

## **0229: Draft Strawman for Discussion - Distribution Workstream – 9 Feb 2009**

1. The Transporters will be obliged to produce and publish a new UNC Related Document - the “Allocation of Unidentified Gas Statement” (AUGS). This Statement will be reviewed annually and amended with effect from 1 April each year.
2. The AUGS will set out the methodology to be followed in order to populate the table created in the UNC by Modification Proposal 229, i.e. to allocate the quantities of unallocated gas to the LSP NDM and LSP DM sectors for each of the specified categories. [SGD would be content not to have the table in the UNC.]
3. However, the table itself will remain blank and instead cross-refer to the AUGS methodology. In addition to the methodology, the AUGS will specify the values derived through application of the methodology and thus to be applied via the table in the UNC for the next twelve months. It is envisaged that the AUGS will contain a table in exactly the same format as the table in the UNC [if the table is included in the UNC] but with the values to be applied included.
4. The initial methodology will be “To allocate zero quantities to the LSP sector.” All the initial values in the table will therefore be zero.
5. There will be a UNC provision allowing each ‘DN shipper’ (User) to nominate a party to act as the AUGS to produce the AUGS. This provision does not prevent a 3<sup>rd</sup> party offering its services for this role.
6. While the mechanism for shippers to select the shortlist of candidates has yet to be decided – the mechanism could be something as simple as One User, One vote – any appointment shall be made by a fully constituted UNCC, ie. including all categories of members, after considering the list of both proposed and offered AUGEs. A simple majority of those present will be required to determine whether or not a party should be invited to submit terms for acting as the AUGS.
7. Any prospective candidate for appointment under paragraph 5 will declare to UNCC that there are no conflict of interests that would otherwise prohibit it from carrying out its duties as AUGS in an impartial manner and one consistent with facilitating the Code relevant objectives.
8. The UNCC will consider the terms submitted and determine which AUGS should be appointed. The UNCC may determine its own processes and procedures for the appointment process but would be expected to take into account the relevant knowledge and expertise of the candidates; their ability to follow and take into account relevant industry developments; and the cost of service provision.
9. The appointment of the AUGS following such approval will be effective from 1 April. The initial AUGS will be appointed as soon as reasonably practical following Ofgem direction to implement the Modification Proposal.
10. Once appointed, and in order to carry out the requirements contained in para 1, there shall be a UNC obligation for the Transporters to:
  - contract with this party on behalf of Users to carry out the work of AUGS; and

- provide this party with the necessary information and data for it to carry out its duties.
11. Transporters shall not bear any costs associated with the work of the AUGE. All costs incurred by the Transporters in accordance with the terms of agreement with the AUGE will be recoverable from Shippers, eg. as a User Pays service.
12. For the avoidance of doubt, we envisage that GTs shall hold no liability for any losses that result from the work of the AUGE. All such costs shall be borne by shippers.
13. If the UNCC fails to select an AUGE for any reason, the Transporters shall:
- invite the existing AUGE to continue in its current role for another year; or
  - if the AUGE is unable to carry on for another year, Transporters shall submit the name of a candidate(s) of their choosing to UNCC until UNCC agrees by a simple majority to an appointment.
14. An AUGE will be required to propose the terms of the AUGS to be effective from the following 1 April. The Transporters will have an obligation to give a minimum two months notice of any change in the AUGS.
15. An AUGE will also consider the terms of the AUGS and bring forward proposals for any changes to the following April's AUGS which it believes will, if made, be consistent with better facilitating achievement of the code relevant objectives, including updating the numbers in the table in accordance with the methodology.
16. As such, an AUGE will publish any proposals for change by 1 Sept each year for a 28-day consultation process and in doing so:
- allow Users to submit proposals for changes to the AUGS for inclusion in the consultation process; and
  - be obliged to consider any suggestions submitted by Users, including an assessment indicating how, if at all, they are reflected in the proposed AUGS put forward by the AUGE.
17. By 1 Oct each year, the AUGE will publish an initial views document summarizing respondents' views and detailing whether any changes to the existing AUGS are proposed. To the extent that respondents consider that their views have been misrepresented, they must make these known to the AUGE within a week of the publication of the initial views document.
18. By 31 Oct, the AUGE will publish a final views document and submit the subsequent revised AUGS to the UNCC for approval. No later than in the month prior to when two months notice of any revision to the AUGS is to be given, the UNCC will have considered the revised AUGS and determined whether or not to approve the AUGS as proposed by the AUGE. The proposed AUGS will be accepted unless the UNCC votes unanimously that it should be rejected. In such an instance, the current AUGS would continue to apply for the following year starting 1 April.
19. The UNCC may exercise an option to appoint a sub-Committee to advise or help support the UNCC in carrying out all or any of the functions ascribed to it. However, any

such sub-Committee shall not have an executive role in carrying out the responsibilities of the UNCC as contained in this document.

20. All references to 1 April have been included to be consistent with the DN Licence requirement with respect to changing Transportation Charges with effect from 1 October each year. If this obligation were to be changed, the process described here should be similarly adjusted such that changes to the AUGS would be coincident with changes to Transportation Charges.