

UNC Workgroup 0473 Minutes
Project Nexus – Allocation of Unidentified Gas
Wednesday 08 January 2014
Consort House, 6 Homer Road, Solihull B91 3QQ

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alan Raper	(AR)	National Grid Distribution
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Andrea Varkonyi	(AV)	first utility
Andy Miller	(AM)	Xoserve
Brian Durber	(BD)	Waters Wye Associates
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
Ed Hunter	(EH)	RWE npower
Elaine Carr*	(EC)	ScottishPower
Huw Comerford	(HC)	Utilita
James Rigby	(JR)	RWE npower
Jonathan Kiddle	(JK)	EDF Energy
Kathryn Allen	(KA)	RWE npower
Leigh Chapman	(LC)	first utility
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Michele Downes	(MD)	Xoserve
Robert Cameron-Higgs*	(RCH)	first utility
Sandra Simpson	(SS)	Xoserve
Steve Mulinganie	(SM)	Gazprom

* via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/0473/080114

1. Introduction

MD gave a presentation explaining how the exigencies of Modification 0432 were to be delivered. In summary:

- At Gas Nomination (D-1 to D) the Forecast Unidentified Gas is shared to Users based on the total Gas Nominations in an LDZ for a User
- At Allocation (GFD+1 to GFD+5) the Unidentified Gas is shared to Users based on the 'Allocation Adjustment Factor' for a User & LDZ
- Following a Meter Point Reconciliation the opposite and equal amount is shared to Users based on the Allocation Adjustment Factor based on the latest throughput (Prevailing UDQO).

2. Outline of Modification

SM referred to concerns raised (in the representation Gazprom submitted to the Modification 0432 consultation), relating to the lag in the delivery of smart metering.

The purpose of the modification was to re-establish an AUG process within Project Nexus, ie the continuance of the role of the AUG and the population of the table post Project Nexus implementation, its task being to determine the sharing of unallocated energy between the appropriate parties. In his view the role still remains because unallocated energy will remain in the future and concerns had been raised about a simplistic approach to smearing unallocated energy.

3. Discussion

It was commented that under the present position the AUG had made a number of errors and that the proposed discontinuance under Project Nexus was mitigating opportunities for error. SM explained some of the errors in the current process, and observed that simplistic smearing could be considered to be a retrograde step.

It was questioned who should discharge the role. Currently the role is to determine the 'pot' and subsequent appropriate allocation; in the future it would be to determine allocation only. Reference was made to how this was managed in the electricity market, but it was questioned whether that was the most appropriate model to use in this situation. CW pointed out that Ofgem has encouraged Project Nexus to look at a more advanced approach to unidentified gas based on the experience of the current AUG role. CB observed that this should address the problems that have been experienced in the current process. The current AUG has learnt from the process and issues have been addressed. Competence in role is a separate issue.

CW asked if the current framework guidelines should be utilised or should be reviewed. AR suggested that the framework required review, the role of the AUG going forward should be addressed and how unallocated gas should be apportioned.

AM pointed out there may be issues with the implementation date in the modification and the current publication timescales of the table. The 'pot' size will be unknown to an AUG for some time. BD suggested that the AUG by objective analysis would be able to determine the appropriate allocation. AR suggested a guideline document would be required to make it all work; this would need to be reviewed alongside the modification, and then the AUG can operate to those. CW added that the guidelines should be appended to the modification to progress at the same time, and look at modifying the Modification 0432 text and the current text to see what can be adapted.

Action 0473/0101: AUG Guidelines to be provided for review by the Workgroup.

AM referred to the transition period, observing that the Modification 0229 services would finish and on 01 October the factors in the table are used to identify the unallocated energy. As more information becomes available year on year the AUG is able to modify its approach to provide more accurate allocations.

AM made it clear that the AUG Guidelines is a process document and not a methodology. It needs to be reviewed to make sure the process works properly. Attention was drawn to the UNC Committee (UNCC) meeting minutes and how there appears to be conflicts between the Guidelines and UNC text – this has been highlighted in a recent presentation by the AUG.

AM will ask the AUG to attend a future meeting to give an account of its experience to date and to indicate any learning points for future consideration. The AUG's attendance would be strictly limited to the first part of the meeting (review of guidelines/specific discussions), to avoid any perceived potential conflict of interest in the event that any future commercial opportunities arose that it might wish to tender for.

Action 0473/0102: Arrange for the current AUG to attend a future meeting.

Implementation Date

The implementation date was reviewed. AM explained that because of various constraints the modification may need to be implemented by March 2014. He referred back to Modification 0229 and the appointment of the expert, pointing out that if services need to change certain questions required consideration, ie can the existing services agreement be amended to perform Modification 0473 activities or do we have to start a new tender process. Xoserve was seeking a legal view on whether the AUGÉ can be re-appointed to perform Modification 0473 or a retender is required, and this should be available by the end of January. If retendering is required then Xoserve will have to follow EU procurement regulations and there is a 6 month window which must be adhered to.

SM noted these points and will reconsider an appropriate implementation date, bearing in mind any changes to the Guidelines.

User Pays Element

AM confirmed it would be a User Pays modification. An Agency Charging Statement (ACS) would be required to reflect a Modification 0473 service (Modification 0229 falls away); an ACS could be produced quite quickly. Section 3 of the modification will therefore need revising.

Revised Modification

It was suggested that the modification could be revised to take account of any amendments required to the User Pays and Implementation sections once the AUGÉ Guidelines had been reviewed.

Next Steps

Review the AUGÉ Guidelines.
Consider how to manage the transition period.
Consider an appropriate change to the proposed implementation date.
Revise the modification as appropriate.

4. Any Other Business

None raised.

5. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

The next Workgroup meeting will take place on Wednesday 05 February 2014, at Consort House, 6 Homer Road, Solihull B91 3LT and will be accommodated within the business proceedings of the Project Nexus Workgroup.

Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	08/01/14	3.	AUGÉ Guidelines to be provided for review by the Workgroup.	Gazprom (SM)	Pending

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0102	08/01/14	3.	Arrange for the current AUGE to attend a future meeting.	Xoserve (AM)	Pending