

Stage 02: Workstream Report

0343

The ability and requirement for Users and Transporters to raise issues to be considered by the Allocation of Unidentified Gas Expert as “known” issues

It is proposed that all Users and Transporters, who are signatories to the Uniform Network Code;

1. Have the ability to raise issues directly with the AUGE for assessment and inclusion within the AUG Methodology and AUG Table and
2. Places a requirement on parties to bring forward issues that they believe are contributing to unidentified gas.

This ability and requirement would warrant that Users and Transporters provide information on issues they believe to be contributing to the unidentified gas problem and an assessment, if available, of the scale of the issue. In addition if the User/Transporter has a view or information available regarding how much of the issue is or could be attributable to the LSP market, or indeed the share between the markets, this too should be made available.



Distribution Workgroup recommends
Proposal 0343 proceeds to consultation



High Impact:
UNC signatories

What stage is
this document
in the process?

01 Proposal

02 Workstream Report

03 Draft Modification Report

04 Final Modification Report

0343
Draft Workstream
Report

30 December 2010

Version 0.2

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Any questions?

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About this document:

The purpose of this report is make a recommendation to the Panel, to be held on XX XXXX 201X, on whether 0343 Modification is sufficiently developed to proceed to the Consultation Phase and to submit any further recommendations in respect of the definition and development of this Modification.

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Why Change?

ScottishPower is concerned that the AUGGE will be expected to identify which elements of the gas allocation process and market arrangements, are to be deemed "known issues". In particular this concern relates to whether the AUGGE will have the appropriate insight and experience to be able to determine these issues and also the understanding of what is believed to contribute to the unidentified gas issue. We do understand that Transporters and Users are required to cooperate and provide data to the AUGGE in the preparation of the AUG Table. However the current drafting of the UNC is not explicit in the ability of signatories to the Uniform Network Code to bring issues to the attention of the AUGGE for subsequent inclusion within the AUG Methodology and Table.

Solution

It is proposed that all Users and Transporters, who are signatories to the Uniform Network Code;

1. Have the ability to raise issues directly with the AUGGE for assessment and inclusion within the AUG Methodology and AUG Table and
2. Places a requirement on parties to bring forward issues that they believe are contributing to unidentified gas.

This ability and requirement would warrant that Users and Transporters provide information on issues they believe to be contributing to the unidentified gas problem and an assessment, if available, of the scale of the issue. In addition if the User/Transporter has a view or information available regarding how much of the issue is or could be attributable to the LSP market, or indeed the share between the markets, this too should be made available.

The specific form of the information to be provided to the AUGGE would be determined by the AUGGE once appointed, but it is envisaged that there would be a standard form to be completed and submitted to the AUGGE, where the User/Transporter has identified a "known issue".

This approach will ensure that the party appointed to carry out the AUGGE role can utilise cross-industry experience and understanding of the AUGGE issue and addresses the concern that the AUGGE might not have the appropriate insight and experience to effectively determine the issues contributing to unidentified gas. In addition it will require Users and Transporters to raise awareness of issues that they know are playing into the unidentified gas volumes.

We believe this approach will ensure that Users, who are subject to the costs of unidentified gas can raise issues that they believe are inappropriately allocating costs to their business. It will also allow Transporters the opportunity to put forward areas for consideration, which they understand to be feeding into unidentified gas.

If the proposal were not accepted, then there is a real concern that the AUGGE will spend valuable time in trying to understand and identify issues contributing to the unidentified gas, when the Users affected by the issues already have an acute understanding of some of the issues and the Transporters also have ideas of issues.

The specific form of the information to be provided to the AUGGE would be determined by the AUGGE once appointed, but it is envisaged that there would be a standard form to be

completed and submitted to the AUGE, where the User/Transporter has identified a "known issue".

Impacts & Costs

This proposal would be embedded in the introduction of MOD229 functionality. It is not envisaged that it would contribute further costs to the industry, but instead aid and simplify the process for the AUGE to identify "known issues".

Implementation

It is proposed that this modification is introduced at the same time as the appointment of the AUGE and that Transporters and Users should have the ability and requirement from commencement of the contract with the AUGE to raise issues with them.

The Case for Change

This modification proposal would better facilitate the following Relevant Objectives:

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers.

This proposal would ensure more accurate allocation of costs by giving Users the opportunity to raise "known issues" and ensure that the AUGE is in a position to quickly recognise issues that the industry already know are playing into unidentified gas and perform reallocation against the agreed methodology. It would also allow Transporters and Users to raise issues to be considered "known issues" on an on going basis as they further understand the unidentified gas issue.

In addition by putting in place a process and a standard form for raising issues, the AUGE will have a transparent record of issues that it should consider and also be able to demonstrate that these are being managed.

Standard Special Condition A11.1 (f): So far as is consistent with sub-paragraphs (a) to (e) the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

This proposal seeks to ensure the framework being introduced under MOD229 is complete in relation to ensuring costs of unidentified gas are appropriately associated and distributed to the correct market sector. This Proposal will allow UNC signatories the ability to raise issues directly with the AUGE. Where available they can provide supporting information and data to assist the AUGE in the establishment of the AUG Methodology and AUG Table.

2 Why Change?

Under the recently accepted modification 0229 the Allocation of Unidentified Gas Expert (AUGE) will be appointed to create a methodology to apportion known issues between the SSP and LSP market and rectify the current cross-subsidy where the SSP market is picking up costs associated with the LSP market. Such cross subsidy is enacted through the Reconciliation by Difference process. At the present time a process has commenced to create a tender exercise for the appointment of the AUGE, although the process of appointment is now not expected to be concluded until after 1st April 2011 (information provided in Mod 339/340). Once the expert is appointed it will create a methodology for the allocation of unidentified gas and look for issues, to become named "known issues" to be assessed and factored through the methodology. The UNC Committee will arrange for consultation on the AUG Methodology. Once established an AUG Table will be proposed and this will be used as the basis for "known issues" to be reallocated through the invoicing processes.

ScottishPower is concerned that the AUGE will be expected to identify which elements of the gas allocation process and market arrangements, are to be deemed "known issues". In particular this concern relates to whether the AUGE will have the appropriate insight and experience to be able to determine these issues and also the understanding of what is believed to contribute to the unidentified gas issue. We do understand that Transporters and Users are required to cooperate and provide data to the AUGE in the preparation of the AUG Table. However the current drafting of the UNC is not explicit in the ability of signatories to the Uniform Network Code to bring issues to the attention of the AUGE for subsequent inclusion within the AUG Methodology and Table.

Proposal

It is proposed that all Users and Transporters, who are signatories to the Uniform Network Code;

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The specific form of the information to be provided to the AUGE would be determined by the AUGE once appointed, but it is envisaged that there would be a standard form to be completed and submitted to the AUGE, where the User/Transporter has identified a "known issue".

This approach will ensure that the party appointed to carry out the AUGE role can utilise cross-industry experience and understanding of the AUGE issue and addresses the concern that the AUGE might not have the appropriate insight and experience to effectively determine the issues contributing to unidentified gas. In addition it will require Users and Transporters to raise awareness of issues that they know are playing into the unidentified gas volumes.

We believe this approach will ensure that Users, who are subject to the costs of unidentified gas can raise issues that they believe are inappropriately allocating costs to their business. It will also allow Transporters the opportunity to put forward areas for consideration, which they understand to be feeding into unidentified gas.

If the proposal were not accepted, then there is a real concern that the AUGE will spend valuable time in trying to understand and identify issues contributing to the unidentified gas, when the Users affected by the issues already have an acute understanding of some of the issues and the Transporters also have ideas of issues.

4 Relevant Objectives

The Proposer believes that 0343 will better facilitate the achievement of **Relevant Objectives**

Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	N/A
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	N/A
c) Efficient discharge of the licensee's obligations.	N/A
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Yes
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	N/A
f) Promotion of efficiency in the implementation and administration of the Code	Yes

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in StandardSpecial Condition A11.1 and 2 of the Gas Transporters Licence

This modification proposal would better facilitate the following Relevant Objectives:

Standard Special Condition A11.1 (d): so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers.

This proposal would ensure more accurate allocation of costs by giving Users the opportunity to raise "known issues" and ensure that the AUGE is in a position to quickly recognise issues that the industry already know are playing into unidentified gas and perform reallocation against the agreed methodology. It would also allow Transporters and Users to raise issues to be considered "known issues" on an on going basis as they further understand the unidentified gas issue.

In addition by putting in place a process and a standard form for raising issues, the AUGE will have a transparent record of issues that it should consider and also be able to demonstrate that these are being managed.

Standard Special Condition A11.1 (f): So far as is consistent with sub-paragraphs (a) to (e) the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.

This proposal seeks to ensure the framework being introduced under MOD229 is complete in relation to ensuring costs of unidentified gas are appropriately associated and distributed to the correct market sector. This Proposal will allow UNC signatories the ability to raise issues directly with the AUGÉ. Where available they can provide supporting information and data to assist the AUGÉ in the establishment of the AUG Methodology and AUG Table.

5 Impacts & Costs

Costs

Indicative industry costs

N/A

Impacts

Impact on Transporters' Systems and Process

Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> We expect changes to UK Link to be extremely limited, if at all required since the proposal utilises the mechanism introduced by MOD229
Operational Processes	<ul style="list-style-type: none"> none
User Pays implications	<ul style="list-style-type: none"> This proposal would be embedded in the introduction of MOD229 functionality. It is not envisaged that it would contribute further costs to the industry, but instead aid and simplify the process for the AUGE to identify "known issues".

Impact on Users

Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> There may be a small cost to Users from the requirement to make the AUGE aware of issues that are playing into unidentified gas, however this costs is expected to be a small administrative cost and be particularly limited after the first year of the AUGE operation.
Development, capital and operating costs	<ul style="list-style-type: none">
Contractual risks	<ul style="list-style-type: none">
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">

Impact on Transporters

Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none"> No implications have been identified
Development, capital and operating costs	<ul style="list-style-type: none"> No implications have been identified
Recovery of costs	<ul style="list-style-type: none"> No implications have been identified
Price regulation	<ul style="list-style-type: none"> No implications have been identified
Contractual risks	<ul style="list-style-type: none"> No implications have been identified

Impact on Transporters	
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> No implications have been identified
Standards of service	<ul style="list-style-type: none"> No implications have been identified

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none"> No implications have been identified
UNC Committees	<ul style="list-style-type: none"> No implications have been identified
General administration	<ul style="list-style-type: none"> No implications have been identified

Impact on Code	
Code section	Potential impact
TPD Section E	

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	No implications have been identified
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	No implications have been identified
Storage Connection Agreement (TPD R1.3.1)	No implications have been identified
UK Link Manual (TPD U1.4)	No implications have been identified
Network Code Operations Reporting Manual (TPD V12)	No implications have been identified
Network Code Validation Rules (TPD V12)	No implications have been identified
ECQ Methodology (TPD V12)	No implications have been identified
Measurement Error Notification Guidelines (TPD V12)	No implications have been identified
Energy Balancing Credit Rules (TPD X2.1)	No implications have been identified
Uniform Network Code Standards of Service (Various)	No implications have been identified

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	No implications have been identified
Gas Transporter Licence	No implications have been identified
Transportation Pricing Methodology Statement	No implications have been identified

Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification **0565**

Transco Proposal for Revision of Network Code Standards of Service at the following location:

<http://www.gasgovernance.com/networkcodearchive/551-575/>

Other Impacts	
Item impacted	Potential impact
Security of Supply	No implications have been identified
Operation of the Total System	No implications have been identified
Industry fragmentation	No implications have been identified
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	No additional implications have been identified other than those previously highlighted under Mod 229.

6 Implementation

It is proposed that this modification is introduced at the same time as the appointment of the AUGÉ and that Transporters and Users should have the ability and requirement from commencement of the contract with the AUGÉ to raise issues with them.

Advantages

Allows UNC signatories the ability to raise issues directly with the AUGGE for subsequent assessment and inclusion within the AUG Methodology and AUG Table. This will allow the AUGGE the ability to utilise industry experience and insight on issues factoring into unidentified gas, where UNC signatories have been discussing them for many years e.g. theft of gas, Shipperless sites.

Also by placing a requirement on parties to bring forward issues that they are aware of, that may not have been discussed at industry, the AUGGE process and assessment will make the most productive start possible in understanding the issues related to unidentified gas. This process will also open up the tender process for the expert, allowing a more encompassing set of companies to consider applying for the role. This should hopefully deliver more innovation in the delivery of the AUGGE and also result in more aggressive cost proposals and value for money.

Disadvantages

None identified.

8 Recommendations

The Work Group invites the Panel to:

- AGREE that Modification Proposal 0343 be submitted for consultation;
- Request the preparation of legal text prior to being submitted for consultation.

Recommendation

The Distribution Workstream recommends [the Proposal 0343 be submitted for consultation]

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