

| UNC Request Workgroup Report | At what stage is this document in the process? |
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| <h1>UNC 0639R:</h1> <h2>Review of AUGE Framework and Arrangements</h2> | <div style="display: flex; flex-direction: column; align-items: flex-start;"> <div style="margin-bottom: 5px;">01 Request</div> <div style="margin-bottom: 5px;">02 Workgroup Report</div> <div style="margin-bottom: 5px;">03 Final Modification Report</div> <div style="border: 1px solid #ccc; width: 40px; height: 20px; margin-bottom: 5px;"></div> </div> |
| <p>Purpose of Request:</p> <p>The AUGE framework and arrangements have been in place for some time and cover pre and post Nexus. The purpose of the review will be to determine if any changes to its arrangements are appropriate.</p> | |
|  | <p>The Workgroup recommends that the Panel consider this report</p> |
|  | <p>High Impact: Shippers</p> |
|  | <p>Medium Impact:</p> |
|  | <p>Low Impact:</p> |

| | | |
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| 3 Terms of Reference | 7 | enquiries@gasgovernance.co.uk |
| 4 Modification(s) | 7 |  0121 288 2107 |
| 5 Recommendation | 7 | Proposer: Steve Mulinganie |
| About this document: | |  |
| This report will be presented to the panel on 21 June 2018. | | steve.mulinganie@gazprom-energy.com |
| The Workgroup recommends that the Panel consider this report. | |  0799 097 2568 |
| | | Systems Provider: Xoserve |
| | |  |
| | | commercial.enquiries@xoserve.com |
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1 Request Summary

Why is the Request being made?

The AUGE framework and arrangements have been in place for some time and cover both the period both pre and post Nexus. The purpose of the review group will be to determine if any changes to its arrangements are appropriate.

Scope

The Workgroup would be asked to consider the current arrangements for the AUGE and to identify any changes needed to the existing arrangements based on both feedback given as part of the AUGE review process, as well as any relevant issues Workgroup participants consider should be subject to the review. The Workgroup will also be asked to consider the contracting and procurement arrangements set out in the AUGE Framework document.

Impacts & Costs

The areas that may be impacted are discussed in the Scope section.

Recommendations

It is proposed that this Request is sent to Workgroup for consideration.

Additional Information

NA

2 Impacts and Costs

Consideration of Wider Industry Impacts

No wider industry impacts identified which would have a specific material negative impact associated with undertaking this review.

Impacts

| Impact on Central Systems and Process | |
|---------------------------------------|---|
| Central System/Process | Potential impact |
| UK Link | <ul style="list-style-type: none"> NA |
| Operational Processes | <ul style="list-style-type: none"> Could lead to changes to the AUGE process and framework |

| Impact on Users | |
|--|---|
| Area of Users' business | Potential impact |
| Administrative and operational | <ul style="list-style-type: none"> TBC |
| Development, capital and operating costs | <ul style="list-style-type: none"> TBC |
| Contractual risks | <ul style="list-style-type: none"> TBC |

| Impact on Users | |
|---|---|
| Legislative, regulatory and contractual obligations and relationships | <ul style="list-style-type: none"> • TBC |

| Impact on Transporters | |
|---|---|
| Area of Transporters' business | Potential impact |
| System operation | <ul style="list-style-type: none"> • None expected |
| Development, capital and operating costs | <ul style="list-style-type: none"> • None expected |
| Recovery of costs | <ul style="list-style-type: none"> • None expected |
| Price regulation | <ul style="list-style-type: none"> • None expected |
| Contractual risks | <ul style="list-style-type: none"> • None expected |
| Legislative, regulatory and contractual obligations and relationships | <ul style="list-style-type: none"> • None expected |
| Standards of service | <ul style="list-style-type: none"> • None expected |

| Impact on Code Administration | |
|-------------------------------|--|
| Area of Code Administration | Potential impact |
| Modification Rules | <ul style="list-style-type: none"> • None expected. |
| UNC Committees | <ul style="list-style-type: none"> • There may be impacts on reporting and responsibilities set out for the UNCC in the current arrangements. |
| General administration | <ul style="list-style-type: none"> • None expected |
| DSC Committees | <ul style="list-style-type: none"> • None expected |

| Impact on Code | |
|----------------|--|
| Code section | Potential impact |
| | <ul style="list-style-type: none"> • Changes may be required to UNC to give effect to any proposal and a modification proposal may be an output of this review. |

| Impact on UNC Related Documents and Other Referenced Documents | |
|--|---|
| Related Document | Potential impact |
| Network Entry Agreement (TPD I1.3) | <ul style="list-style-type: none"> • None expected |
| General | Potential Impact |
| Legal Text Guidance Document | <ul style="list-style-type: none"> • None expected |
| UNC Modification Proposals – Guidance for | <ul style="list-style-type: none"> • None expected |

| Impact on UNC Related Documents and Other Referenced Documents | |
|---|---|
| Proposers | |
| Self Governance Guidance | <ul style="list-style-type: none"> None expected |
| | |
| TPD | Potential Impact |
| Network Code Operations Reporting Manual (TPD V12) | <ul style="list-style-type: none"> None expected |
| UNC Data Dictionary | <ul style="list-style-type: none"> None expected |
| AQ Validation Rules (TPD V12) | <ul style="list-style-type: none"> None expected |
| AUGE Framework Document | <ul style="list-style-type: none"> Review may lead to changes to the document |
| Customer Settlement Error Claims Process | <ul style="list-style-type: none"> None expected |
| Demand Estimation Methodology | <ul style="list-style-type: none"> None expected |
| Energy Balancing Credit Rules (TPD X2.1) | <ul style="list-style-type: none"> None expected |
| Energy Settlement Performance Assurance Regime | <ul style="list-style-type: none"> None expected |
| Guidelines to optimise the use of AQ amendment system capacity | <ul style="list-style-type: none"> None expected |
| Guidelines for Sub-Deduct Arrangements (Prime and Sub-deduct Meter Points) | <ul style="list-style-type: none"> None expected |
| LDZ Shrinkage Adjustment Methodology | <ul style="list-style-type: none"> Any changes to the regime impacting Upstream may impact on the determination of Shrinkage |
| Performance Assurance Report Register | <ul style="list-style-type: none"> None expected |
| Shares Supply Meter Points Guide and Procedures | <ul style="list-style-type: none"> None expected |
| Shipper Communications in Incidents of CO Poisoning, Gas Fire/Explosions and Local Gas Supply Emergency | <ul style="list-style-type: none"> None expected |
| Standards of Service Query Management Operational Guidelines | <ul style="list-style-type: none"> None expected |
| Network Code Validation Rules | <ul style="list-style-type: none"> None expected |
| | |
| OAD | Potential Impact |
| Measurement Error Notification Guidelines (TPD V12) | <ul style="list-style-type: none"> None Expected |

| Impact on UNC Related Documents and Other Referenced Documents | |
|--|---|
| EID | Potential Impact |
| Moffat Designated Arrangements | <ul style="list-style-type: none"> None Expected |
| IGTAD | Potential Impact |
| | <ul style="list-style-type: none"> None Expected |
| DSC / CDSP | Potential Impact |
| Change Management Procedures | <ul style="list-style-type: none"> None Expected |
| Contract Management Procedures | <ul style="list-style-type: none"> None Expected |
| Credit Policy | <ul style="list-style-type: none"> None Expected |
| Credit Rules | <ul style="list-style-type: none"> None Expected |
| UK Link Manual | <ul style="list-style-type: none"> None Expected |

| Impact on Core Industry Documents and other documents | |
|---|---|
| Document | Potential impact |
| Safety Case or other document under Gas Safety (Management) Regulations | <ul style="list-style-type: none"> None Expected |
| Gas Transporter Licence | <ul style="list-style-type: none"> None Expected |

| Other Impacts | |
|---|---|
| Item impacted | Potential impact |
| Security of Supply | <ul style="list-style-type: none"> None Expected |
| Operation of the Total System | <ul style="list-style-type: none"> None Expected |
| Industry fragmentation | <ul style="list-style-type: none"> None Expected |
| Terminal operators, consumers, connected system operators, suppliers, producers and other noncode parties | <ul style="list-style-type: none"> None Expected |

3 Terms of Reference

Background

The AUGE framework and arrangements have been in place for some time and cover pre and post Nexus.

The purpose of the review group will be to determine if any changes to its arrangements are needed.

Topics for Discussion

- Understanding the objective
- Issues relating to the current AUGE framework and arrangements
- Consideration of the feedback from this year's AUGE review
- Consideration of the existing contracting arrangements and timetable.

Outputs

Production of a Workgroup Report for submission to the Modification Panel, containing the assessment and recommendations of the Workgroup including a draft Modification where appropriate.

Composition of Workgroup

The Workgroup is open to any party that wishes to attend or participate.

A Workgroup meeting will be quorate provided at least two Transporter and two User representatives are present.

Meeting Arrangements

Meetings will be administered by the Joint Office and conducted in accordance with the Code Administration Code of Practice.

4 Modification(s)

None.

5 Recommendation

The Workgroup invites the Panel to:

- DETERMINE that Request 0639R should be closed.
- Note the recommendations below in relation to changes to the UNC Framework for the Appointment of an Allocation of Unidentified Gas Expert, which are to be progressed via the UNCC in June 2018.

Conclusions:

The Workgroup reviewed a number of documents related to the AUG, to identify potential process and regime changes, including the following items:

- 2016/17 – AUG Year Review Report
- 2016/17 – AUG Review Non-Confidential Responses
- AUG Review Comments provided by DNV GL
- Indicative AUG timeline for 2017/18 statement and table
- AUG Framework Document

Workgroup participants identified 8 issues as part of the review and considered what could be done to resolve them. An issues log was used to examine these issues in detail and a summary can be found below:

| Issue | Action | Proposal | Supporting Information |
|---|---|--|---|
| 1. Scope of the AUG – what is included/not included. | A number of options were identified as a way forward, including do nothing. | No proposal was made in the end but it was recognised that the Stakeholder Evaluation sub- committee could assess whether there would be benefits of defining the scope of the AUG as part of any future procurement exercise. | N/A |
| 2. How interaction with third parties should work and how to deal with conflict of interest issues. | The AUG Framework was reviewed and it was identified that amendments to the wording could be considered to remove any potential for bias from the process. | It is proposed that the AUG Framework is updated to include revised wording to address any potential conflict of interest issues. | Amended AUG Framework Document. |
| 3. How feedback is treated throughout the AUG process (including the formal consultation period). | Paragraph 7.1.3 defines the consultation period as 42 calendar days. The workgroup considered the merits of 42 days and whether it would be beneficial to move to a shorter 21-day consultation period. | General consensus was that 42 days is too long and a shorter consultation timeframe is proposed of 21 calendar days. | Draft future AUG timeline. Amended AUG Framework Document. |
| 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. | A draft future AUG timeline/process was put forward by the Proposer and this was reviewed by the Workgroup. | It was proposed that the UNCC meeting in April will consider both the final AUGS and Table. This means that only one UNCC voting meeting is required and as a result the process time is reduced by 3 months. | Draft future AUG timeline. Amended AUG Framework Document. |
| 5. The AUG process needs to have sufficient rigor, transparency, feedback opportunities and checkpoints. In particular, the AUG | A draft future AUG timeline/process was put forward by the Proposer and this was reviewed by the Workgroup. | There was general support for the following AUG process improvements: <ul style="list-style-type: none"> • incorporation of additional stakeholder engagement: an early | Draft future AUG timeline. Amended AUG Framework |

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|---|---|---|---------------------------------|
| statement and AUGE table need to be reviewed to decide 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. | | <p>initial industry meeting in June/July and a further AUG Statement pre-publication meeting in Sept/Oct.</p> <ul style="list-style-type: none"> • Reduction of the consultation period to 21 days • Rule changes to clarify that the UNCC meeting in April will consider final AUGS and Table. | Document. |
| 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. | Following a request from Xoserve for the Joint Office to support the AUG process, the UNCC agreed that Joint Office would provide the secretariat for the AUG meetings and the Joint Office website would provide information on the meeting dates and papers. | No further action required. | N/A |
| 7. Confusion of terminology - UIG and UG. | The proposal that unidentified gas at initial allocation (D+5) should be referred to as initial UIG and unidentified gas at 'line in the sand' (Code cut-off date) should be referred to as 'final UIG', was reviewed by looking at the definitions in UNC Section H 2.6. | No proposal was made but it was noted that the AUGE has clarified these definitions within its documentation. | N/A |
| 8. Concerns around Contractual Framework and UNC provisions in relation to procurement of the AUGE. | | <p>Proposed that the concept of a Stakeholder Evaluation sub-committee be introduced to support the AUGE procurement process.</p> <p>Recommendation that the amended procurement process be activated in relation to AUG process for 2019/20.</p> | Amended AUG Framework Document. |

- It should be noted that a Modifications does not need to be raised to accommodate the changes proposed. It is recommended that the changes to the UNC Framework for the Appointment of an Allocation of Unidentified Gas Expert are progressed via the UNCC in June 2018.
- A draft future AUG timeline and amended AUG Framework Document have been published alongside this report.