

**UNC Workgroup 0868
Change to the current Allocation of Unidentified Gas Statement
Frequency**

Wednesday 01 May 2024

via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Steve Mulinganie (Proposer)	(SM)	SEFE Energy UK
Andy Clasper	(AC)	Cadent
David Mitchell	(DM)	SGN
David Speake	(DS)	AUGE
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
Neil Cole	(NC)	Xoserve (CDSP)
Oorlagh Chapman	(OC)	Centrica
Susan Helders	(SH)	Northern Gas Networks

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/0868/010524>.

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

1. Introduction and Status Review

Rebecca Hailes (RHa) welcomed everyone to the meeting and confirmed the meeting was quorate.

1.1 Approval of Minutes 06 March 2024

The minutes from the previous meeting were approved.

1.2 Approval of Late Papers

There were no late papers for the meeting.

1.3 Review of Outstanding Actions

Action 0103: 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.

Update: Ellie Rogers (ER) provided an update advising that due to the meeting in March and the following discussions regarding the alternative approach with Modification 0873 being

introduced, it was decided that the table would be rolled over. Therefore, CDSP advised that dual track procurement was not possible and it was agreed amongst the Workgroup to close this action. **Closed.**

2. Amended Modification

Steve Mulinganie (SM), the proposer, provided an overview of the Modification.

SM advised that the majority of the changes made, which are consequential, will be to the Framework document. Various discussions are ongoing with the CDSP regarding the implications.

The Workgroup reviewed the Business Rules and in particular, the addition of Business Rule 2. SM advised that this Business Rule will remain to manage the arrangements when the new Allocation of Unidentified Gas (AUG) begins the new 3 yearly process. By leaving this Business Rule in the document, it will allow for implementation, should it be required. The outcome of Modification 0873 will impact the progress of Modification 0868 but the two Modifications are not specifically linked.

3. AUG Framework Overview

Workgroup considered the AUG Framework Overview. SM advised that a more up-to-date version was available for review, but had not been shared with the Joint Office for circulation. He shared this onscreen. The amendments to the Framework consider the advantage of early sight of the table.

SM highlighted the 3 key activities for consideration being Market Engagement, UIG Reduction initiative and the Discovery Stage.

SM confirmed that the first table from the new process is due to go live on 1 October 2029. This involves the concept of rolling the table at least once. 2 cycles have been added to the process to demonstrate the various iterations.

In relation to the cycle, Fiona Cottam (FC) queried that as the AUG table is due to apply 1 October 2025, would a table be required for 2027 and 2028. SM advised that the table would be frozen to allow for a period where AUG delivers the new process, this is the concept of the new Modification. During the period in which the new processes are being introduced, the old table will be applicable, which further confirms why Business Rule 2 remains.

Modification 0873 may supersede Business Rule 2 for Modification 0868 although ER confirmed that this could happen the other way round.

SM provided a comparative explanation on the 2 Modifications, highlighting that Modification 0873 is more enduring and Modification 0868 intends to retain continuity. SEFE Energy as the proposer are looking to minimise the period in which there is no applicable AUG.

ER highlighted that in the event the Modification is rejected, there may be an opportunity for procurement. Workgroup are in a position to go ahead with Modification 0873 which is not contingent, and are already in a position to understand what needs to be rolled over.

SM advised that there are legislative requirements around the procurement requirements which will need to be considered.

In relation to the timetable presented to Workgroup, RHa asked whether it would be possible to change the colour to demonstrate the new AUG timetable and to differentiate against the legacy timetable. SM highlighted that the final methodology column demonstrates the position 12 months prior, once amended, this will be presented in a different colour to demonstrate what the advance position will look like with the refreshed data applicable from 2029.

The final methodology and updated draft AUG Statement will be useful for financial forecasting, SM highlighted that advance notice is good for contractual arrangements.

The draft presented in October 2028 will not be a true reflection of the final implemented date in 2029, the updates will be due to the data set refresh. This will only be applicable to October,

there will be very minimal changes to March. RHa highlighted her concerns that the draft table is not the final table. SM responded to confirm that the data presented is only for information purposes at this stage and that this will need to be managed in respect of the marketing aspect.

SM highlighted the above 3 activities for further consideration, highlighting that Workgroup can start to consider the rationale behind these. Market Engagement and the Discovery Stage are considered subjective initiatives and areas for further investigation, therefore it may be difficult to define.

SM proposed to Workgroup whether they wish to review the updated Framework during this meeting or whether the material is to be published for discussion at the next meeting. Circulation of the papers will allow CDSP to add procurement lines.

In relation to the AUG Management Committee, RHa asked whether this would be a sub-committee of UNCC. SM advised that the intention is to have more of a Management Committee rather than the current AUG sub-committee arrangement. Workgroup considered the type of activities the proposed Management Committee is likely to undertake and which meetings it may align with. The aspect of spending money may mean that the Management Committee meetings are likely to align with DSC (in terms of set up) as the money is in the contract. Workgroup made comparisons with PAC.

Workgroup considered the involvement of a future code manager, highlighting that funding could be automatically divested up to a specified amount with the involvement of obtaining approval. Workgroup discussed various routes for consideration.

ER advised she was attempting to envisage the timeline for the schedule alongside the additional spending, highlighting that it may not be tangible. Where there are outputs to measure against, it is important to be upfront at the start of the process from a costs perspective.

SM highlighted that flexibility is important in terms of the procurement aspect. Some activities are more subjective. It is also important to consider the benefits which can be delivered into the process which would ultimately lead to savings.

In relation to the funding request, this will be considered by the relevant committee who will determine if the proposal has merit to accept it or reject it however, the committee will be bound by a budget constraint which may require further approval. A checks and balances process will need to be implemented. Ofgem has previously highlighted a flaw in the current process in that AUG is producing a table for allocation of UIG but there is less emphasis currently on the reduction of UIG.

RHa and FC agreed on the creation of a Business Rule to justify the AUG Management Committee being a sub-committee of the UNCC, highlighting that there may be alternative ways in establishing a UNC Committee.

In relation to the proposed title of the Modification, RHa highlighted that the current title is insufficient. The intention is to not only change the frequency but to amend the scope of the AUG. There will also be the addition of mandating that AUG does things differently. This position therefore needs to be reflected in the title of the Modification.

Workgroup discussed the proposed Framework, highlighting that it will need to be amended to be in line with the text in the Modification. In the event SM wants the Framework to become live without approval, this will require an explicit Business Rule. In the event that the Framework is not updated as a result of the Modification, UNCC approval will be required. RHa drew reference to the wording of "*although changes to the Code are limited, may need to amend the Framework*", SM therefore confirmed he would extend the wording to include "*Certain areas*".

RHa requested that the marked-up version of the Framework is contained as a separate appendix, to indicate that Workgroup are at a stage of the process being finalised.

SM provided an update on the Discovery Stage, advising that this is currently being considered by AUG with certain aspects already being undertaken. Market Engagement is considered to be more outside of industry and could be more useful being fed into other areas, this is likely to be an activity that runs throughout the process.

Workgroup discussed the materiality of the 3 activities and where they are likely to be considered important for investigations within the proposed timeline. As a result, David Speake (DS) queried whether this is something that is going to be defined separately or whether it will be left as a job for AUGE. In relation to the UIG Reduction Initiative, DS highlighted outputs are being seen and it appears that obligations are trying to be pinned on AUGE as the organisation driving the production in UIG.

SM put forward to Workgroup whether there is anything else that can be considered as conceptually available, highlighting that the problem with meetings outside of the Distribution Workgroups is attendees and SM raised his concerns regarding the limited number of availability in these meetings.

New Action 0501: Joint Office (RHa) to integrate this Workgroup (Modification 0868) into the Distribution Workgroup.

Post Meeting Note: the next meeting of Workgroup 0868 will take place within Distribution Workgroup meeting on 23/5/24.

New Action 0502: SEFE Energy UK (SM) to amend the title of the Modification, introduce a colour scheme to differentiate between the legacy timetable and the proposed timetable and amend the spreadsheet to allow for further service lines to be added. SM to send the spreadsheet to the Joint Office for circulation to allow others to edit.

In relation to the Framework, SM advised that he liaised with ER who confirmed that this has not yet been published. In terms of the schedule, it will be useful to have more an understanding of the activities to demonstrate what the new process may look like and how the Framework will shape the early steps. Workgroup should consider the lower level of details to understand what the outcomes are in line with deliverable boundaries.

ER presented the timetable in the draft Framework to Workgroup, highlighting where the changes are likely to be made. ER advised that from steps 11 in the document, these are the current processes in terms of confirming with the Joint Office and presenting at the UNCC for the final approval, the additional steps will mean that timings will need to be re-considered. The draft statement from the AUGE will need to be included.

In relation to the discussions regarding the data refresh, SM advised the process will be looking to mirror the existing arrangements. The final year will involve applying what currently happens within the 12-month window, which is the 6-months prior to providing the table. ER confirmed that a year prior to this going live, a draft version will be provided with a data refresh being conducted 6 months later. It is important to ensure that the outputs can be measured whilst not dictating the job of the AUGE.

RHa asked SM to include reference to the Ofgem decision on Modification 0831 in this Modification as it will be useful as a basis to explain the reason for expanding. SM advised this will be included when discussing the UIG reduction.

New Action 0503: SEFE Energy UK (SM) to amend the Modification to reference the Ofgem decision on Modification 0831.

4. Ongoing consideration of 3-year Benefit Panel Question

RHa advised that part of the reason for the additional Modification reference is to assist in formulating an answer to the question when considering the benefits of implementing a 3-yearly process, as opposed to 2 or 4 years. SM was therefore asked to provide an explanation as to why 3 is the most appropriate solution. SM advised that it would be difficult to provide a comparison.

In relation to providing an explanation on the costs, ER advised that CDSP would not be looking to share this information in a public forum but a cost range for the AUGE could be provided. A similar range was provided with the [ROM for Modifications 0831/A](#). CDSP advised that it would be difficult to accurately quantify the costs of future processes without actually conducting the exercise for procurement.

RHa queried whether this is something that would be included in the Rough Order of Magnitude (ROM) and whether it is too early in the process to consider a ROM, to which ER confirmed it was. FC advised that as this is not a commodity service, it would be difficult to benchmark the costs in the market.

In relation to providing an explanation as to why a 3 yearly process is more appropriate than a 1 or 2 yearly process, SM discussed the cost benefit to the customers and the potential savings and highlighted the risk premium which is paid by the customer which may not be required every year. Although the switch from annual to 3 years is simple, this will allow for additional activities to be undertaken. There may be further savings to consider beyond this within the commercial arrangements. SM advised that it is difficult to advise why 3 years is the most appropriate, highlighting that it seemed to be the most pragmatic approach. 2 years did not seem to achieve much and 4 years seemed too long.

RHa raised that part of the justification has to consider how current the information used to base these decisions on, is. SM added to this point highlighting that this supports the argument that 2 years may be too short and 4 years may be too long.

5. Rough Order of Magnitude (ROM)

The Workgroup confirmed that it is too early in the process of the Modification to start considering the ROM however RHa highlighted that this Modification is due to report to Panel in August.

SM advised that the date of August was chosen due to criticality around the timing, SM therefore asked whether this criticality element has now been removed by procurement.

ER advised that when CDSP consider the timeline again, there may be justification to extend the timeline with a rollover. CDSP will need to ensure they factor in what is being worked back from, how much time AUGER will need and how long will be needed for procurement.

RHa asked whether the proposed August date is still suitable. SM advised that he would need to check. Once clarity has been obtained to move forward, the sooner procurement can deliver and Ofgem can provide their approval. It is important to avoid too many rollovers.

It is likely that the ROM will be discussed at the end of the next scheduled meeting.

6. Development of Workgroup Report

Workgroup confirmed that it is too early in the process of this Modification to start considering the Workgroup Report.

7. Next Steps

Workgroup discussed the next steps regarding this Modification. It was agreed that this Modification would be integrated into the next Distribution Workgroup meeting, instead of being a standalone Workgroup meeting.

SM advised that the material for the next meeting would cover the following topics for discussion:

- Amendments made to the Business Rules;
- The 3 areas of the Concept of Market Engagement, UIG Reduction Initiative and the Discovery Stage are to be discussed and considered further by Workgroup;
- Updates to the Framework timeline to include a colour code to differentiate between the new, proposed timetable and the legacy timetable; and
- Preparing for the production of the ROM and the Legal Text.

New Action 0504: Workgroup (All) to consider the areas for further discussion, to be discussed at the next Distribution Workgroup Meeting.

Furthermore, RHa highlighted the formulation of the AUGE Management Committee, asking who will attend, who will be allocated voting rights and what the meeting frequency minimum will be. These requirements will need to be stipulated in the Framework. The current AUGE arrangements in place are not very strict, it is open to those who are interested and it does not currently hold any voting or approval rights.

Workgroup considered the current arrangements and discussed the ways in which the new AUGE Management Committee may be structured and whether it would follow the same structure as the PAC meetings. Workgroup also discussed any updates that may be required to the Code.

FC discussed the current AUGE sub-Committee meetings, highlighting that this forum allowed for technically minded parties to interact and whether this approach would still apply to the new AUGE Management Committee meetings. It was noted amongst Workgroup that the current AUGE sub-committee meetings appear to be seeing diminishing attendance, with only around 2 or 3 shippers in attendance, despite the fact that they are the impacted parties. A discussion will be required in relation to the forum arrangements.

In relation to the arrangements of the new AUGE Management Committee meetings, Workgroup discussed whether these forums would be open. RHa put forward the concept of having some meetings as open and others for approval.

Workgroup then discussed the approval role of the UNCC and whether this will still be required. The concept of allowing UNCC to become comfortable with the new arrangements and principals was discussed, which is similar to the process adopted for PAC.

8. Any Other Business

No other business was raised.

9. Diary Planning

0868 Meetings are listed at: <https://www.gasgovernance.co.uk/00868>

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

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
09:30 Wednesday 23 May April 2024	5 pm 15 May 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

Workgroup 0868 Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0103	06/03/24	1.3	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	CDSP (ER)	Closed
0501	01/05/24	3.0	Joint Office (RHa) to integrate this Workgroup (Modification 0868) into the Distribution Workgroup.	May 2024	Joint Office (RHa)	Pending
0502	01/05/24	3.0	SEFE Energy UK (SM) to amend the title of the Modification, introduce a colour scheme to differentiate between the legacy timetable and the proposed timetable and amend the spreadsheet to allow for further service lines to be added. SM to send the spreadsheet to the Joint Office for circulation to allow others to edit.	May 2024	SEFE Energy UK (SM)	Pending
0503	01/05/24	3.0	SEFE Energy UK (SM) to amend the Modification to reference the Ofgem decision on Modification 0831.	May 2024	SEFE Energy UK (SM)	Pending
0504	01/05/24	7.0	Workgroup (All) to consider the areas for further discussion, to be discussed at the next Distribution Workgroup Meeting.	May 2024	Workgroup (All)	Pending