

**UNC 0639R Workgroup Minutes**  
**Review of AUGE Framework and Arrangements**  
**Wednesday 31 January 2018**  
**at The Ramada Solihull Hotel, The Square, Solihull, B91 3RF**

**Attendees**

Chris Shanley (Chair)	(CS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Andrew Margan	(AM)	Centrica
Borja Ayerdi Vilches	(BAV)	Scottish Power
Chris Faulds	(CF)	Scottish Power
Clive Whitehand	(CWh)	DNV GL
Carl Whitehouse	(CW)	First Utility
David Mitchell*	(DM)	SGN
Fiona Cottam	(FC)	Xoserve
John Welch	(JW)	NPower
Kirsty Dudley*	(KD)	E.ON
Lorna Lewin	(LL)	Orsted
Mark Bellman	(MB)	Scottish Power
Mark Jones	(MJ)	SSE
Neil Cole	(NC)	Xoserve
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy*	(RP)	Wales & West Utilities
Sallyann Blackett	(SBI)	E.ON
Steve Mulinganie	(SM)	Gazprom
Tony Perchard	(TP)	DNVGL

\*via teleconference

Copies of all papers are available at <https://www.gasgovernance.co.uk/0639/310118>

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 March 2018.

**1. Outline of Modification**

CS welcomed everyone to the meeting and confirmed that UNC Modification 0639R was considered at the December Modification Panel meeting and that the Panel have referred the Request to this Workgroup for consideration. CS invited SM to provide a brief outline of the Modification.

SM introduced UNC Modification 0639R and provided a brief overview. He explained that the Workgroup will consider the current AUG arrangements and identify if any changes are needed to the existing arrangements. He stated that the purpose of the meeting was to brainstorm the issues, collect views and consider the next steps.

JW asked what the implications of the Unidentified Gas (UIG) related Modifications being considered by the UIG Workgroup were, given that they might lead to changes in the role of the AUGE and therefore, how does this impact on this Review Group?

SM explained that the existing framework and arrangements remain in place and whilst the Workgroup cannot influence the direction of travel in terms of the role of the AUGGE, there will remain a role for someone to calculate UIG, which needs to continue to be independent.

SM suggested that there are 2 key questions that the Workgroup need to consider:

1. How do we get the process to work as best as possible within the current arrangements?
2. How will it work in future?

In addition, he suggested that the focus of the Workgroup should be to consider 'quick-wins' to address short term issues that need to be fixed now and then consider longer term issues.

AM identified that there might be a governance issue due to ambiguity between the guidance document and the legal text. SM agreed that governance and the process need clarification to avoid 'double jeopardy'.

A brief discussion took place on the ground rules for the meeting given that DNV GL who are the currently appointed AUGGE were present at the meeting. SM stated that whilst it was helpful to have the AUGGE attend the meeting there may be some areas of discussion that are likely to be commercially sensitive or might compromise DNV GL and for those discussions they would be invited to leave the meeting. FC echoed this view stating that there might be a conflict of interest if DNV GL are present in design discussions which might give them a commercial advantage.

## **Initial Discussion**

### **1.1. Issues and Questions from Panel**

CS confirmed that there were no specific questions from the Panel to discuss.

### **1.2. Initial Representations**

CS confirmed that there had been no initial representations.

### **1.3. Terms of Reference**

CS confirmed that meeting would follow the standard terms of reference which could be accessed on the Joint Office website. (<http://www.gasgovernance.co.uk/mods>)

## **2. Review of AUG Year 2016/17 arrangements (to identify if any changes are required)**

CS introduced this agenda item stating that a number of documents had been published to support discussion and which the Workgroup could consider. These documents might help to identify and elaborate on the key issues that need to be discussed. He also invited the Workgroup to suggest other items for discussion. It was agreed that as a starting point the main focus of the meeting would be the AUGGE Year Review Report for 2016/17 and then the 2017 AUG Timeline.

### **2.1. AUG Timeline 2017**

FC provided an overview of the one-page timeline which includes a swim lane approach with the key milestones shown in the top row. The timeline includes milestones for UNC requirements, AUGGE Framework and other events. The timeline is FC's interpretation of the AUG Framework and UNC Code and provides a visualisation of the key steps in the process.

Key dates to note:

- 01 October constitutes the start of the AUG Year.
- Lead time of 3 months between final AUG Table approval by UNCC and start of AUG Year.

In response to a question from SM about when the AUGGE undertake their work, CWh confirmed that most of the work is carried out between August and January.

FC pointed out that the 12 May industry meeting is not a two-way discussion but an opportunity to present the revised AUG Statement.

The Workgroup discussed whether the 42-calendar day consultation period was too long given that normally most respondents reply towards the end of this period and the UNC Modification consultation period is 21 days. SM suggested splitting the 42-day consultation period into two 21-day consultations. FC commented that time would be needed to receive, process and turnaround feedback for the revised presentations and, therefore, additional time would need to be found for this to be undertaken.

The following suggestions were made in relation to the timeline:

- Opportunity for more meetings – could the process start earlier November/December?
- The first industry walkthrough meeting scheduled for February could be brought forward and/or a further early industry meeting could be arranged to enable the AUGS to share their initial thoughts on the key considerations for preparation of that year's draft AUGS
- Opportunity for an optional second consultation by reducing the time for the first consultation.

CS suggested that it may be best to first make decisions around some of the identified issues, before looking to enhance the timeline, as they will provide direction as to what changes will be required.

### **Post meeting update**

Below is a draft future timeline (provided by Gazprom as the proposer of this Review) which the Workgroup may wish to consider at the next meeting. Please note that new milestones are identified in red text in the table below:

2017/18 (Current) Timetable		Future Timetable	
Prepare first draft AUGS and Table of Factors	Aug-January	Prepare first draft AUGS and Table of Factors	Aug-January
		AUGE initial industry meeting to allow early engagement	Oct to Dec
Draft AUGS published	01 Feb	Draft AUGS published	D /01 Feb (tbc)
AUGE meeting – industry walkthrough	08 Feb (not formal)	AUGE meeting to discuss draft AUGS	D+7 (08 Feb) from publication
Consultation on AUGS	42 days (from 01Feb)	Consultation on AUGS	D+21 days (22 Feb)
Meeting to discuss responses		AUGE meeting to discuss responses	D+42 (15 March)
		AUGE issues final AUGS	D+49 (22 March)
		AUGS presented to UNCC	D+56 (29 March)
Publish Revised AUGS	30 April		
Industry meeting to discuss revised AUGS	12 May		
UNCC Meeting to consider final AUGS	18 May		
AUGE publishes final table to GTs	01 July		
AUGS presented to UNCC	20 July		
Table active	01 October	Table active	01 October

## 2.2. AUGE Year Review Report for 2016/17

FC took the Workgroup through the 20-page document titled *AUGE Year Review Report for 2016/17*. This report is provided to the UNCC and details the approach taken to the review (undertaken in September by Xoserve), the review feedback and recommendations. Four key areas were considered for feedback. These included:

- The AUG Framework document – timeline, clarity of scope and responsibilities
- The AUGE – communication, industry engagement, query responses, etc.
- The industry – support for process, and timeliness/relevance of responses to consultation
- Xoserve – provision of information.

Feedback was received from 7 organisations (one Gas Transporter, 5 Gas Shippers and ICoSS), of which 4 was non-confidential.

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## Section 4.1 The AUG Framework

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FC reported that a significant area of feedback was in relation to the scope particularly DN shrinkage error. A lengthy discussion took place on scope and the following points were made in discussion:

- The scope should clarify what the AUG can directly/indirectly influence
- SM stated that potential errors can be identified/reported by AUGE but the scope for deriving the UIG weighting factors cannot be amended once it has been agreed.
- AM was concerned about double jeopardy and suggested that existing UNC processes should always be used. For example – LDZ meter errors should be addressed via established processes.
- MB questioned whether the scope could be amended to reflect the ICoSS feedback which suggested that the role of the AUGE is to “assess the source of the losses that occur downstream of the Emergency Control Valve” and whether it is valid to assess data on known issues such as Shipperless sites.
- SM raised the issue about what is included upstream/downstream - should Transporters be included within the scope as they are currently not part of AUG activity? This would have implications for the role of AUGE as it would become significantly larger if scope extended to include Transporter issues.
- A brief discussion on what the AUG is trying to evaluate took place - should it be limited to the calculation of the UIG weighting factors or should it include detail on the issues that influenced the values such as Shipperless sites and theft of gas for example? Opinion suggested that a holistic approach might be to explain all the areas that affect the factor used. FC confirmed that the current service only includes the need to determine the weighting factor.
- AM suggested that if the methodology changed it could impact Shippers in different ways and there could be ‘winners’ and ‘losers’ as a result of the changes. This would impact on DNV GL as they would have to respond to subsequent queries. AM was of a strong view that in relation to shrinkage error the AUGE should not have changed their position.
- CWh confirmed that shrinkage error has now been taken out of the scope. Going forward if other issues are identified from the consultation they could lead to an updated methodology.

CS summarised the discussion stating that there was some support for the AUG to identify contributing issues as well as to provide the factors but others felt that providing too many instructions may hinder the AUGE role.

FC confirmed that the process for updating the Framework Document is a submission to UNCC, and any changes are accepted via a majority vote. She also confirmed that any UNC signatory can submit a change and any amendments would be effective immediately. Xoserve would then make any appropriate changes to its contract with the AUGE.

The Workgroup agreed that scope should be regarded a key issue to log. In addition, it was considered that the scope could be more prescriptive and the AUGE could be responsible for determining the best methodology.

JW asked how the process would take account of an issue which has been identified by industry but which the AUGE does not subsequently take account of, CW gave the example of Shipperless Sites.

CS suggested that within the Framework Document it may be helpful to have a list of issues that are out of scope and which the AUGE will not address as part of their work.

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FC then introduced the feedback in relation to the AUGE's use of third party experts. British Gas and another Shipper raised concerns about the AUGE's use of these experts in relation to Shrinkage from within their own organisation. This view was reiterated at the meeting and it was suggested that this could give rise to a potential conflict of interest issue. The Workgroup had a general discussion about whether the AUGE role should be limited to a defined team or whether it is permissible to seek expert advice from a third party.

AM commented that the AUGE's communications should be transparent to avoid serious commercial impacts.

SM stated that the AUGE need to ensure that if third party expert advice is sought that there is no conflict of interest and suggested that a set of principles or ground rules for any third party (including within the wider organisation) engagement be developed.

CWh from DNV GL agreed that communication should be more transparent to avoid any conflict of interest issues. It was suggested that the criteria in the Framework could be reviewed at the next meeting.

AM also queried why the AUGE did not talk to Imperial College as feedback from one of the respondents suggested that they might have some valuable input. The Workgroup agreed that how evidence is treated and considered also needs to be reviewed.

FC highlighted another issue in relation to responses received after consultation had closed and late in the AUG process.

CS summarised that discussion of the AUG Framework area had identified 3 key areas for consideration. He suggested that an issues log be created to collate the issues for Workgroup to discuss at future meetings:

- Issue 1: Scope – what is included/not included.**
- Issue 2: How interaction with third parties should work and how to deal with conflict of interest issues.**
- Issue 3: How feedback is treated throughout the AUG process (including the formal consultation period).**

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FC reported on concerns raised by British Gas in relation to the misalignment between the legal text and the guidance document (the AUG Framework) particularly in relation to voting. She explained that the legal text is defined within Section E of the UNC whereas the AUG Framework contains more detail in relation to checkpoints and voting. Technically the UNC takes precedence in terms of process. In addition, Modification 0473 *Project Nexus – Allocation of Unidentified Gas* provides the business rules which stipulate the need for a vote at UNCC. She recommended that UNCC reviews the interaction of UNC and the Framework and assesses if any amendments are required.

It was agreed that this issue be also added to the areas of consideration for the Workgroup.

- Issue 4: Review/clarification of UNC, UNCC process and AUG Framework documents in relation to voting requirements. Should the voting be related to the methodology, the weightings table or both?**

FC reported that two Shippers had also raised concerns about the levels of UIG process. She reiterated that Xoserve is aware of the current volatility of UIG and levels are being closely monitored on a daily basis. There are also a number of Modifications which industry have raised to address some these issues.

## **Section 4.2 The AUGE for areas such as: communication, industry engagement, query responses etc**

### Page 9

Workgroup briefly re-visited the shrinkage error issue; error was not included in first draft AUGS, was included in the Final AUGS but the AUGE removed a figure for shrinkage error from the Final Table of Factors. This action divided opinion in the industry and led to significant concerns in relation to the scope of the role of the AUGE. Workgroup agreed that scope was a significant issue and needs clarification.

### Page 10

AM explained the background behind the concern set out in the British Gas question in relation to the shrinkage error. He stated that there was compelling evidence that the process had not been followed. He recommended the need for a clear defined approach which includes consultation with industry as necessary to avoid a material change at the end. He also did not think it was appropriate for Xoserve to make decisions on behalf of the gas industry.

A brief discussion then took place in relation to the ICoSS feedback regarding the communication of issues in obtaining data from other industry parties, specifically the Theft Risk Assessment Service. In response to a question from SM about whether the minutes from bilateral meetings between Xoserve and the AUGE can be published, CWh confirmed that the notes from quarterly meetings could be shared with any commercial information redacted.

CWh also confirmed that the vast majority of data (including TRAS data) is provided by Xoserve.

CS asked how Joint Office could further support the AUG process in relation to the sharing of key documents? CWh confirmed that a page already exists on Joint Office website <https://www.gasgovernance.co.uk/augenex> and CS said he would have a look how any additional documents could be best published.

### Page 11

FC highlighted an issue raised where the AUGE statement and AUGE table did not align and suggested that this could be an area of the process where clarity would be beneficial. A discussion took place on when the tables should be published and whether they can be changed or not.

**Issue 5: The AUG process needs to have sufficient rigour, transparency, feedback and checkpoints and increased account management. In particular, the AUGE statement and AUGE table need to be reviewed to decided what needs to be done to align them and clarification on when the tables should be published and whether they can be changed or not.**

## **Section 4.3 The industry, e.g. for support for the process and timeliness/relevance of responses to consultation**

### Page 12

A further discussion took place in relation to the shrinkage error in the Final AUGS, and how transparency was important given that the financial materiality can be high. Concern was raised by AM that the AUGE had been influenced after the final statement had been published. The Workgroup agreed that a robust methodology needs to be supported by publication of an early draft of the weightings Table. Throughout, the process needs to be transparent and consistent. Industry needs to be aware the final Table is definitive and that changes can be made from the first draft.

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### Page 13

FC briefly highlighted that outside of the responses, concerns had been raised about the role of the Joint Office (JO) in that year's process and feedback from industry had suggested that the Joint Office should undertake a role in the future instead of Xoserve. She informed the Workgroup that an approach had been made to Penny Garner the Chief Executive of the Joint Office to discuss support for the next round of meetings to take place in February, March and April 2018. CS confirmed that the Joint Office are considering how these meetings could be supported. He suggested that a new sub-committee might need to be set up through the UNCC to facilitate the requested support from the JO.

### **Issue 6: Role of Joint Office to support the AUG Process in terms of providing secretariat for the AUG meetings and providing a transparent communication vehicle for all AUG documents.**

#### **Section 4.4 Xoserve e.g. for the provision of information**

ICoSS and a Shipper commented on the use of the secure Xoserve Sharepoint site and suggested it was a barrier to smaller Shippers who only had a few individuals to access the site. FC confirmed that Xoserve do not have a cap on the number of people who can access the secure site. In addition, she confirmed that there is no charge for access/accounts.

### Page 14

British Gas raised a number of concerns about Xoserve's support for the process, particularly in relation to a request for a 'Compliance Statement' which they considered to be unsatisfactory and contradictory. FC explained that this request put Xoserve in a very difficult position as they were being asked to provide a legal opinion in relation to the sensitive issue of Shrinkage Error and Weightings Factor.

It was suggested that compliance could be judged as being met when the process steps set out in the AUGS had been followed. This review could also help by adding clarity to the process.

### Page 15

A brief discussion took place about concerns in relation to the lack of transparency of the contractual arrangements in place between the AUGE and Xoserve. FC confirmed that whilst the details of the contract are confidential the scope is taken directly from the AUG Framework document.

She also confirmed that there is annual breakpoint in the contract, allowing notice to be given by 01 May each year prior to the AUGE commencing work on the following years' service. However, a 6 to 9-month lead time is needed for the procurement exercise.

SM raised a concern that the timeline does not allow changes to be made to the service provider where it is agreed that there are performance issues in relation to delivery of outputs. He questioned if we had the right level and number of checkpoints and suggested that contract management was critical to success.

In terms of the termination clauses, FC confirmed that the AUGE would have to be paid for work undertaken but a decision could be taken to stop future work but this might lead to a gap in delivery until a new service provider is appointed. She also informed the Workgroup that Xoserve had commenced discussions with their lawyers to consider the implications of the 2 urgent Modifications (0642 *Changes to settlement regime to address Unidentified Gas issues* AND 0643 *Changes to settlement regime to address Unidentified Gas issues including retrospective correction*) given that one proposal is on the basis that an AUGE is not needed.

SM suggested that if a new sub-group is created under the UNCC this group could have sight of the details of the contract (in confidence). FC agreed to consider reviewing the contract arrangements with a view to providing a summary of the contract. SBI provided an example of weather contracts which had been shared in the past and also suggested that for future tenders we could build into the contract that certain elements of the contract can be disclosed.

**New Action 0101:** Xoserve (FC) to review the contract arrangements and investigate what can be shared. If the contract cannot be shared, investigate what could be provided in the form of a summary of the contract which might include a list of all the contract headings and key deliverables, termination clauses and provisions for transferring the service as a starting point.

### Page 16

A discussion around improvements to Xoserve's culture to be more customer focussed in this area took place in response to feedback from British Gas. FC informed the Workgroup that Xoserve's new CEO - Sian Baldwin is aiming to provide a step change in customer service and this is a big focus within Xoserve at the moment.

### **2.3. AUG Review 2016/17 Non-confidential Responses**

The non-confidential responses were not considered in the meeting but CS invited DNV GL, currently appointed as the AUGE to provide their perspective and feedback of the process. CWh had provided a two-page summary titled *AUG Framework Review Comments* in advance of the meeting and this is available on the Joint Office website on the meeting page: <https://www.gasgovernance.co.uk/0639/310118>.

CWh indicated that the earlier discussion was consistent with the views of DNV GL but he highlighted three areas that had not already been discussed and these are summarised below:

- a. CWh reported that they check the Joint Office website to keep abreast of new issues related to the AUG and UIG. He suggested that they would have found it helpful to attend some meetings to clarify issues and avoid any mis-understanding and/or mis-interpretation. Workgroup considered that Xoserve as part of their contract management role have a responsibility to identify issues and provide relevant updates to the AUGE.
- b. CWh also reported that financial constraints within the contract mean that the AUGE cannot investigate everything and that they have to balance process with deliverables. This meant that in some cases they may need to ask for further funding or the issue would need to be left until the following year for investigation.
- c. The third area was in relation to confusion between the terminology of UIG and UG. A discussion took place on the different interpretation of these two terms. JW mentioned that there was a suggestion at the UIG Workgroup meeting held on 30 January 2018 to include it in the legal text. RP reiterated that there is only one definition in the UNC and the definition of unidentified gas is set out within UNC Section H TPD 2.6.1. The Workgroup agreed that a common understanding would be helpful and suggested that 'line in the sand' UIG could be referred to as 'UIG Initial' and UIG could be 'UIG Final'.

AM asked how the AUGE should manage the shrinkage error conflict as it is a source of UIG but not in scope. A discussion was had on how any such issues should be highlighted to the LDZ shrinkage forum for investigation as it is for them to determine what changes needed to be made.

### **2.4. 2017 AUG Year Review Suggested Next Steps**

Not considered.

### **2.5. AUG Framework Document**

#### **2.5.1. Contracting and procurement arrangements**

Not considered.

### **3. Next Steps**

CS confirmed that the next steps were to develop an issue log for discussion at the next meeting.

### **4. Any Other Business**

None raised.

### **5. Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Tuesday 27 February 2018	TBC	<ul style="list-style-type: none"> <li>• Standard agenda items</li> <li>• Consideration of the issues log and development of resolution options/proposals.</li> <li>• Discussion of proposals for change in relation to the AUG Timeline.</li> </ul>

#### Action Table (as at 31 January 2018)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	31/01/18	2.2	Xoserve (FC) to review the contract arrangements and investigate what can be shared. If the contract cannot be shared, investigate what could be provided in the form of a summary of the contract which might include a list of all the contract headings and key deliverables, termination clauses and provisions for transferring the service as a starting point.	CDSP (FC)	Pending