

UNC Workgroup 0758 Minutes
Temporary extension of AUG Statement creation process
Thursday 25 March 2021
via Microsoft Teams

Attendees		
Alan Raper (Chair)	(AR)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Andy Clasper	(AC)	Cadent
Andy Knowles	(AK)	Utilita
Carl Whitehouse	(CW)	Shell Energy
Darren Lond	(DL)	National Grid
David Addison	(DA)	Xoserve
David Morley	(DM)	Ovo Energy
Ellie Rogers	(ER)	Xoserve
Fiona Cottam	(FC)	Xoserve
Fraser Mathieson	(FM)	SPAA/Electralink
Gareth Evans	(GE)	Waters Wye Associates
Guv Dosanjh	(GD)	Cadent
Hilary Chapman	(HC)	SGN
Jason Salmon	(JS)	Utility Warehouse
Jayne McGlone	(JMc)	Xoserve
Kate Lancaster	(KL)	Xoserve
Kirsty Dudley	(KD)	E.ON
Lorna Lewin	(LL)	Orsted
Louise Hellyar	(LH)	Total Gas & Power Ltd
Mark Bellman	(MB)	ScottishPower
Mark Jones	(MJ)	SSE
Mark Tolladay	(MT)	Correla on behalf of Xoserve
Michael Walls	(MW)	Ofgem
Naomi Anderson	(NA)	Utility Warehouse
Oorlagh Chapman	(OC)	Centrica
Owen Mason	(OM)	Bulb Energy
Rhys Kealley	(RK)	Centrica
Richard Pomroy	(RP)	WWU
Robert Johnstone	(RJ)	Utilita
Steve Britton	(SB)	Cornwall Insights
Steve Mulinganie	(SM)	Gazprom Energy
Tracey Saunders	(TS)	Northern Gas Networks

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0758/250321>

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 May 2021.

1.0 Outline of Modification

Gareth Evans (GE) introduced the modification and explained the purpose:

To allow the new AUGE sufficient time to develop a robust AUG Statement in accordance with the Framework for the Appointment of an Allocation of Unidentified Gas Expert, (AUGE), and to rollover the existing AUG Table, repeating the process undertaken previously for the 2013/14 & 2016/17 AUG Years.

AR confirmed that the Legal text has been provided and Fiona Cottam (FC) has provided some information in order to address the question raised from UNC Panel on 18 March 2021.

GE addressed Workgroup and advised that he recognises Workgroup did not expect to get to the point where there is unanimous agreement with this modification but is happy to discuss and answer any questions that Workgroup may have, while noting any discussion would not result in the modification being amended.

Concerning current process for developing the AUG statement which would be going for approval to UNCC in April 2021, GE confirmed this modification would not interfere with this process and clarified the difference is that this proposal would authorise the use of a different output.

Reason

GE explained the reason this modification has been raised was because it was felt there is not enough time – the AUGE proposed using a bottom-up compilation of values rather than top down, which represent a significant change in approach. Historically when there has been a step change in the AUG process it has taken more than one year, citing that in 2012 there was an interim value built and then a further 2 years was spent developing the new approach. GE advised there have been at least two occasions where this has taken a multi-year approach.

GE also advised that he has identified a couple of areas where further development is warranted:

- Polluter pays;
- Smart metering.

In his other role, Chairman of Industrial & Commercial Shippers and Suppliers (ICoSS) GE advised he produced a letter which includes a detailed assessment on the current framework document.

Solution:

GE took the opportunity to thank to Joint Office and Cadent for their assistance and providing the legal text in such a short timescale.

The solution of the modification will require the current process to be turned off, this is explained in Business Rule 1.

The introduction of the replacement table is Business Rule 2 which is using the previous year allocation factors, which was developed over multiple processes.

Modification 0711 - Update of AUG Table to reflect new EUC bands, introduced the splitting of EUC Bands, so there will be a small amendment to the previous year's table in order to accommodate that.

Legal Text

It was explained that as this modification would effectively extend the 2020/21 AUG Table, (in the form specified in Modification 0711), for a further 12 months, noting that the legal text would be placed in Transitional Rules.

RP highlighted there could be confusion and some clarity should be documented on what happens with the AUG Table in production. He added it would require clear signposting and to

make it clear that the 2020/21 AUG Table is not the one that would go forward for development next year. He added the modification is not amending any statement that may or may not be approved by UNCC in April, because that is part of the AUG framework, this table would be part of the UNC. AR clarified that it would be the 2020/21 AUG Table that would be codified.

SM agreed that if the Statement and Table provided to UNCC were approved, clear signposting would need to be applied to point to the actual table being used for 2021/22 is located.

When SM asked with regards to the ICoSS letter that this modification is not being pursued on behalf of ICoSS, GE confirmed this is not an ICoSS sponsored modification.

Rhys Kealley (RK) raised his concern that if the application of the AUG Table is delayed, depending how long Ofgem take to make a decision, retrospection and recalculations is a serious issue to consider. GE acknowledge this is a valid point which was also discussed at UNC Panel. GE advised he did consider raising the modification as urgent, but with 6 months to go before the key implementation date, he decided against urgency and equally that contingency arrangements should not be required. GE also confirmed it should be captured in the Workgroup Report as to why this modification should be submitted to UNC Panel no later than May and why an Ofgem decision is required prior to October.

Michael Walls (MW), the Ofgem representative advised he had a number of questions, which are as follows:

- **Purpose (from modification proposal form):** *To allow the new AUGE sufficient time to develop a robust AUG Statement in accordance with the Framework for the Appointment of an Allocation of Unidentified Gas Expert, (AUGE), and to rollover the existing AUG Table, repeating the process undertaken previously for the 2013/14 & 2016/17 AUG Years.*
 - **Questions/Items for FMR:** *Has the AUGE requested more time? If not, what procedures are set out within the commercial contract to allow parties to 'determine' this on behalf of/for the AUGE, or determine that the statement isn't 'complete' or robust? An explanation of why the solution is being progressed as a modification, rather than through existing UNC or contract management processes.*
- **Why (from modification proposal form):** *There are two reasons for deferring implementation of the proposed AUG Statement, firstly the **proposed AUG Table for 2020/21 does not go far enough** in advancing the AUG methodology; and secondly, there is assurance needed to demonstrate that this methodology is an improvement on the previous methodology and not just a change. **The proposed AUG Table for 2020/21 does not have the level of development as previous AUG Table and so does not represent the most robust view of Unidentified Gas available.***
 - **Questions relating to process/commercial contract considerations:** *In general, how do parties contribute in determining 'how far' the methodology should go, or how an AUGE performs and delivers its duties and outputs?*
 - *How do parties determine/agree if a statement is robust? What if there is a disagreement?*
 - *What are the existing processes for agreement, validation? What are the **contract** management options, as this is a commercial contract, and why are these considered to be insufficient for this issue.*
 - *In effect, this modification could be seen as placing a validation role of the **statement** onto the Authority. Could you please explain, if this is the case, and if so, how this would interact with existing UNC text and the commercial contract for the AUGE.*
 - *As the AUGE statement gets discussed next month at the UNCC meeting **where** it will be approved/rejected, does this modification intend to introduce the concept*

and precedent of a validation/refusal for any party into the UNC which would override that decision/process?

- *How does this interact with the commercial contract? Does this **contradict** established contract management or UNC processes?*

GE confirmed that the AUGGE has not asked for more time, there are lot of areas noted in the ICoSS letter and suggested it is worth looking at all of that and that there is a large proportion of the industry think more time is needed.

GE raised questions and concerns within the AUG process. The Committee has only had since 31 December 2020 to see the output from the new AUGGE and, other than the process set out in the Framework, there few options available if there is a concern that the process has not worked. The only recourse would be a unanimous overturning of the proposal at UNCC or, as has been done here, raise a modification specifying a revised AUG Table. GE clarified there is simply no more time to amend the Statement, (and Table), in development.

SM advised there was a question regarding compliance with the framework at UNCC, where it appeared UNCC were unable to deal with the situation. It was noted that the framework does not stipulate what happens where compliance is questioned, and this has identified a governance gap in the process, especially as there is no way of escalating to the contract between the AUGGE and Xoserve.

Naomi Anderson (NA) confirmed Utility Warehouse are very much in favour of this modification and see this as the only option.

David Morely (DM) highlighted his observation that this modification needs to be implemented as fast as possible so that forecasting of costs can be completed. GE advised he has lots of sympathy and clarified there is a summer process to review the whole regime.

RK asked, in terms of getting more time, has any consideration been given to provide the AUGGE with more time. GE advised the process does not stop, it continues to roll forward and that the AUGGE has already started work on next year's iteration.

Carl Whitehouse (CW) enquired why the modification was raised before the final results from the current AUGGE were published. GE advised that in order to allow full debate in the industry the modification was raised, rather than adopt the urgent process. GE advised there has been lots of challenge and questions from various parties, however, it became evident throughout the process there is no opportunity to drill down, the process is not able to cope very well with the change in AUGGE at such a fast pace.

Kirsty Dudley (KD) stated, for the purpose of clarity in the Final Modification Report, is it that the process does not cope or is it that the Committee that is not as agile as they could be, and is this setting a precedent for raising a modification just because a party does not like an output. She added that we have an expert, (the AUGGE) but are using a modification to challenge the AUGGE's expert status. In response GE clarified the 2021/22 AUG Table is not as accurate as it could be, and it is very clear the 2020/21 AUG Table would provide a better table. GE agreed, he does not like having to raise the modification, and in his view, highlights a fundamental flaw in the process. GE also clarified that, in his view, the 2021/22 AUG Statement should include greater reference to the COVID-19 pandemic.

MW noted it is clear there is disagreement with the way the process works and requested that all those points are fully explored in the Final Modification Report. GE confirmed he is not creating a process where this will happen each year. MW said that if this modification is referred to Ofgem, Ofgem will be asked to say that the process is not robust enough and needs to be replaced and noted that it is a new aspect of the governance for UNCC to ask Ofgem to provide a validation role for expert-determined conclusions. MW said he is concerned that if Ofgem do that once it allows it to be done again and it needs to be clear if that is the role that the industry want Ofgem to play. GE wanted to make it clear that it is not the intention for Ofgem to validate, it is purely the process that has forced the industry to this point. GE noted he understands Ofgem's nervousness but made it clear there is very little

other option and this is only a one-off event. It was also noted that this is unprecedented and the first time ever a modification of this type has been referred to Ofgem.

Andy Knowles (AK) advised that the polluter pays is a point is key, this is the AUGE key principle level of granularity they do not go to, and if a Shipper has a large smart metering portfolio, there is a high chance your customers are not stealing and this point is not reflected in the proposed AUG Statement.

AR will take the discussions from this Workgroup and set them out in the Workgroup Report for further comment.

Timeline:

AR clarified that in order to provide the Final Modification Report to the June 2021 UNC Panel, this may need a shorter consultation period.

GE thanked Ofgem for providing their comments and confirmed he will align the Business Rules to the legal text and address Ofgem's questions in the Why Change section of the modification.

Andy Clasper (AC) confirmed he will remove the square brackets in the legal text and that there will be no other changes.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

Panel Question: In the Why Change Section of Modification - clarify the statements concerning temporary and permanent UIG at D+5.

Although this was not specifically discussed at Workgroup, Fiona Cottam (FC) has provided her response to the question raised at UNC Panel:

The question is a good one as they are not (currently) defined UNC terms. I do not think that this modification particularly requires them to be defined in the legal text anywhere.

The two terms were something used by the previous AUGE and which Xoserve also used in the UIG Task Force work, to differentiate between:

- *UIG created at Allocation (defined in H2.6.1 as "Unidentified Gas for a LDZ and a Day") and which may not change after the Exit Close-Out Date (i.e. D+5) – sometimes called temporary UIG.*
- *"Unidentified Gas for a LDZ and a Day", to which all subsequent User UGR [Unidentified Gas Reconciliation] Quantities for the LDZ (E7.1.3) have been applied up to the Code Cut-Off Date (the "Line-in-the-Sand") – sometimes called permanent UIG.*

There are no references to temporary or permanent UIG in either UNC or the AUG Framework, so there is no actual obligation on the AUGE to perform or publish that analysis.

2.2. Initial Representations

None received.

2.3. Terms of Reference

The standard UNC Workgroup Terms of Reference will apply and is available at www.gasgovernance.co.uk/mods

As matters have been referred from Panel a specific Terms of Reference will be published alongside the Modification at <https://www.gasgovernance.co.uk/0758>.

Next Steps

AR clarified that in order to provide the Final Modification Report to the June 2021 UNC Panel, this may need a shorter consultation period.

GE confirmed he will align the Business Rules to the Legal Text and address Ofgem's questions in the Why Change section of the modification.

3.0 Any Other Business

None.

4.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
Thursday 10:00 22 April 2021	5pm Tuesday 13 April 2021	Microsoft Teams	Detail planned agenda items. <ul style="list-style-type: none"> • Amended Modification • Consideration of Business Rules • Review of Impacts and Costs • Review of Relevant Objectives • Consideration of Wider Industry Impacts • Consideration of Legal Text • Completion of Workgroup Report

Action Table (as at 23 March 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
No outstanding actions					