

## Representation - Draft Modification Report UNC 0758

### Temporary extension of AUG Statement creation process

Responses invited by: **5pm on 04 June 2021**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Richard Pomroy
<b>Organisation:</b>	Wales & West Utilities
<b>Date of Representation:</b>	3 <sup>rd</sup> June 2021
<b>Support or oppose implementation?</b>	Comments
<b>Relevant Objective:</b>	<b>d)</b> None (unclear) <b>f)</b> Negative

#### Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We think that the disruption caused by late change to the AUGE table is a small negative for relevant objective (f) *Promotion of efficiency in the implementation and administration of the Code*. It is difficult to have a view regarding relevant objective (d); there is uncertainty as to whether and when this modification will be implemented, and uncertainty is regarded as negative for competition between Shippers. The real impact on competition is determined by whether the AUGE proposals are “correct”, if they are, then the modification has a negative impact on relevant objective (d); if the AUGE proposals are not correct, and the current values are “correct” then the modification will have a positive impact on relevant objective (d).

#### Implementation: What lead-time do you wish to see prior to implementation and why?

If this modification is implemented, it should be implemented as soon as possible due to the need to provide as much notice as possible. As WWU is not a Supplier we are not aware of the impact on Suppliers that are subject to the price cap but anticipate that there may be consequential impacts of a decision to implement.

#### Impacts and Costs: What analysis, development and ongoing costs would you face?

None for WWU.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes.

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Please provide your views on whether the 2021/22 AUG Statement production process has been robust.*

Xoserve as the party contracting with the AUGGE has not raised concerns that the process laid out in Framework for the Appointment of an Allocation of Unidentified Gas Expert<sup>1</sup> has not been adhered to. Rather the issue raised seems to be that the AUGGE has introduced new approaches and some parties believe that there has not been enough time for the industry to agree that this new approach is valid; however our understanding is that the framework does not allow for industry approval of the approach. We understand that this was a design feature of the process to enable the independence of the AUGGE from industry influence reflecting parties' own interests.

As the allocation of Unidentified Gas has a significant commercial impact it seems likely that parties' commercial positions will influence their position on this modification.

*Q2: Please provide your views on whether the 2021/22 AUG Statement production process has delivered a robust result and provide an explanation to support your response.*

It seems to have been compliant with the framework which is the point at issue. We do have some sympathy with the view that major changes need to be properly justified and rigorous and fully understood before being introduced; however, this is not part of the current arrangements.

*Q3: With reference to the existing governance arrangements, please provide your views regarding the effectiveness of the governance of the AUG Statement approval process, including, (but not limited to), the UNC and CDSP contracting arrangements, and the application of the Framework Document, including the UNC Committee stages.*

Before the change to Xoserve Funding, Governance and Operation in 2017 the Transporters were responsible for procuring the AUGGE and did this using Xoserve, which at that time was their Agent. In our view this would have allowed the disputes process in UNC General Terms A to apply; however now that Xoserve is a contractor to the Transporters this would not apply as Xoserve is not a party to the UNC. This is an unintended consequence of the change to Xoserve arrangements.

The current arrangements place the control in the hands of the AUGGE. Parties may make comments and suggestions, but it is up to the AUGGE to decide how to take account of them. The UNCC approval arrangements make it virtually impossible for the AUGGE's proposals not to be accepted. There is clearly a balance to be struck between independence of the AUGGE and industry control over the AUGGE's scope for making

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<sup>1</sup> [AUG Framework v8.1.docx \(gasgovernance.co.uk\)](#)

changes and this balance may need to change. The other extreme to the existing arrangements would be to move to an arrangement similar to the Demand Estimation sub-committee which agrees changes to methods with Xoserve for the creation of demand profiles. This is outside the scope of this proposal and more relevant to 0767 *Incorporation of AUGE Framework Document into the UNC main body* which may take some time to come to a landing.

*Q4: Please provide a reasoned opinion as to whether the request for a direction on this Modification could be seen as placing a validation role of the AUG Statement on the Authority.*

The Authority is being asked to decide between two sets of values that have significant commercial impact on Shippers. The modification is presented as asking for a roll-over of existing values because, in the view of the proposer, the AUGE has not had enough time to develop its new methods. The AUGE has not made such a statement or request. In principle it is decision about whether significant changes to the AUGE methodology should be subject to more development, even though the framework does not provide for this. It is therefore not specifically about validating the AUGE statement nor whether the AUGE is competent or not, nor whether it has followed the framework or not; however, we recognise that a decision may be interpreted as doing one or more of these.

Notwithstanding the above, if this modification is implemented it seems likely that other parties may try similar arguments in future years if they do not like the proposed AUGE table. We note that in 2019<sup>2</sup> Centrica brought objections to the AUGE table to the UNC Committee and proposed that the then existing table be rolled over, but their proposal did not achieve the unanimity support required. Centrica's argument as reported in the UNCC minutes was that non-domestic theft figures used was not accurate. Centrica did not subsequently raise a UNC modification to amend the AUGE values along the lines of this modification although they could have done so.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

None.

**Please provide below any additional analysis or information to support your representation**

We note that theft is identified as the largest component of Unidentified Gas. We recognise the efforts being made under UNC modification 0734 to ensure that Supplier reported theft is taken account of in the settlement process. This should reduce the amount of Unidentified Gas.

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<sup>2</sup> [UNCC Minutes 18th April 2019 \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/unc-minutes-18th-april-2019)