

Terms of Reference – V1.0
Distribution Workstream for UNC Modification Proposals Reference Numbers
0228, 0229, 0231, 0232 relating to the Allocation of Energy

1. Purpose

The objective at the Distribution Workstream is to bring forward all relevant information from Shippers, Transporters and their agents in order to:

- clarify Modification Proposals referred to the Workstream, facilitating development of the Proposal by the Proposer
- develop business rules as necessary to support development of legal text and implementation of each Proposal
- complete Workstream Reports for each Proposal, with particular consideration to likely costs and benefits (quantified as far as practical) and the impact of implementation on the Relevant Objectives.

Issues will be addressed by the Workstream with a view to forming evidence based conclusions and ensuring that any common or relevant issues are investigated without duplication.

2. Background

UNC Modification Proposal 0228 Correct Apportionment of NDM Error - Energy

This Proposal sets out amendments to the levels of contribution established by the “RbD allocations table” detailed in Proposal 0194. It seeks to identify the level of genuine reconciliation within RbD by looking at the differences in rate of AQ change between the LSP and the SSP sectors, when compared with the overall level of AQ change in the market. This Proposal establishes a methodology for the annual calculation of the genuine reconciliation element of RbD and then uses independent analysis to identify the causes of the remaining RbD error.

UNC Modification Proposal 0229 Mechanism for Correct Apportionment of Unidentified Gas

This Proposal seeks to introduce provisions which provide for the allocation to the LSP sector of specific volumes of otherwise unidentified gas. The volumes would be established with the support of an independent party. Adding an appendix to Section E, the ‘Large Supply Point unidentified gas allocation table, and cross referencing this table as appropriate within the UNC would achieve this aim. The initial table would show zero volumes allocated to the LSP sector, thereby maintaining the status quo. Future population of the table would be through a mechanism (to be developed) that uses the recommendation of an independent third party.

UNC Modification Proposal 0231 Changes to the Reasonable Endeavours Scheme to better Incentivise the Detection of Theft

This proposal would bring the current process operated by the Network Operators into the Uniform Network Code, thus creating an appropriate governance framework in which it can continue to operate. The Reasonable Endeavours Scheme provides a framework which could be developed to create a robust incentive mechanism - it is widely accepted that the current levels of compensation payable under the Reasonable Endeavours Scheme do not provide sufficient incentive upon all Shippers to detect theft. This proposal also seeks to

extend the existing arrangements to allow Shippers to recover their costs to the new maximum level where part payment has been made by the end user to the Shipper.

UNC Modification Proposal 0232 Allocation of Unidentified Gas via the Distribution Networks Charges

This Proposal seeks to develop how unidentified gas can be apportioned to the shipping community using a mechanism similar to the one which is in place to recover shrinkage i.e. an agreed volume or value that can be recovered through the Distribution Charging structure. Consideration of an alternative mechanism is suggested - a "Line Loss Factor" to be apportioned to gas transported through Distribution Networks, which would increase consistency between the gas and electricity markets. The Proposal also suggests examining the potential for developing incentives to discourage the root causes of unidentified gas.

3. Scope and Deliverables

The Distribution Workstream is asked to consider the Modification Proposals above and where applicable:

- Confirm and refine the business rules for each Modification Proposal;
- Develop the User Pays element of the Proposal;
- Clarify any interaction or impact between Modification Proposals 0194, 194A, 0208, 0228, 0229, 0231 and 0232;
- Clearly identify any potential advantages or benefits in the administration or operation of the UNC;
- Produce a Workstream Report for each of the Modification Proposals;
- Recommend implementation plans and timescales where applicable.

4. Limits

The Distribution Workstream will consider changes required to the following:

- Uniform Network Code

5. Composition

The Distribution Workstream is an open meeting, subject to the provisions of the Chairman's Guidelines as referenced in the UNC Modification Rules.

A Distribution Workstream meeting will be quorate provided at least 2 Transporter and 2 User representatives are present.

6. Information Sources

- Uniform Network Code – Sections (to be identified).
- GT, Shipper and Supplier Licences.
- Gas Act.
- Various Industry legislation as appropriate – may include reference to:
 - Industry Codes of Practice as relevant.

7. Timetable

It is proposed that a total period of three months be allowed to conclude work on the currently live Modification Proposals, although the Proposals may follow individual timelines according to deadlines for reporting as set by the Modification Panel.

- Frequency of meetings – monthly. The frequency of meetings will be subject to review and potential change by the Distribution Workstream.
- Meetings will be administered by the Joint Office and conducted in accordance with the Chairman’s Guidelines.