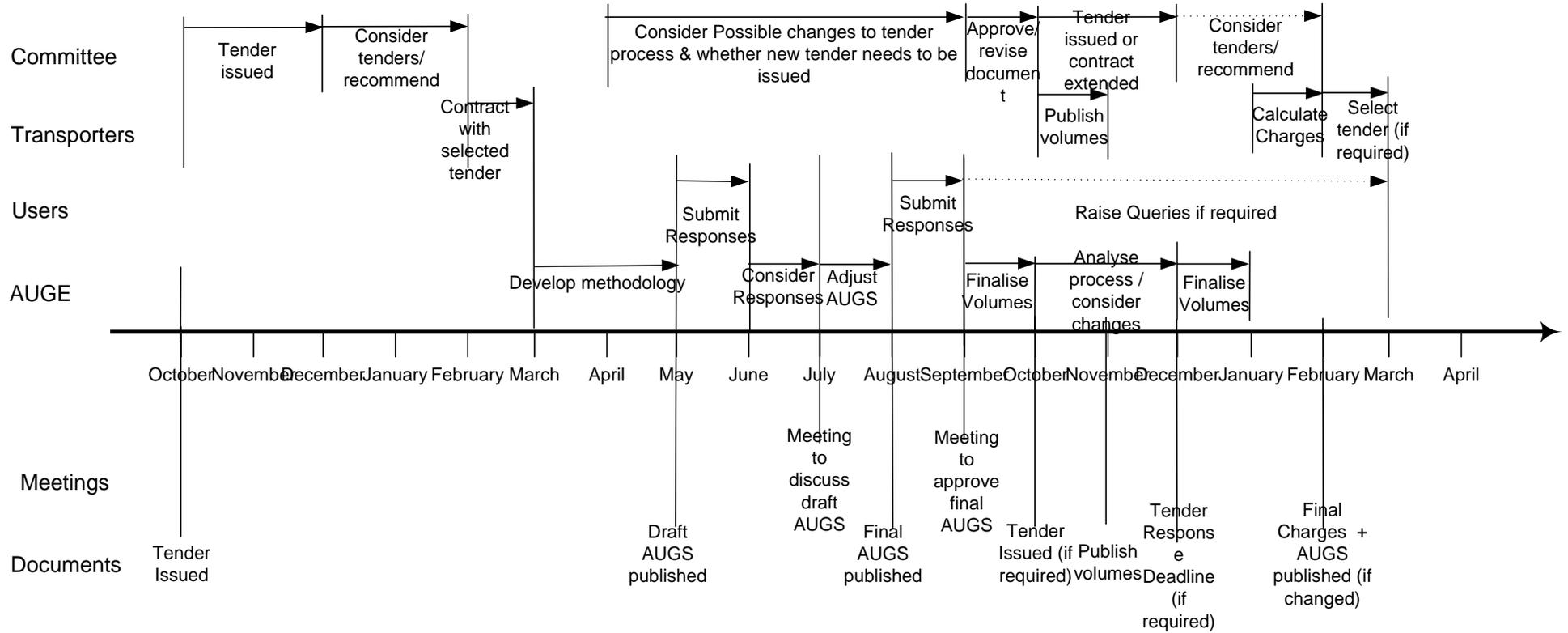
9. Contract Extension

- Once the tender process has been completed and the transporters have contracted with an interested party to be the AUGE, then the Committee will review the tender process, and recommend (by Panel Majority) incorporate any updates that are believed to be required to this document.
- Once the final AUGS document has been published by the Gas Transporters, then the Committee will decide (by Panel majority) to either extend the contract or to issue a new tender by the 1st October.
- If the Committee decides to extend the contract with the incumbent AUGE, then no tender process will need to be undertaken, and the current contract which the AUGE operates under will be extended for a further period.

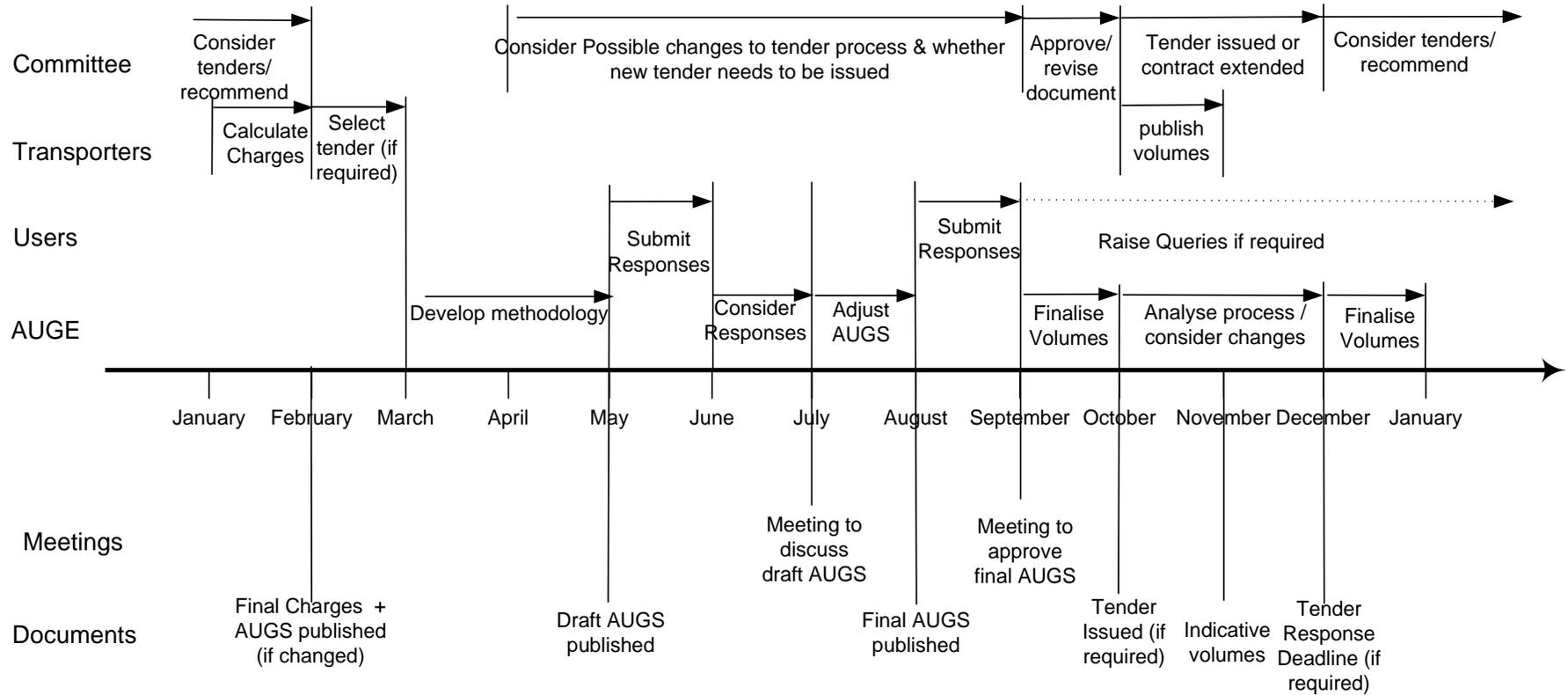
10. AUGS Creation timeline



11. Contract Tendering process timeline



12. Timeline (Jan-Jan)



13. AUGS query form

Originator details	
Code Party	
Code Party Contact	
Telephone number:	
Fax number:	
Email address:	

Issue Description

- | Anticipated Impact on the AUGS process |
|---|
| |

Date of Submission:	
Signed	