

**UNC 0639R Workgroup Minutes**  
**Review of AUGE Framework and Arrangements**  
**Tuesday 27 February 2018**  
**at Lansdowne Gate, Solihull, B91 3DL**

<b>Attendees</b>		
Chris Shanley (Chair)	(CS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Chris Warner	(CW)	Cadent
Fiona Cottam	(FC)	Xoserve
Gareth Evans*	(GE)	Waters Wye
Hilary Chapman*	(HC)	SGN
Kirsty Dudley*	(KD)	E.ON
Mark Jones*	(MJ)	SSE
Mark Rixon*	(MR)	Engie
Neil Cole	(NC)	Xoserve
Rachel Hinsley	(RH)	Xoserve
Richard Pomroy*	(RP)	Wales & West Utilities
Sallyann Blackett	(SBI)	E.ON
<i>*via teleconference</i>		
<b>Apologies</b>		
Steve Mulinganie	(SM)	Gazprom

Copies of all papers are available at <http://www.gasgovernance.co.uk/0639/270218>

The Workgroup Report is due to be presented at the UNC Modification Panel by 19 April 2018.

## 1. Introduction and Status Review

### 1.1. Approval of Minutes (31 January 2018)

The minutes of the previous meeting were accepted.

### 1.2. Review of Outstanding Actions

**Action 0101:** Xoserve (FC) to review the contract arrangements and investigate what can be shared. If the contract cannot be shared, investigate what could be provided in the form of a summary of the contract which might include a list of all the contract headings and key deliverables, termination clauses and provisions for transferring the service as a starting point.

**Update:** FC provided an update confirming that negotiations between Xoserve and the AUGE (DNV-GL) are on-going and that she hoped to have something to share at the next meeting.

**Carried Forward**

## 2. Consideration of the issues log and development of resolution options/proposals

CS presented the issues log which had been developed following the last meeting as a record of the issues identified and diHe confirmed that 6 key issues arose from the meeting and one was included after the issue was discussed again at the AUG walkthrough meeting held on 09 March 2018.

CS briefly explained the format of the issues log describing it is a 'living document' which would be continuously updated. He invited Workgroup members to suggest additional issues as they considered appropriate.

The key discussion points in relation to each issue are provided below:

a. Issue 0639R01 – Scope – what is included/not included.

CS reminded the Workgroup of the discussion from the previous meeting summarised in the column titled background/description. He also confirmed that the latest version of the AUG Framework document had now been published on the Joint Office website and which can be accessed here: <http://www.gasgovernance.co.uk/augenex>. CS highlighted that this version of the document included the recent change to prevent any further issues arising around the handling of LDZ shrinkage, which was the main driver behind this item.

The Workgroup were then asked to review Section 5 of the AUG Framework – Generic Terms of Reference for Appointed AUG Expert. This section includes the main principles the appointed AUGE will operate under.

The key focus of the discussion centred around the level of prescription and transparency that would be appropriate and the advantages/disadvantages of listing what is in scope/out of scope versus a 'bottom up' approach that left flexibility for the AUGE to consider any new areas identified through the year. The issue of dual governance that arose in relation to LDZ shrinkage was discussed and CS indicated it would be useful to evaluate how this problem could be avoided for other areas.

A discussion took place on paragraph 5.1.2, FC suggested that the current wording is misleading and the term 'LDZ shrinkage' should be replaced with 'LDZ shrinkage error'.

SBI reiterated her concerns about being overly prescriptive, suggesting that it would be difficult to identify everything at the outset and a flexible approach was desirable. CW stated that UNC Section 6 paragraph 9.4 references the AUG Table stating that there will be a table identifying each gas source in response to industry requirements.

FC suggested that the AUGE could currently assess areas that were not specifically included in the table. She also stated that a table provides transparency of the amount of UIG and the issues which could be subsequently tracked and materiality assigned. SBI responded to say that this would only work if all the issues can be identified and that the default was that the unknown cause was theft.

CS summarised the discussion suggesting the following options as a way forward:

- Continue with the current arrangements as is;
- Build on the current arrangements with additional guidance/clarification/lists as to what was in scope;
- Review current arrangements to ensure the AUGE has full flexibility to investigate an issue;
- Provide separate/limited guidance on how the AUGE will deal with any known and/or new issues that already has an agreed industry governance approach.

There was consensus not to have an overly-prescriptive list.

**New Action 0201: Joint Office (CS) to update the issues log to capture all the key discussion points, options and decisions from the meeting.**

b. Issue 0639R02 - How interaction with third parties should work and how to deal with conflict of interest issues.

The Workgroup reviewed Section 4 – *Tendering process* but did not consider it to be relevant so Section 5 was revisited, in particular paragraphs 5.1.3 and 5.1.6. The issue highlighted at the first meeting was in relation to the internal consultation by the AUGE which was not considered to be independent or unbiased. Timing was another issue as the AUGE could have consulted with Imperial College but didn't.

Paragraph 5.1.7 places a requirement on the AUGGE to evaluate all data where multiple data sources exist to obtain the most statistically sound solution. This suggests that the scope is right, the issue is therefore, about the action previously taken by the AUGGE to only consult internally.

It was suggested that perhaps paragraph 5.1.6 and/or 5.1.7 could be enhanced so that the AUGGE would need to demonstrate through evidence that an independent approach had been taken and an unbiased solution developed.

FC reported that discussions at a senior level have taken place between Xoserve and DNV-GL to address concerns around customer service, lack of sensitivity, lack of understanding and lack of political awareness of the issues.

SBI gave another example of potential bias in relation to TRAS and Xoserve data reiterating the need to be able to justify how bias has been removed from the selection of data sources.

CS summarised the discussion to confirm that amendments to the wording of paragraph 5.1.7 could be considered to avoid/remove bias in the process.

- c. Issue 0639R03 - How feedback is treated throughout the AUG process (including the formal consultation period). Linked to issue R063905 (overall process improvements)

CS suggested that issue 0639R03 and 0639R05 be discussed as part of the discussion on the timeline under agenda item 3.0.

- d. Issue 0639R04 - Review/clarification of UNC, UNCC process and AUG Framework documents in relation to voting requirements. Should the voting be related to the methodology, the weightings table or both?

The Workgroup reviewed UNC Section E 9.4.3 sub-paragraph (h) and discussed the ability for the UNCC to approve the final AUG Table. It was also noted that they had the ability to approve an amended table or require a further iteration of the steps involved in the AUG determination be carried out. SBI questioned why the resolution has to be unanimous as the approach taken for most UNC votes is a majority position

FC suggested that sub-paragraph (d) is also relevant as it refers to the location of the AUG Table. She also reported that the voting in relation to the AUG statement is in the context of the methodology and the AUG Framework states that if the Statement is approved the next step is to undertake the calculations.

Furthermore, paragraph E 9.4.4 (b) confirms that there is no appeal mechanism which provides industry with some certainty that no further changes will be made after the UNCC approval in July.

Following a review of the various clauses in this section of the UNC it was apparent that some of the rules are contained in the UNC and some in the AUG Framework document so it was difficult to assess what needs to be changed as the documents were ambiguous.

CS therefore, suggested the Workgroup review the voting from a timetable perspective and consider paragraph 7 – Creation of the AUG Statement document. Workgroup briefly discussed paragraph 7.1.3 in relation to the 42-calendar day consultation period which is longer than the standard 15 business days for UNC Modification consultations. A potential future change would be to have another meeting following receipt of the consultation responses and before the revised AUG statement is published (by 30 April).

CW also made a general comment in relation to paragraph 7.1.8 suggesting the responsibility for organising the meeting with the Committee and the AUGGE for approval of the final document lies with Xoserve as the CDSP and not Gas Transporters.

No decisions were made in relation to this discussion and it was agreed that the topic be re-considered when the timeline is reviewed under agenda item 3.0.

- e. Issue 0639R05 - The AUG process needs to have sufficient rigor, transparency, feedback opportunities and checkpoints. In particular, the AUGE statement and AUGE Table need to be reviewed to decide what needs to be done to align them and clarification on when the tables should be published and whether they can be changed or not.

CS suggested that issue 0639R03 and 0639R05 be discussed as part of the discussion on the timeline under agenda item 3.0.

- f. 0639R06 - Role of Joint Office to support the AUG Process in terms of providing secretariat for the AUG meetings and providing a transparent communication vehicle for all AUG documents.

CS confirmed that the role of the Joint Office to support the AUG process had been discussed at the 15 February UNCC meeting. It was agreed that Joint Office would provide the secretariat for the AUG meetings and the Joint Office website would provide information on the meeting dates and papers. It was agreed that this issue can be closed.

- g. Issue 0639R07 - Confusion of terminology - UIG and UG.

CS introduced this issue confirming that the proposal was to review the suggestion that unidentified gas at initial allocation (D+5) should be referred to as initial UIG and unidentified gas 'line in the sand' (Code cut-off date) should be referred to as 'final UIG'. This would involve the review of the definition within UNC Section H paragraph 2.6.

RP reiterated the need for consistent use of terminology. He also confirmed that the definition in UNC refers to UIG as the final allocation. If industry parties wish to use a different term in relation to a different concept he suggested that this needs to be defined in UNC through a new Modification. He also suggested that such a change would not be through a 'housekeeping modification'.

There was 'in-principle' support for 2 separate definitions (initial and final UIG) but more discussion was needed on this topic to decide if a further definition was needed or if clarification of the existing definition was required. In addition, consideration of the knock-on implications of the new definitions would need some thought through; what else would need to change and how would the definitions be applied in practice.

MR provided another example to illustrate confusion in the interpretation of UIG terminology in the context of the recent responses to the urgent UIG Modifications. He stated that the responses included use of mixed terminology making it difficult to understand what was being referred to. He therefore, welcomed clarity but also expressed concern about how this change would be implemented and what the implications of the making the change would be.

### 3. **Consideration of the changes required in relation to the AUG Timeline**

Issues 0639R03 and 0639R05 were discussed as part of the discussion in relation to the AUG timeline.

CS reviewed paragraphs 6.3 and 6.4 of the AUG Framework document confirming that there was no specific reference to the 42-consultation period. Paragraph 7.1.3 defines the consultation period as 42 calendar days. The workgroup had a brief discussion on consultation periods in the context of UNC and considered the merits of 42 days and whether it would be beneficial to move to a shorter 21-day consultation period.

The general consensus was that 42 days is too long and a shorter timeframe was supported. Whether it is 21 or 28 days or another time period could be decided at the next meeting once members had given it some thought.

The Workgroup then reviewed the draft future timeline provided by Gazprom as the proposer of this Review. CS confirmed that the black text described the current timetable and the red text identified new steps in the process/new dates. The following comments were made in discussion:

- There was general support for an earlier initial industry meeting in October/December.

- The need for the current 08 February meeting was discussed in the context of a reduced consultation timeframe and it was agreed this could be reduced in line with the earlier discussion.
- The proposed meeting to discuss final AUGS (D+49) was considered to be tight and it was suggested that this be moved forward by a week to D+56
- In response, to SM proposed condensed timetable, FC suggested that it may be best to amend the timetable to incorporate additional stakeholder engagement and therefore, it would be better to hold the UNCC meeting to consider final AUGS and Table in May instead of March. With this in mind additional steps were suggested from the end of March to May.
- The other key comment made/incorporated was that the process would clarify what was presented, i.e. just the AUGS or both the AUGS and Table. This meant that only one UNCC voting meeting was therefore required and the result was that the process time was reduced. This was consistent with the initial suggestion by Gazprom.
- With reference to the earlier discussions on the UNC Section E It was noted that if a last-minute issue was highlighted to the Committee they could decide not to approve the AUG Table and decide that certain steps set out in the AUG document shall be undertaken again. The proposed enhancement to the timetable would give more time for such an event than the existing timetable.

CS updated the draft timeline to reflect discussions and a revised version of the timeline is provided below. In summary the timeline reflects a shortened consultation period and an opportunity for an early UNCC meeting in May. FC suggested that Workgroup consider the proposed timeline in terms of what industry wants to achieve, i.e.

- Certainty in the process
- Early consultation
- Both certainty and early consultation.

When further options were discussed, FC asked if a further consultation should be incorporated. KD expressed concern in relation to multiple consultations as some industry parties wait to see other/earlier responses before submitting their consultation response. She suggested that an optional April consultation window is not preferred.

Overall, there was general agreement for the revised timetable.

**New Action 0202: Xoserve (FC), to review the AUG timeline proposal and voting checkpoints and provide a track changed version (illustration) of the rule changes (UNC and/or Framework Document) to bring it into effect.**

## Revised AUG Timeline

Please note that changes made during the meeting are shown in blue text.

2017/18 (Current) Timetable		Future Timetable	
Prepare first draft AUGS and Table of Factors	Aug-January	Prepare first draft AUGS and Table of Factors	Aug-January
		AUGE initial industry meeting to allow early engagement	Oct to Dec
Draft AUGS published	01 Feb	Draft AUGS published	D /01 Feb (tbc)
AUGE meeting – industry walkthrough	08 Feb (not formal)	AUGE meeting to discuss draft AUGS	D+7 (08 Feb) from publication
Consultation on AUGS	42 days (from 01Feb)	Consultation on AUGS	D+21 days (22 Feb)*
Meeting to discuss responses		AUGE meeting to discuss responses	D+42 (15 March)
Publish Revised AUGS	30 April	Publish Revised AUGS + Table	D+56 (29 March)
Industry meeting to discuss revised AUGS	12 May	Industry meeting to discuss revised AUGS	Early April
UNCC Meeting to consider final AUGS	18 May	Publish Revised AUGS + Table (changes can only be made to address concerns raised)	Mid April
AUGE publishes final table to GTs	01 July	Industry meeting to discuss revised AUGS	Early May
AUGS presented to UNCC	20 July	UNCC Meeting to consider final AUGS and Table	18 May
Table active	01 October	Table active	01 October

\*21 consultation period could be changed to 28 days if required but later events may need to be changed.

#### 4. Next Steps

CS confirmed that the next steps were to develop the issue log for further discussion at the next meeting.

#### 5. Any Other Business

None raised.

#### 6. Diary Planning

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

Workgroup meetings will take place as follows:

Time / Date	Venue	Workgroup Programme
10:30 Tuesday 27 March 2018	Lansdowne Gate, Solihull, B91 3DL	<ul style="list-style-type: none"> <li>Standard agenda items and outstanding actions</li> <li>Consideration of the issues log and development of resolution options/proposals.</li> <li>Discussion of proposals for change in relation to the AUG Timeline.</li> <li>Complete the Workgroup report.</li> </ul>

**Action Table (as at 27 February 2018)<sup>[c1]</sup>**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	31/01/18	2.2	Xoserve (FC) to review the contract arrangements and investigate what can be shared. If the contract cannot be shared, investigate what could be provided in the form of a summary of the contract which might include a list of all the contract headings and key deliverables, termination clauses and provisions for transferring the service as a starting point.	Xoserve (FC)	Carried Forward
0201	27/02/18	2.0	Joint Office (CS) to update the issues log to capture key discussion points and decisions.	Joint Office (CS)	Pending
0202	27/02/18	2.0	Xoserve (FC), to review the AUG timeline proposal and voting checkpoints and provide a track changed version (illustration) of the rule changes (UNC and/or Framework Document) to bring it into effect.	Xoserve (FC)	Pending