

**MODIFICATION PROPOSAL 379 – Provision for an AQ Review Audit**

**DRAFT LEGAL TEXT – v. 0.1 (17 APRIL 2012)**  
**(prepared by Wales and West Utilities Limited)**

**Proposed Amendments to the Uniform Network Code**

**UNC Transportation Principal Document – Section G**

*Insert a new paragraph 1.15 as follows:*

**“1.15 AQ Review Audits**

1.15.1 For the purposes of the Code, in relation to any User and Gas Year:

- (a) the **Aggregate NDM AQ Reduction Quantity** is the difference between the aggregate of the Annual Quantities of all of that User’s Registered NDM Supply Point Components on the first day of that Gas Year and the aggregate of the Annual Quantities of all of that User’s Registered NDM Supply Point Components on the last day of the immediately preceding Gas Year, where the latter is greater than the former; and
- (b) the **NDM AQ Review Reduction Bias** is the difference between:
  - (i) the number of that User’s Registered NDM Supply Point Components with a higher Annual Quantity on the first day of that Gas Year than on the last day of the immediately preceding Gas Year; and
  - (ii) the number of that User’s Registered NDM Supply Point Components with a lower Annual Quantity on the first day of that Gas Year than on the last day of the immediately preceding Gas Year,

where the latter is greater than the former;

1.15.2 For the purposes of the Code, an “AQ Review Process Auditor” is a person appointed by the Transporters pursuant to paragraph 1.15.3.

1.15.3 Where:

- (a) a User’s Aggregate NDM AQ Reduction Quantity in relation to a Gas Year is more than 1% greater than the median of all Users’ Aggregate NDM AQ Reduction Quantities in relation to that Gas Year; and/or
- (b) a User’s NDM AQ Review Reduction Bias in relation to a Gas Year is more than 7.5% greater than the median of all Users’ NDM AQ Review Reduction Biases in relation to that Gas Year,

the Transporters will appoint an independent and appropriately qualified person to conduct by no later than the end of such Gas Year the functions in relation to that User described in paragraph 1.15.4.

1.15.4 The functions referred to in paragraph 1.15.3 are:

- (a) a review of whether, in the opinion of the AQ Review Process Auditor, in the immediately preceding Gas Year the relevant User complied in all material respects with paragraphs 1.6.4 (including the warranty given at paragraph 1.6.4 (c)), 1.6.5, 1.6.6 and 1.6.13 9 (the “User AQ Review Obligations”);
- (b) an assessment of the extent, in the opinion of the AQ Review Process Auditor, to which the relevant User’s Aggregate NDM AQ Reduction Quantity and/or NDM AQ Review Reduction Bias resulted from a failure or failures by such User to so comply; and
- (c) a determination of the financial benefit that, in the opinion of the AQ Review Process Auditor has accrued and will (or would, but for the operation of paragraphs 1.15.6 and [1.15.9]) accrue in the relevant Gas Year to the relevant User to the detriment of other Users as a result of such failure or failures.

1.15.5 The AQ Review Process Auditor’s determination shall be final and binding on the parties except in the event of fraud or where it is so clearly erroneous on its face that it would be unconscionable for it to stand, in which case another AQ Review Process Auditor may be appointed by the Transporters in accordance with the provisions of paragraph 1.15.3.

1.15.6 The amount determined by AQ Review Process Auditor as being the financial benefit that, in his opinion, has accrued and will (or would, but for the operation of paragraph this paragraph 1.15.6 and [paragraph 1.15.9]) accrue in a Gas Year to a User to the detriment of other Users as a result of a failure or failures by such User to comply with the User AQ Review Obligations shall be payable to by the User to the [Transporters].

1.15.7 As soon as reasonably practicable after receipt of the final version of an AQ Review Process Auditor’s determination, and in any event no later than the end of the Gas Year in which such determination is made, the Transporters shall issue the relevant User with an Ad Hoc Invoice in respect of charges payable pursuant to paragraph 1.15.6 and provide such User with a copy of the AQ Review Process Auditor’s determination and report.

1.15.8 The activities performed by the Transporters in accordance with paragraph 1.15.4 will be performed as a User Pays Service for each Shipper User and each Shipper User shall pay (in accordance with Section S) to the [Transporters] a User Pays Charge in respect of such User Pays Service.

1.15.9 **[On what basis is the correction of misallocated costs to be applied to other Users?]**”

## **UNC Transition Document - Part II C**

### ***Insert new paragraph 1.7.9 as follows:***

“1.7.9 The provisions of section 1.15 shall apply to the Gas Year commencing on 1st October 2011 (so that where applicable, AQ Review Process Auditors will be appointed to conduct the functions referred to in paragraph 1.15.4 in respect of Users’ performance of the User AQ Review Obligations in the preceding Gas Year) and each subsequent Gas Year.”

**[NB** If the implementation date is later than 30<sup>th</sup> September 2012 then the reference to 1<sup>st</sup> October 2011 will need to be changed to 1<sup>st</sup> October 2012 or 2013 etc. as appropriate.]