

UNC Workgroup 0868
Change to the current Allocation of Unidentified Gas
Statement Frequency
Wednesday 06 March 2024
via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Niamh Holden (Secretary)	(NH)	Joint Office
Steve Mulinganie (Proposer)	(SM)	SEFE Energy UK
Andy Clasper	(AC)	Cadent
Charlotte Gilbert	(CG)	BU UK
David Speake	(DS)	AUGE (Item 1 only)
Edward Allard	(EA)	Cadent
Ellie Rogers	(ER)	Xoserve (CDSP)
Fiona Cottam	(FC)	Xoserve (CDSP)
Josie Lewis	(JL)	Xoserve (CDSP)
Katheryn Adeseye	(KA)	Xoserve (CDSP)
Louise Hellyer	(LH)	Total Energies
Mark Jones	(MJ)	SSE Energy Solutions (Item 1 only)
Mariana Panathoma	(MP)	Wales & West Utilities
Neil Cole	(NC)	CDSP
Tom Stuart	(TSt)	Wales & West Utilities

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

Please note these minutes do not replicate/include detailed content provided, therefore it is recommended that the published material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0868/060324>.

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 August 2024.

1. Outline of Modification

Rebecca Hailes (RHa) welcomed everyone to the meeting and confirmed the meeting was quorate. RHa invited Steve Mulinganie (SM), the proposer, to provide the workgroup with an outline of the Modification.

SM explained to the Workgroup that following the decision made by Ofgem on Modification 0831, it was evident that there is still a requirement for the AUG, however SM suggested that the process of creating the AUG Statement may be being done too frequently. Modification 0868 proposes to extend the window in which the process happens.

The current annual process for producing an AUG Statement is arguably constrained. SM explained that following a review, a 3 yearly process seemed to be the most beneficial timeframe, but they were open to suggestions on whether another timeframe would be better suited.

SM took the Workgroup through the one Business Rule proposed, explaining that most of the

detail surrounding the Modification sits within the Framework.

SM explained that the initial thinking was to implement a 3 Phased approach that would deliver the AUG table (and Statement) at the end, SM noted that this has since evolved into a 2 Phase approach:

- Phase 1: Lessons Learnt Discovery
- Phase 2: Analysis Draft Table & AUGS

SM advised that a benefit of this approach could potentially be early sight of the AUG table. SM explained that prior sight of this table and reducing the number of iterations of the table produced could create more stability and provide some reduction in cost.

Ellie Rogers (ER) questioned what the minimum notice period would look like. SM advised that they were open to suggestions and explained that the reason for the current proposed timeline was that it reflects procurement as the New AUG arrangements come in from 2025. SM noted that it looks at it in terms of those various steps. SM advised that he is more than happy to move this if it becomes more challenging. SM discussed the concept of earlier notice with a longer lifecycle and highlighted the need for as much certainty as possible to what we would be looking for from the AUG.

RHa queried how useful prior sight of the AUG table would be to industry if it is still a draft and therefore could change. SM explained that this would depend on the extent the draft would evolve and to a certain extent on the landscape. From a commercial perspective early sight with a longer cycle is a more attractive approach. SM explained that they would apply their own risk premium_____, noting that whether it be early sight of the AUG table itself or a draft table with some estimate of the likely volatility, both would be beneficial.

Fiona Cottam (FC) agreed that the current AUG process felt rushed and questioned whether there was a view as to when the table sign off would happen, asking whether this would be pushed back within the process. SM advised that this was open to discussion, questioning whether this would still need to be done within the year or if there is more time, whether they would want to use that time.

Louise Hellyer (LH) was of the view that there was going to be a limit on the amount of change that could be made and questioned what would be the point of early sight if there were then multiple changes made to the table following this. SM agreed but stated that there would need to be a balance, suggesting that if a table was produced with sufficient confidence, then there could be fewer significant changes allowed to be made following sight of the table.

LH argued that everyone would benefit as it provides more stability. LH noted that there should be a limited amount of change within the 12-month period following early sight. SM disagreed that it should be locked in but questioned what the assumptions were which currently drive the table as it stands.

RHa questioned what issue the Modification was trying to solve. SM explained that the process that is run annually is now producing diminishing returns and is not leading to a reduction in UIG, but is merely apportioning it. The Modification provides the opportunity for further investigation to be carried out and extends the role of the AUGS.

ER expressed concern regarding the clarity of the timeline, suggesting the need to work out a notice period that all Participants are happy with. ER noted that they do not want a sudden shift within the 6-month period before sign-off of the table as this could cause confusion. ER noted further that it may be helpful for any changes to be mapped out.

SM questioned if the decision was made to freeze the table in Oct 2027, what could be done for the following year. If the Market is moving with volatility, some may question why the AUG hasn't

Commented [NH1]: Unsure of the second word here - I noted down premier but don't think this is correct

Commented [RH2R1]: premium

changed. SM explained that limiting the AUGE's ability to do their job is not beneficial.

RHa questioned that when the table is voted in (by UNCC adoption), is that the point it is fixed and unable to be changed, in 2028. SM explained that it would be April 2028 as it usually needs to be delivered by October every year. SM noted that if there is a better way of doing this, it can be changed, it could be taken to UNCC earlier.

RHa raised concerns about the table being applicable for 3 years. SM explained that if there was a fundamental change in the Market, a Modification can be raised to amend the table.

David Speake (DS) summarised the points made by the Workgroup and noted that he believes that allowing data sets to continue to run as the data is constantly changing will help ensure the data within the table is as accurate as possible (allowing data refreshes after the table has been presented).

RHa raised concerns regarding controversial content within tables created and the possibility of Parties raising reactionary Modifications to avoid a certain table coming into effect in these cases.

SM advised that a formalised process is needed to deliver the table, noting that sufficient information is needed to see that the table is being created appropriately. SM advised the advantage of implementing the Modification would be that it extends the current 12 month process that everything needs to be completed in, SM noted that things could be done differently, and more attention could be given to certain processes that were previously rushed.

2. Initial Discussion

2.1. Issues and Questions from Panel

2.1.1. Consider costs/benefits of 3 years as against say 2 or 4 years

Workgroup considered the presentation put forward by the CDSP in section 2.2 as a starting point to begin assessment of the Modification. Further consideration of the Panel Question will be undertaken as Workgroup progresses with its assessment.

2.2. Consideration of the AUGE procurement in light of Modification 0868

ER provided an overview of 0868 on the AUGE Procurement and took the Workgroup through its background, the current AUGE Contractual Timeline and the various options to be considered in respect of procurement and its interaction with Modification 0868. ER clarified that the CDSP was not asking anyone to vote on the options provided and stated that they were purely for informational purposes at this stage.

ER explained that UNC TPD Section E9 sets out the requirement for the CDSP to appoint an AUGE and that each AUG Year, an AUG statement will be prepared. SM questioned what would happen if a new AUG statement is not prepared, asking whether this would mean that the previous statement endures or rolls over. ER explained that there is no longer a rollover in place. ER advised that they do not have the ability to use the previous statement as a direct rollover and it would require a UNC Modification to facilitate this.

ER provided a summary of Modification 0868 and discussed the following 4 procurement options:

- Option 1: Existing AUGE contract extension/non- competitive re-appointment of current AUGE contract (*expected to require an additional AUG Table for Gas Years 26/27 and 27/28*)

RHa questioned whether this option would require a Modification. ER explained a Modification

would only be needed if the AUGE was extended to create one additional AUG Table that would be utilised for 2 AUG Years. I

FC raised the point to be considered across all options around whether there could be the potential of two AUGEs being in place at the same time and would this be a challenge.

- Option 2: Procure a 2-year contract based on current requirements for Gas Years 26/27 and 27/28 and undertake a new procurement for Gas Year 28/29 once outcome of 0868 is known.
- Option 3: Start the procurement as scheduled in May 24, based on current arrangements with a 5-year term (*noting the approval of 0868 during the procurement would materially change the requirements and require reissue*)

ER explained that because it is a regulated procurement process, there are very strict rules in place, meaning that if there is any change to the terms set out, they must withdraw and reissue the procurement. ER noted that this is guidance that CDSP has received from their procurement team.

SM argued that there are change which are unforeseen and that there is a need for procurement to accommodate that change. SM suggested that if they procured for the existing arrangements then another process could be run in parallel. SM advised that it would be helpful for reference as to where is specifically states that a withdraw and reissue is needed, arguing that there shouldn't be any reason why they couldn't procure with an element of uncertainty.

New Action 0301: CDSP (ER) to investigate a dual track procurement under Option 3 and discuss the restrictions of regulated procurement, considering also what information can be shared with whom.

- Option 4: Hold-off procurement for the new AUGE contract until outcome of 0868 is known (*this will require a UNC change to roll over AUG Table from 25/26 to apply for Gas Years 26/27 and 27/28*)

SM questioned whether, instead of creating a new Modification to roll over the AUG Table, a new Business Rule could be added to 0868, to ensure that the table is carried over until it is replaced in 2028. ER agreed that this could be another option. SM noted that if dual procurement is done, there will always be an ability to deliver a table.

ER took the Workgroup through the Pros and Cons of each option. Please see the published [slides](#) for further information.

The Workgroup discussed the need for the UNCC to be made aware of any potential change arising from the Modification, RHa agreed that this would be raised with UNCC in the March Meeting.

2.3. Initial Representations

No initial representations were received.

2.4. Terms of Reference (www.gasgovernance.co.uk/0868)

The Workgroup has a Standard terms of reference but with the addition of the Panel Question shown under Item 2.1.

3. Next Steps

To be considered at next Workgroup on 03 April 2024.

4. Any Other Business

No other business was raised.

5. Diary Planning

0843 Meetings are listed at: <https://www.gasgovernance.co.uk/0843>

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
13:00 Wednesday 03 April 2024	5 pm 25 March 2024	Microsoft Teams	<ul style="list-style-type: none"> • AUG Framework Overview • Panel Question • ROM (If new version of Mod provided in time) • Development of Workgroup Report
13:00 Wednesday 01 May 2024	5pm 22 April 2024	Microsoft Teams	<ul style="list-style-type: none"> • Development of Workgroup Report

Workgroup 0868 Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0103	06/03/2024	0301	CDSP (ER) to investigate a dual track procurement under Option 3 and discuss the restrictions of regulated procurement, considering also what information can be shared with whom.	April	ER	Pending