

The Joint Office, members of UNCC

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Reference: 2012 AUGS for 2013/14

Date: 11th December 2012

Dear Colleague

An update on progress of the AUGS was issued to the industry on 23rd November. Since then, with improvements in our meter read and consumption data processes and the results obtained we took the decision to progress the consumption based methodology to estimate total Unidentified Gas in the forthcoming draft AUGS. Work has since concentrated on that thread and no further development of the previous year's methodology undertaken. However, the findings of all the analysis carried out this year have been included in the AUGS.

Three unexpected operational issues impacted the production of the AUGS w/c 3rd December. In addition during review there were some gaps identified in content and certain findings did not have sufficient evidence to back them up which needed to be added.

During a discussion with Xoserve, we recommended that the publication of the AUGS was delayed until we had resolved the issues previously identified. This in turn meant that, reluctantly, we had to postpone the industry meeting planned for the 14th December.

Given the timescales for publication of the final AUGS table there is very little room, if any, to manoeuvre. The matter now needs to be discussed with the UNCC to agree a way forward. We have considered the following options:

- 1) Based on the timelines set out in the letter of 23rd November, reduce the consultation period so that the AUGS could be approved by 31st January 2013
- 2) Seek to extend the February 1st 2013 final AUGS table deadline such that consultation runs over January with responses and approval of AUGS during February. Recognising the need for Shippers to be able to build the Unidentified Gas allocation to the LSP market sector into their customer contracts we would aim to publish an AUGS table in January subject to receiving remaining data sets from Xoserve.
- 3) The figures from last year to be rolled over as per the AUGE guidelines, in which case the industry could have a longer period of time to consult, review and approve the proposed methodology. If approved, this would then be implemented in the 2013 AUGS for 2014/15.

Option 1 would achieve the required end date, but would reduce the available time for the industry to review the AUGS. Option 2 provides more time for review but cuts the period in which LSP shippers can prepare their commercial arrangements. We have mitigated this by suggesting publication of the AUGS table prior to approval.

Option 3 would allow the industry more time to review the AUGS, but at the cost of delaying implementation of the new method until the 2013 AUGS for 2014/15. Shippers would, however, have certainty in the AUG table figures as they would roll over from last year.

It would be disappointing having spent a significant amount of effort developing a methodology based on consumptions not to achieve approval for this year. However, even with an extended end date there would be no opportunity to further consult on the methodology following the forthcoming consultation. There is a risk therefore that issues could be identified that prevent approval in February. This would ultimately result in the AUG table from the previous year rolling over.

The draft AUGS contains much more detail than previous AUGSs and there will be a database provided containing all the data used and results obtained from the analysis. The volume of data involved in the analysis to date is considerable. Shippers wishing to investigate elements of the AUGS and associated data in detail will no doubt require sufficient time to carry out their analyses.

At the time of writing this letter we expect to publish the AUGS on Friday 14th December, so there will be an opportunity to initially assess whether the consultation period, even with the extended deadline suggested in Option 2, provides sufficient review time.

We believe the industry may require more than the 4 weeks planned for consultation (which is in line with the second draft consultation period in the AUGS Guidelines) to respond to this draft AUGS and that it is also possible, given the consultation responses from previous AUGS, that further periods of consultation may be required before the new methodology is finalised. Of course, a further consultation may not be required, but we are mindful that it might.

Given the above, we believe the most likely scenario is that the AUGS table from last year's method would roll over. There is therefore a need to weigh up the potential benefits of the new method against the risk of it not being finalised in time for the 2012 AUGS for 2013/14, which would result in a decision to roll over last year's figures being taken at a later date. Taking a decision now to roll over these figures would address any uncertainty in what might happen in the coming months. Under this scenario, the AUGS would continue to go through the review process such that the new method becomes part of the 2013 AUGS for 2014/15. This would give the industry sufficient time to review and agree the methodology going forward.

Our recommendation is therefore Option 3.

That said, if the UNCC chose one of the other options (or any other alternative options suggested at the meeting) the AUGS would work with the industry in order to meet those objectives.

Yours sincerely

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