

A report to the UNCC, on behalf of the Gas Transporters, in accordance with section 6.1 of the Guidelines for the Appointment of an Allocation of Unidentified Gas Expert and the provision of the Allocation of Unidentified Gas Statement (the “Guidelines”)

1. Terminology

AUGE Allocation of Unidentified Gas Expert

AUGS Allocation of Unidentified Gas Statement

ICoSS The I&C Only Shippers and Suppliers Group

LDZ Local Distribution Zone

MMSP Multi-Metered Supply Points

UNC Uniform Network Code

UNCC Uniform Network Code Committee

2. Introduction

At the end of each AUGE year (31st March) the Gas Transporters are required to conduct a review of the activities and performance of the AUGE and relevant industry parties, for the creation of the AUGS.

This report details the approach to the review, the review feedback and recommendations implemented or with the potential to be implemented for the current and forthcoming AUGE years.

3. Approach to the review

Xoserve requested the Joint Office of the Gas Transporters to circulate an open letter to all UNC parties to request feedback for the AUGE year 2012/13 and any suggestions for improvements. The distribution list for the letter included the AUGE, Gas Shippers, Large Gas Transporters, Ofgem and the Joint Office of Gas Transporters. The letter is reproduced in Appendix 1.

Areas to consider for feedback on included:

- The AUGS Guidelines, e.g. timeline
- The AUGE for such areas as: communication, industry engagement, query responses etc
- The industry, e.g. for support for the process and timeliness/relevance of responses to consultations
- Xoserve e.g. for the provision of information
- Any other relevant area

Feedback was received from the AUGE, from six shipper organisations and from ICoSS on behalf of a number of shippers in the industrial and commercial sector of the market. Key points raised in the feedback are reproduced in the following section, along with Xoserve's responses.

4. Feedback summary and Xoserve responses

Feedback is grouped below by topic as identified in the invitation letter and Xoserve’s comments are set out alongside. Relevant paragraphs have been extracted directly from the responses, and where permission was given, those responses will also be published.

Many of the comments received this year related to the difficulties experienced by the AUGE in developing an AUGS for 2013/14 in accordance with the Guidelines. The first draft of the statement was published on time on 30 April 2012 and was based on the 2012/13 method. At a UNCC meeting on 22 May some attendees lobbied for a consumption-based approach. This approach required the AUGE to process the data necessary to calculate a “bottom-up” estimate of Unidentified Gas, using four years of meter point, meter read and consumption history for every single directly connected meter point on the large Gas Transporters’ distribution networks. The AUGE requested the necessary data from Xoserve to complete the calculations.

On 19 July at UNCC the AUGE provided an update on progress with implementing the revised approach and indicated that the remainder of the timetable would be delayed. Unforeseen difficulties in extracting “fit for purpose” data and in processing that data meant that the second draft of the AUGS was not available by 31 July as required by the Guidelines. The AUGE kept interested parties informed throughout the delay, until the second full draft was published on 17 December 2012, although at that stage only 10 LDZs out of 13 had been analysed. In view of the delay of over four months, and after taking advice from the UNCC on 20 December, the AUGE submitted an AUGS Table which applied the energy values from 2012/13 to 2013/14.

The comments about the AUGE are reproduced verbatim below. The incumbent AUGE has submitted feedback on the year under review, and has reviewed its own processes. A number of its findings and recommendations have been drawn out as relevant responses to other parties’ feedback.

<i>Comment</i>	<i>Xoserve Response</i>
4.1 The AUGS Guidelines	
<p>EDF Energy commented: “We would welcome changes to the guidelines document adding clarity to the process and timescales. Additionally we would appreciate greater guidance from Ofgem on the process and implementation of a revised table.”</p> <p>ICoSS commented: “We agree that the AUGE regime should be reviewed to incorporate the lessons learned over the last two years. Any review however, to be meaningful, is likely to be a complex undertaking and take a significant period of time. Any such review needs to be proportional and evaluated in the context of the current arrangements being superseded by the implementation of project Nexus in Q4 2015.”</p>	<p>Neither the AUGE nor Xoserve is a UNC signatory and as such, cannot directly propose any changes to the Guidelines. The Joint Office of Gas Transporters advises that any UNC signatory may table a change to the Guidelines.</p> <p>There was not universal support amongst all respondents for all the AUGE’s suggested changes to the Guidelines (see Appendix 2 for details of those suggestions).</p>

<i>Comment</i>	<i>Xoserve Response</i>
<p>GL Noble Denton (the current incumbent AUGE) made the following comments with regard to the Guidelines:</p> <p>“The AUGE Guidelines are unclear about dealing with material issues when the final stage is reached (i.e. after the 2nd review).”</p>	<p>See above</p>
<p>SSE commented:</p> <p>“From our experiences of the AUGE year 2012/13, SSE would like to see a number of changes made to the AUGS process for 2013/14. However, all of our issues identified have been captured by GL Noble Denton and suggested in the appendix attached to your feedback request. Our specific issues are around the consultation and query processes, clarification of the timing of meetings and, most importantly, avoiding a repeat of the situation of 2012/13 which resulted in a rollover for the AUGS for 2013/14 for the whole year due to a minor delay in the process. The suggestions put forward by GL Noble Denton as improvements seem very appropriate and, given their level of expertise in this process, we are unable to put forward at this stage, without having engaged in any industry discussion on these suggestions, any improvements to them.</p> <p>SSE strongly supports the AUGE's view that a number of the suggestions that have been put forward are discussed further by the industry and developed before implementation. It is, therefore, essential that these improvements that have been recognised as being able to be made are implemented in time for the 2013/14 AUGS for 2014/15 so that the process is as workable and clear as possible, and allows the AUGE to be able to develop an AUGS that is as accurate as possible which results in as fair and optimal a reallocation of energy from the SSP sector to the LSP sector that can be achieved.”</p>	<p>It should be noted that at the time that Xoserve requested feedback on the 2012/13 process (the development of the 2013/14 Statement), the AUGE was already well advanced in the development of the 2014/15 Statement. Given that under the current Guidelines, a final document should be approved on or around 1st September, and bearing in mind that UNCC majority approval is required for any changes to the Guidelines, all parties should be realistic about the likelihood of making any changes to the existing arrangements that could have a material impact on the 2014/15 Statement.</p> <p>This overlap of the annual review with the preparation of the following year's statement is one of the features of the Guidelines, whereby the following year's work commences almost immediately after the conclusion of the previous year's process, allowing little time for reflection or adjustment to the process.</p>

Comment	Xoserve Response
<p>4.2 The AUGE for such areas as: communication, industry engagement, query responses etc</p>	
<p>British Gas commented:</p> <p>“In 2013 there was no output and therefore the year should be viewed as nothing other than a complete failure. ... The failure to advance the applied methodology has been caused by the AUGE. Their acceptance that all LDZ outcomes must be published prior to UNCC approval being sought was a fatal error and this along with unspecified ‘operational issues’ is the primary reason for there being no advancement within the formula year.”</p> <p>EDF Energy commented that:</p> <p>“We are disappointed that whilst an AUGE table was produced using the improved methodology it was not published in accordance to the timescales set out in the guidelines document, and therefore was not implemented.”</p> <p>On a similar note RWEpower commented:</p> <p>“... being unable to use more accurate data has significant impacts for industry settlement as a whole. The AUGE’s inability to provide this new data within governance timescales has been very disappointing and has significant customer impacts.”</p> <p>Scottish Power commented:</p> <p>“... we are extremely disappointed and concerned that the Methodology which has been under development for the best part of 2012 and into 2013 has failed to be approved and adopted in sufficient time to allow implementation on 1st April 2013.”</p>	<p>GL Noble Denton’s comments are relevant in response to these points, as incumbent AUGE:</p> <p><i>“We tried to be too helpful in that we tried to deliver an AUGS and complete the methodology by absorbing the data provision delays and sticking to the key end date. Problems had started in the summer with delays in the initial consumption data drop and this coupled with the requirement to analyse more than 1 LDZ following industry review in September continued through October and November. We could have put the consumption method on ice and proceeded with the method from the previous year. However, one of the reasons that we did not do this is that the UG being assigned to SSP from the RbD method was going to be a much more significant issue and this would not have been acceptable.</i></p> <p><i>In late October/early November we deliberated too long deciding whether to proceed with the consumption method but then we received sufficient consumption data in November to continue – but in reality it was already too late.</i></p> <p><i>This year we will be focusing particularly on the timelines to ensure these are met and improving communication of progress. To improve this further there will be more regular reporting and this will also include data provision status.”</i></p>

<i>Comment</i>	<i>Xoserve Response</i>
<p>Dong Energy referred to a report provided to the AUGE by Waters Wye Associates and Phidex Consulting which: "...highlighted that the methodology relating to theft of gas significantly overestimated the proportion allocated to Large Supply Points."</p>	<p>These comments were originally addressed to the AUGE and are being dealt with by the AUGE in the preparation of the 2014/15 Statement.</p>
<p>EDF Energy commented: "EDF Energy believes the revised methodology is more accurate because it contains smaller confidence intervals and an updated estimate of theft of gas. We feel that delays of several weeks should not have jeopardised the process."</p>	<p>We will share this feedback on the AUGE's revised methodology with GL Noble Denton. As noted in the Summary above, the second full draft of the statement, which was due on 31 July, was published on 17 December, and the AUGE took the advice of UNCC before preparing the Table for 2013/14.</p>
<p>Dong Energy commented that: "the AUGE provided regular communications to the industry."</p>	<p>We will share this positive feedback with GL Noble Denton.</p>

<i>Comment</i>	<i>Xoserve Response</i>
<p>4.3 The industry, e.g. for support for the process and timeliness/relevance of responses to consultations</p>	
<p>GL Noble Denton (the incumbent AUGE) commented:</p> <p>“The AUGE is not involved in development of modifications / consultation reviews (as independent) which means some modification that refer to the AUGE or have expectations that the AUGE will deal with the outcome of the modification may not be feasible in practice</p> <p>We have investigated some issues that perhaps are not necessarily our responsibility and this results in extra time/effort spent analysing topics that should be covered by other parts of the gas industry.”</p> <p>GL Noble Denton also commented:</p> <p>“There are many key issues with raw data. Under the AUGE Guidelines we can choose data / correct as appropriate etc but it should be responsibility of gas industry to get the raw data as correct as possible as these feed multiple industry processes.”</p>	<p>As noted above, the AUGE is not a UNC party and as such is unable to raise UNC Modifications to formally address any of these perceived shortcomings.</p> <p>Any UNC party may initiate discussions or raise a UNC Modification to address these perceived shortcomings.</p>

<i>Comment</i>	<i>Xoserve Response</i>
<p>GL Noble Denton also commented:</p> <p>“We reluctantly provided ballpark interim UG figures to the UNCC meeting on 20th December. Although caveats were given that these were not finalised figures they were subsequently used by code parties to partly justify Mods 442/442A. This resulted in undue pressure being applied by Shippers keen to get the results of the methodology implemented without the completion of a proper review.</p> <p>We believe, in light of the consultation responses and subsequent analysis that the [consumption-based] methodology should not have been implemented at that time.”</p>	<p>GL Noble Denton noted the following planned improvement:</p> <p><i>“The AUGE will not provide any indication of UG figures verbally or in writing until the GTs publish the interim AUG table on 1st November 2013 and the final table on 1st February 2014.</i></p> <p><i>This will prevent code parties using ball park figures to justify various arguments regarding the methodology and its subsequent implementation. The AUGS will only contain details of the methodology until it has been approved by the UNCC.</i></p> <p><i>There will, however, be the opportunity during the Query Process to raise issues regarding potential material errors.”</i></p>
<p>GL Noble Denton also commented:</p> <p>“The Joint Office of Transporters have been very supportive throughout the year, particularly with regards advice on the nuances of the consultation processes, arranging and hosting of meetings and recording of proceedings.”</p>	<p>We support GL Noble Denton’s comments with regard to the Joint Office of Gas Transporters and will share this feedback with them.</p>

<i>Comment</i>	<i>Xoserve Response</i>
<p>4.4 Xoserve e.g. for the provision of information</p>	
<p>Dong Energy referred to a report provided to the AUGE by Waters Wye Associates and Phidex Consulting which: "...established a number of fundamental issues relating to the poor quality of the data used, concluding that such data was not fit for purpose and required further work to deliver the acceptable accuracy necessary for the methodology to work"</p>	<p>These comments do not affect the values currently applied in the calculation of Unidentified Gas for 2013/14. Xoserve has worked with the AUGE to better understand the data requirements and has improved its data extraction and preparation processes in readiness for the 2014/15 Statement.</p>
<p>Scottish Power commented: "we believe that the work of the AUGE has been delayed and frustrated by a number of factors including ... delays in Xoserve providing data requested by the AUGE and the quality of data provided."</p>	<p>Xoserve has worked with the AUGE to better understand the data requirements and has improved its data extraction and preparation processes in readiness for the 2014/15 Statement.</p> <p>It should be noted that the quality of the underlying data on Xoserve's systems is largely the responsibility of Gas Shippers, and that mechanisms are available for them to review and amend data, to improve its quality.</p>

<i>Comment</i>	<i>Xoserve Response</i>
<p>GL Noble Denton commented:</p> <p>“Key data items provided by Xoserve for the consumption methodology (and indeed calculation of an AUG table) were delivered late and there were a variety of data quality issues that required further iterations of data provision before they were resolved.</p> <p>We had low confidence in the quality of data being provided by Xoserve as we often identified issues from one data drop to the next (which were resolved eventually). We often need several iterations to get the data sets correct (e.g. provision of MMSP information)</p> <p>When requesting data from Xoserve we often do not have access to the key data owner(s) to gain more detailed understanding of what data is really available and what issues there might be in the data or provision of it. We believe this contributed to the iterative data provision issues in 2012.”</p> <p>However GL Noble Denton also commented</p> <p>“There were improvements in data provision from Xoserve (for example the later consumption data sets for remaining LDZs did not require resends and came through at a more regular frequency).”</p>	<p>It should be recalled that the first draft AUGS for 2013/14, which was published in May 2012, was based on the previous RbD Bias Methodology, and that as late as the UNCC meeting on 22 May 2012, the Consumption-based approach was still only an option for investigation.</p> <p>The extraction and preparation of consumption data from our systems (including removing actual meter point reference data and replacing with anonymous values) was a major undertaking for Xoserve, and took longer than we had hoped or anticipated. Additional resources were assigned to the tasks to minimise further delays. In total over 400 million lines of data were processed and transmitted.</p> <p>Xoserve has worked with the AUGE to better understand the data requirements and has improved its data extraction and preparation processes in readiness for the 2014/15 Statement. A full set of updated consumption data for the period up to 31 March 2013 has been provided to the AUGE already for the development of the 2014/15 Statement.</p>
<p>GL Noble Denton commented:</p> <p>“We have a good working relationship with Xoserve. ... Levels of communication between Xoserve and GL Noble Denton have improved during the year.”</p>	<p>We are pleased to receive this feedback on our relationship with the AUGE and agree that our working relationship has improved steadily during the year in question, as our mutual understanding of each other's processes and requirements has increased.</p>

<i>Comment</i>	<i>Xoserve Response</i>
<p>4.5 Any other relevant area</p>	
<p>ICoSS commented:</p> <p>We ... believe that the most appropriate time to review the AUGE process will be once the final statement for the year 2014/2015 has been published in August.</p>	<p>The Guidelines (paragraph 6.1) require the Gas Transporters to seek feedback from the industry after each AUGE year. UNC E10.1.1 defines an AUGE year as running from April to March and therefore this review was initiated in April 2013 for the AUGE year 2012/13 (i.e. the development of the 2013/14 AUGS).</p>
<p>RWEnpower commented:</p> <p>The contract agreed with Gas Transporters that details the role, performance and legal requirements of the AUGE has not been shared with the Shipper community. Without this transparency, the Shipper community has to rely on the Gas Transporters to ensure performance under that contract, even though the consequences of failure to perform has no material impact on the Gas Transporters but can have a material impact on Shippers and their customers. This is clearly far from ideal. In addition to this RWEnpower has a concern that the contractual liabilities may not be representative of the risk that Shippers may be exposed to through this arrangement. To address this we would welcome a review of this contract including the arrangements for the procurement of data from Xoserve with input from Shippers.</p> <p>Scottish Power also commented:</p> <p>As Shippers are paying for this Contract and as such, should at the very least have sight of the Principle Terms of the Contractual Agreement. ScottishPower has on several occasions requested a copy of the Contract from Xoserve in order to establish what terms have been agreed for failure by any Party to the Agreement adhering to or delivering within prescribed timescales the obligations therein. This request has been declined and we can only conclude from this response the absence of any such terms. We do not believe that this is an acceptable situation.</p>	<p>The contract for the provision of AUGE services is a confidential arrangement between Xoserve and its service provider and as such Xoserve is unable to disclose any details of the contract or its terms.</p>
<p>Scottishpower also made a number of comments regarding the role of UNCC and voting arrangements at UNCC and Modification Panel.</p>	<p>Xoserve is not an UNC party and is not able to comment on or influence these arrangements.</p>

5. Conclusions

This was the second year of operation of the Guidelines and a number of difficulties arose, which reaffirmed the significance of this process and its importance to many industry parties. With hindsight, the move to a consumption-based approach was a major development and could have been managed better by the industry, especially by the AUGE and Xoserve. It might have been better to plan this from the beginning as a two-year transition, due to the complexity of the data and the analysis, and the need to allow time for interested parties to verify the findings.

The difficulties that arose may have served to remind parties that “the decision as to the most appropriate methodologies and data will rest solely with the AUGE” (Guidelines, 5.1.2). We can expect the incumbent AUGE to be more mindful of this in future years.

To:

UNC Parties, including Shippers and Large Gas Transporters
The Joint Office of the Gas Transporters
Ofgem
The AUGE

8 April 2013

Dear Colleague

Allocation of Unidentified Gas – Request for Feedback

At the end of each AUGE year (after 31st March) the Gas Transporters are required to conduct a review of “the activities and performance of the AUGE and the industry for the creation of the AUGS”. This requirement is set out in the *Guidelines for the Appointment of an Allocation of Unidentified Gas Expert and the provision of the Allocation of Unidentified Gas Statement* (section 6.1) (the “Guidelines”).

For this purpose I would like to request your feedback on the events for the AUGE year 2012/13, i.e. the development of the AUGS for 2013/14, and any suggestions for improvements. Areas you may consider providing feedback on include:

- The AUGS Guidelines, e.g. timeline
- The AUGE for such areas as: communication, industry engagement, query responses etc
- The industry, e.g. for support for the process and timeliness/relevance of responses to consultations
- Xoserve e.g. for the provision of information
- Any other relevant area

To assist with your assessment of the process, the AUGE has suggested a number of areas for improvement to the AUGS Guidelines (currently at Version 3). These suggestions are summarised in the attached Appendix and are only a suggestion at present. They do not necessarily represent the views of Xoserve or the Gas Transporters.

The intention is to produce a short review report on the 2012/13 process for the June 2013 meeting of the UNCC. To enable this to be produced I would be grateful if you could provide any feedback by **Friday 26th April**.

Please submit your responses to as.billing.commercial@xoserve.com . Could you also please advise whether you are happy for your feedback to be made public (probably as an appendix to the report).

If you have any questions regarding this topic please do not hesitate to contact me.

Yours sincerely

Fiona Cottam
Performance Manager

APPENDIX 2

Appendix to the Open Letter to UNC Parties and other Gas Industry participants, requesting feedback on the development of the 2013/14 Statement Suggested Improvements to AUGÉ Guidelines, as provided the AUGÉ (GL Noble Denton)

Please note that these suggestions would be subject to industry discussion and UNCC approval prior to implementation and do not necessarily represent the views of Xoserve or the Gas Transporters.

Dear Fiona

As you are aware, during last year's AUGÉ process a number of issues and misunderstandings arose from different interpretations of the AUGÉ Guidelines. There are a number of improvements that we think could be made to the AUGÉ Guidelines to help prevent these recurring.

Some of the suggestions described below are straightforward and some require further discussion with the industry. Ideally, it would be beneficial to update the AUGÉ Guidelines before the 1st Draft 2013 AUGS for 2014/15 is published in May or alternatively the 2nd draft 2013 AUGS for 2014/15 published in July. In particular, the Query Process needs an overhaul.

- 1) All references to periods of time should be in "Business Days", for example 42 days referenced in 7.1.3 and 28 days in 8.9 and 8.10 should also be converted to business days for consistency.
- 2) The definitions section should include what we mean by "Business Days", "Final Figure Creation", "Interim Figure Creation" etc this will ensure these terms are fully understood by all parties. Specifically, the "creation of final gas volumes" (8.4c, 8.5, 8.7, 8.11) needs to be clearly defined particularly at the point it becomes frozen.
- 3) During the 2nd consultation period, the guidelines make provision for Code Parties to prepare responses within 5 business days of the next Committee meeting (7.1.7). In 2013, the next Committee meeting would be the 15th August 2013 which means responses have to be provided by 8th August, 5 business days after the publication of the 2nd draft AUGS). In previous years we have run the consultation over the month of August (as per our original contract which sets out to allow adequate time for industry review period of 1st August-31st August). The question here is how long should the second consultation actually be? If it is more practical to allow the whole of August then the AUGÉ Guidelines need to be updated to make this clear.
- 4) Following the 2nd consultation, the guidelines indicate the Committee will meet to approve the methodology on or around 1st September (7.1.8). If the 2nd draft AUGS consultation is as short as the guidelines indicate then this is achievable. However, if the 2nd consultation period runs through the whole month of August as suggested, then some time will be required for the AUGÉ to prepare responses / update the AUGS prior to approval at the normal September Committee meeting. Both items 3 & 4 require clarification in the AUGÉ Guidelines.
- 5) The Guidelines do not appear to require a 3rd draft of the AUGS following the receipt of comments on the 2nd (August) draft. The two possible outcomes appear to be either approval of the 2nd Draft by UNCC or unanimous agreement by UNCC to make changes to the AUGS (7.1.8). The Guidelines are not clear on the AUGÉ's role in the process leading up this decision, whether the AUGÉ should prepare an updated AUGS (if appropriate) or recommend changes to certain sections as a result of comments made during August, or have no involvement at all. The Guidelines need to be updated to make this clearer, to help all parties understand their role better.
- 6) The Query Process needs to be updated to explain explicitly what happens in the event of a rollover. We believe that in the event of rollover the Query Process doesn't really apply as the

Please note that these suggestions would be subject to industry discussion and UNCC approval prior to implementation and do not necessarily represent the views of Xoserve or the Gas Transporters.

decision to rollover will come on or around the deadline for creation of the final figures (7.1.11, 9.5). This resulted in all sorts of confusion this year and needs to be addressed.

- 7) The Query Process runs from 1st September to the last day in February and appears to be a catch all period for queries/issues not previously raised during the consultation process. Indeed, the interim figures are not supposed to be published to the industry until November 1st so queries raised before then would be matters arising following the previous consultation period or newly identified UG issues.

One of the questions arising from this year's process is "When can queries be realistically addressed for that year and when are they likely to be deferred to the following year's process?". Given that final figures are to be created by 1st January, then any queries raised after this date that are material will fall into the "cannot be implemented in this years' AUGS" category (8.4c). In practice, issues raised in December are also likely to fall into this category, depending on the issue raised. This is because the process requires the Committee to meet to review the AUGÉ recommendations and this can result in the AUGÉ having to make further amendments within 28 days (8.9, 8.10). Therefore there is the potential for any query raised during the query process to "time out" for that year under certain circumstances. The Guidelines should include a clear, realistic date after which any further queries raised could not be addressed in that year's Statement/Table.

- 8) It would be useful to clarify the key publication dates. To date the AUGÉ has published AUG tables directly to the industry on 1st January and 1st February. However, the AUGÉ Guidelines only require the AUGÉ to publish interim and final AUG tables to the Gas Transporters on the 1st October/1st January respectively and it is the responsibility of the Gas Transporters to publish the interim/final AUG tables on 1st November / 1st February 2013. Going forward we will provide interim figures to the transporters for the dates required but will not publish these to the industry unless the Gas Transporters request us to do so on their behalf. Going forward we would like to see more clarity on the purpose of the month's delay between submission to the GTs and publication to the industry, and any activities that the GTs should be undertaking in that window.
- 9) It is not clear in the AUGÉ Guidelines what happens after the 2nd consultation period if an issue is identified that is sufficiently material to require a change to the methodology that requires further consultation (specifically if it is one that we acknowledge needs to be addressed). In this situation, are further consultation periods required? Can this be dealt with via the query process?
- 10) In the past two years' AUGÉ processes, the approval of the methodology has either been delayed or in the case of 2012/13 rolled over due to delays in the development of the methodology and provision of key data sets required to develop the methodology and generate AUG tables. Whilst Xoserve are looking to improve the processes of providing data and the AUGÉ will be looking at ways of mitigating the impact of these issues, there is still a risk of delays either because of issues identified during consultation that are significantly material and need resolution, or unexpected delays/issues with raw data that require re-work etc.

The AUGÉ recommends that a facility is put in place such that in the event of a delay to the approval of the AUGS or production of Interim/Final AUG tables that the process can be deferred by an agreed period (e.g. 3 months up to a maximum of 6 months, say). All dates in the AUGÉ Guidelines (including query process etc) would move back by the agreed amount rather than being compressed.

Please note that these suggestions would be subject to industry discussion and UNCC approval prior to implementation and do not necessarily represent the views of Xoserve or the Gas Transporters.

We also suggest that the decision should be at the discretion of the Gas Transporters or OFGEM rather than the Shippers who will have vested interests in the outcome. The option of rollover would still be available (e.g. under 7.1.11, 9.5). This has the benefit of a methodology being implemented as soon as possible rather than being deferred by a full year. By putting this in place up front it would also negate the situation that arose this year with Shippers raising modifications at the end of the process to try and force through a methodology which had not completed the proper review process. In the event of an extension, consideration would need to be given to the impact on the subsequent year's methodology to avoid a domino effect and this requires further discussion.

- 11) There are a number of modifications being developed or in latter stages of review that may have and some will have an impact on the methodology and the work that the AUGÉ does. To date, during consultation of these modifications we have not submitted any comments as we are not a Code Party. In addition, our views may be interpreted as favouring one market sector over another if we did. Furthermore, proposers of modifications tend not to consult the AUGÉ with regards the potential impact on the methodology or data required to implement their proposals. This can result in a situation where the AUGÉ may not be able to meet the requirements of the modification because the data does not exist with which to make corrections / incorporate in the methodology.

We suggest that there is a mechanism incorporated in the AUGÉ Guidelines that permits dialogue regarding modifications that refer to the AUGÉ to ensure that those modifications are potentially achievable in terms of data, AUG methodology and work required once implemented.

- 12) After publication of each AUGS, in the latter part of 2011 and throughout 2012 we have run the AUGÉ has requested an industry meeting during the consultation period to present the AUGS and provide the opportunity for Code Parties to raise clarification issues / discuss aspects of the methodology. This has been very useful in getting early heads up of potential issues and also helped clarify potential misunderstandings. We suggest the industry meetings held after each publication are included as part of the AUGÉ Guidelines typically within 10-15 days of the publication of an AUGS (subject to clarification of the consultation period for the 2nd draft AUGS as described previously).
- 13) The AUGÉ Guidelines should clarify whether scheduled Committee meetings should be used wherever possible or whether separate meetings should be/could be arranged. This would also help clarify the key AUGÉ ones and which are not. If we assume the dates as set out for the coming year then the 2nd consultation period runs for 7 days with AUGS approval on or around 1st September at a special meeting of the Committee as described previously (see items 3, 4 above).
- 14) Although the timelines for preparation of each draft of the AUGS are fixed, the potential issues raised by the industry, resulting investigations/analysis, or update of the methodology are highly variable. Over the past two years we have had some consultations with quite a number of issues raised to and those with just a few.

In each case the issue can be anything from a matter of clarification to obtaining additional data from Xoserve and/or further analysis being carried out. Where issues are significantly material they require addressing before we seek approval of the methodology and this in turn has ultimately contributed to delays in the production of the most recent AUGS.

APPENDIX 2

Appendix to the Open Letter to UNC Parties and other Gas Industry participants, requesting feedback on the development of the 2013/14 Statement Suggested Improvements to AUGÉ Guidelines, as provided the AUGÉ (GL Noble Denton)

Please note that these suggestions would be subject to industry discussion and UNCC approval prior to implementation and do not necessarily represent the views of Xoserve or the Gas Transporters.

Whilst we can increase resources, and indeed have, in order to mitigate delays, the topics and data involved are complex and require some time to get up to speed which given the tight timescales for production of AUGS/turning round responses does not really allow for short periods of increased resourcing – particularly at short notice.

It is possible to prioritise the key items that can be done within the timelines and defer the rest until a subsequent publication – indeed that is what the original contract sets out. However, this could result in material errors residing in the methodology until a subsequent AUG year. It is therefore a delicate balance between having something ready on time vs something that may have known issues and we are mindful of the concerns the industry have if the AUG table contains known material errors.

One way of improving this situation would be a facility for the AUGÉ to back correct the previous year's AUG table in light of new / corrected information (but with a limit on how far back you can go to make corrections) and roll this into the coming year's AUG table. We understand this approach was avoided for various reasons – however the consequences of not having this facility may mean that given we would have the choice of delivering an AUG table with known corrections outstanding vs taking the extra time to get address those corrections; we would virtually always choose to take the time to get the right result.

Another solution is, on receipt of consultation responses, to estimate the time required to investigate/respond properly and then set out timelines based on this. There would still need to be some overriding back stop but there is the potential for the timelines to be brought forward as well as pushed back to ensure that the key issues had been addressed sufficiently prior to submitted inclusion in the AUGS submitted to the Committee for approval.

What would you recommend as the next steps in order to raise these (or a subset) with the industry / implement going forward? I also believe OFGEM would like to see some lessons learned coming out of this year's process so some of these could feed into those discussions too and I know they would be interested in our thoughts on improvements to the AUGÉ Guidelines?

Yours sincerely

Clive Whitehand
Senior Consultant
GL Noble Denton