

**UNC Workgroup 0572 Minutes
Amendment to the definition of AUG Year within UNC TPD
Section E**

Thursday 28 January 2016

31 Homer Road, Solihull B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Alex Ross-Shaw	(ARS)	Northern Gas Networks
Andy Clasper	(AC)	National Grid Distribution
Angela Love*	(AL)	ScottishPower
Carl Whitehouse	(CWh)	First Utility
Chris Warner	(CW)	National Grid Distribution
Colette Baldwin	(CB)	E.ON UK
David Mitchell	(DM)	Scotia Gas Networks
Fiona Cottam	(FC)	Xoserve
Fraser Mathieson	(FM)	Scotia Gas Networks
Gareth Evans	(GE)	Waters Wye Associates
Gavin Anderson*	(GA)	EDF Energy
Hilary Chapman	(HC)	Xoserve
John Welch	(JW)	RWE npower
Jon Dixon*	(JD)	Ofgem
Kirandeep Samra	(KS)	RWE npower
Kirsten Elliott-Smith	(KES)	Cornwall Energy
Lorna Lewin	(LL)	DONG Energy
Mark Jones	(MJ)	SSE
Matt Jackson	(MJa)	British Gas
Mike Bagnall	(MB)	British Gas
Naomi Nathanael	(NN)	Plus Shipping
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy*	(RP)	Wales & West Utilities
Robert Wigginton	(RW)	Wales & West Utilities
Steve Mulinganie	(SM)	Gazprom

* via teleconference

Copies of all papers are available at: <http://www.gasgovernance.co.uk/0572/280116>

The Workgroup Report is due to be presented at the UNC Modification Panel by 17 March 2016.

1.0 Outline of Modification

MB gave a short presentation introducing the modification and explained that it proposes to amend the definition of 'AUG Year' (as introduced by UNC Modification 0473), by changing the 'AUG Year' period start date from 01 April to 01 October and the end date from 31 March to 30 September.

2.0 Initial Discussion

2.1 Initial Representations

None received.

2.2 General Discussion

GE observed that the existing dates/timeline were set to give parties the opportunity for pricing contracts for consumers to give them as much warning as possible and also to align with current processes. SM had concerns that the capacity AQ being set in December applies for April pricing, and did this give a disconnect- more notice for parties was a better position, as this proposal would create the potential for multiple price changes in a year which creates uncertainty. Would moving away from the April date give any significant concerns? Does it affect the ability to appoint the Allocation of Unidentified Gas Expert (AUGE)?

FC confirmed that the process is for the AUGE to provide the information by July and as this modification is looking to change when the Table is applied and this would not impact the AUGE or their appointment.

MB affirmed it was not proposed to shorten or elongate the period, the intention being solely to utilise the expertly derived view at the earliest opportunity available, i.e. to shorten the 'waiting period' from 9 months to 7 months; this also aligns with another contract renewal round in October.

GE could see the logic of moving the date, but noted that Transportation charges are effective in April, and was concerned that there could be three different 'data drops' to impact prices - October (AUG), December (SOQs update), and April (Transportation charges). SM asked was there a clear benefit in separating this out as it is complicating Shipper processes?

AL commented that at the UNC Committee (UNCC) meeting Ofgem was looking for an update to the Table. JD explained this was proposed to be a refresh of the interim Table only and confirmed that this would not cause a barrier to the progression of this Modification 0572.

MB reiterated that there was no change to the timeframe; it keeps to the notice period that has been in place. GE observed that this is a notice period for energy; the previous one was for cost adjustment. MB remained comfortable with his proposal as it stood. SM suggested that perhaps an alternate proposal should be considered, i.e. effective from October and with extra time to price/factor in the risk in the model which moves the publication date prior to July, perhaps April or May.

AL asked about the degree of materiality - what percentage of the contract value is at risk? SM said that the margins were very tight and the AUGE view is very relevant - he would like longer than the 3 months period in this proposal to prepare contract or prices changes for customers. GE was concerned this proposal was perhaps addressing a short-term view, rather than a long-term process. MB disagreed with this and explained his perspectives, believing it would give a more accurate figure year on year.

CB asked for clarification on what was actually being moved. FC said it was not moving the framework (briefly explaining that in more detail), just the effective date of the Table, i.e. giving it less 'shelf time' so it becomes effective sooner. The choice is how 'immediate' parties might want it to be. A discussion ensued. AL believed it important to better understand the materiality. FC confirmed the values were in the AUGE report. Responding to a number of questions, FC explained the whole process starts from 01 February; it is an annual cycle that expands to fill the time, and that the 01 August AUG report cannot be obtained any earlier. The only way to change the timetable is to change the document. Trying to shorten the timescales would be more significant. SM asked if having 6 months' notice ahead of the October date would be a problem, as an alternative might be to mirror this Modification 0572 but just propose more notice. FC thought it too tight to get the first output (for first year); an interim table would have to persist until October 2018. There would need to be an appropriate timetable to accompany the

proposal (preparation and review periods could be squeezed); February 2017 for first outputs would be a challenge, and anything prior to that would be unfeasible.

Referring to materiality, it was observed that Modification 0229 was energy; the new arrangements were weighting factors and cannot be informed on Day 1. GE explained the activities/factors a Shipper has to take into account; the amount of leeway is significant to manage the risk appropriately (especially as prices in the LSP market were not tariff based). MB believed 3 months to be sufficient. FC advised that the important date was when the AUGÉ should be asked to produce its first report - 01 February was already tight. To ask a new AUGÉ to do this earlier would potentially undermine the current process.

SM briefly itemised the process, and questioned if the 42 calendar days for feedback was really needed, could this time be reduced to allow more time adjusting prices.

Recalling discussions prior to the implementation of Modification 0229, BF drew attention to Ofgem's concerns about the process not being completed through a cycle, and asked would those concerns continue to apply here or not. JD confirmed that this was all prospective, and should not be an issue here.

SM indicated that he would consider raising an alternative proposal prior to the next Workgroup meeting.

JD observed that the Workgroup's report would need to set out very clearly the relative merits of October or April, and the arguments and for/against.

2.3 Question from Panel

The Workgroup was requested by the UNC Modification Panel to consider if this modification would be suitable for Self-Governance and provide a view.

This was not discussed at this meeting and will be considered at a future date.

3.0 Next Steps

It is anticipated that the Workgroup Report will be completed at the next meeting. If an alternative proposal is raised that may also be considered.

4.0 Any Other Business

None.

5.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
Thursday 25 February 2016	Energy UK, Charles House, 5-11 Regent Street, London SW1Y 4LR	<ul style="list-style-type: none"> • <i>Consider alternative Modification (if raised)</i> • <i>Consideration of Business Rules</i> • <i>Review of Impacts and Costs</i> • <i>Review of Relevant Objectives</i>

		<ul style="list-style-type: none"> • <i>Consideration of Wider Industry Impacts</i> • <i>Consideration of Legal Text</i> • <i>Consideration of self-governance status (Panel question)</i> • <i>Development/completion of Workgroup Report</i>
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Action Table (28 January 2016)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
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