

UNC Workgroup 0831 Minutes

Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method

Tuesday 31 January 2023

via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Vera Li	(VL)	Joint Office
Aleksandra Cebo	(ACe)	EDF Energy
Andy Clasper	(AC)	Cadent
Claire Louise Roberts	(CLR)	ScottishPower
Clare Manning	(CM)	E.ON
David Mitchell	(DMi)	SGN
Ellie Rogers	(ER)	Xoserve
Fiona Cottam	(FC)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
Howard Gormley	(HG)	Cadent
Kathryn Adeseye	(KA)	Xoserve
Linda Hannaby-Doyle	(LHD)	ScottishPower
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Mark Jones	(MJ)	SSE
Oorlagh Chapman	(OC)	Centrica
Sally Hardman	(SH)	SGN
Steve Mulinganie	(SM)	SEFE Energy Limited
Tom Stuart	(TSt)	Wales & West Utilities
Tracey Saunders	(TS)	Northern Gas Networks

Copies of all papers are available at: <https://www.gasgovernance.co.uk/0831>

The Workgroup Report is due to be presented at the UNC Modification Panel by 15 June 2023.

Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0831/310123>

1. Introduction and Status Review

Rebecca Hailes (RH) welcomed everyone to the meeting and gave a brief overview of the scheduled items for discussion.

1.1. Approval of Minutes (29 November 2022)

The minutes from the previous Workgroup were approved.

1.2. Approval of late papers

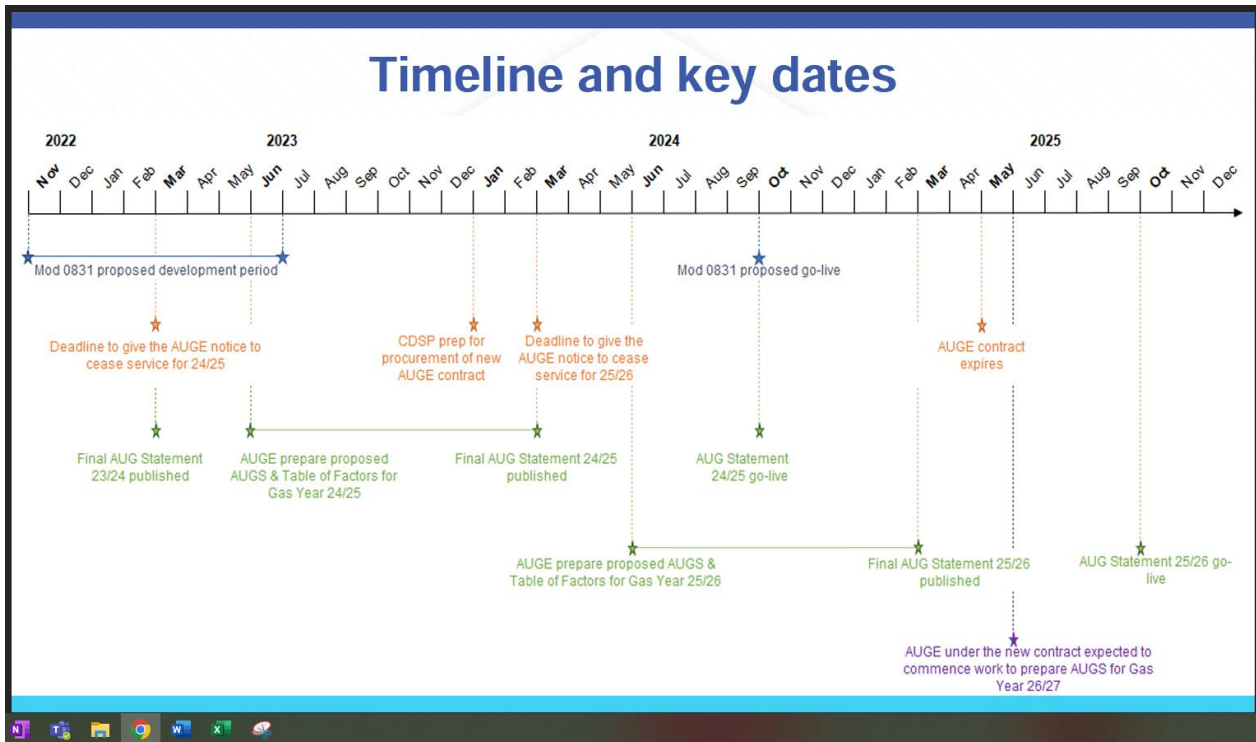
No late papers were recorded.

1.3. Review Outstanding Actions

Action 0111: CDSP to provide information on the AUGE contractual interactions

Update: Ellie Rogers provided an update to this outstanding action and clarified that Xoserve currently hold the contract with the Allocation of Unidentified Gas Expert (AUGE) and that this Modification could result in the AUGE no longer being required.

ER provided a view of the timeline which shows the current AUG process as shown:



The following key points were highlighted:

- The Timeline is colour coded to show the timeline from November 2022 through to December 2025; Modification 0831 development; **End of AUGE contract milestones**; **Current Process milestones** and **when works need to commence in preparation for the Allocation of Unidentified Gas Statement (AUGS) for Gas Year 2026/27**.
- The deadline to give the AUGE notice to cease service for 2024/25 is March 2023.
 - The current AUGE contract expires in May 2025 and in January 2024 the CDSP will start to prepare for a AUGE contract.

If implementation was pushed for 01 October 2023, it was clarified that the 2023/24 AUGS would still go ahead in terms of system and industry readiness and there would be an amount of regret spend for work that has already been completed for the 2023/24 AUGS.

When RH asked MJ for comment he advised that there is likely to be an amount of regret spend because the timeline goes so far ahead and that Ofgem may choose to have an implementation date pushed out to October 2026 in order to avoid regret spend.

GE reminded Workgroup that regret spend is a service that has already been committed to use and then a decision is made to not use it, he said this scenario would be more 'spending (or savings lost, or opportunity lost) lost' and added that just because we have an AUGS it does not have to be used.

Workgroup considered that when the Rough Order of Magnitude (ROM) is produced, it will have the element of a typical ROM, (cost for changes to Systems) and also the opposite which will be for a cost saving range for the AUGE process as a whole.

SM suggested the timeline provided on Slide 3 of the presentation provided by CDSP should be reflected in the Implementation section of the Modification.

Key Points - Slide 4

Workgroup considered various approaches:

- Roll over the existing table until the end of the 2025 cycle
- Roll the usage of their work over or cease it, or
- Roll over the existing table for an additional year.

It was noted that an Ofgem approval would be for an effective implementation date.

ER clarified there is the ability to terminate the contract where there is no requirement for that process anymore.

Considering possible approaches - Slide 5

ER explained the *possible* different ways to manage the contractual arrangements with the AUGE:

- *Proceed with current AUGE process*
 - *AUGE proceed with BAU work to create the AUG Statement for Gas Year 2024/25.*
 - *This will typically commence in May/June 2023 for October 2024 AUGS.*
 - *Under this approach, Xoserve do not instruct AUGE to cease work on the AUG Statement at the end of March 2023.*
 - *This is reviewed in Q1 2024, and possibly repeated again to create the AUG Statement for Gas Year 2025/26.*
- *Notify the AUGE to cease the service*
 - *CDSP notify the AUGE to cease the service by the end of March. We expect the instruction to come from the industry possibly via DSC CoMC.*
 - *AUGE do not commence work on the relevant AUG Statement.*

Risk / Benefit matrix - Slide 6

Instruction given to AUGE to cease service AND 0831 approved		Instruction given to AUGE to cease service AND 0831 rejected	
Benefits <ul style="list-style-type: none"> • No regret spend incurred on creation of an AUG Statement which is not required. 	Risks <ul style="list-style-type: none"> • Notifying the AUGE to cease the service before the Modification is approved could put parties in breach of UNC obligations • It is unknown which (if any) industry committee could instruct the CDSP to notify the AUGE to cease the service. 	Benefits N/A	Risks <ul style="list-style-type: none"> • Notifying the AUGE to cease the service before the Modification is approved could put parties in breach of UNC obligations • It is unknown which (if any) industry committee could instruct the CDSP to notify the AUGE to cease the service. • Depending on when the decision is made, it might not be possible for the AUGE to create the AUG Statement in time and at a minimum they would have an expedited timeline to do so.
AUGE continue BAU work on the AUG Statement AND 0831 approved		AUGE continue BAU work on the AUG Statement AND 0831 rejected	
Benefits <ul style="list-style-type: none"> • Existing UNC obligations are met. • The CDSP do not require an instruction from the industry to give notice to the AUGE to cease the service. 	Risk <ul style="list-style-type: none"> • Regret spend is likely as the AUGE will continue to create the AUG Statement which would not be required following the 0831 decision. 	Benefits <ul style="list-style-type: none"> • Existing UNC obligations are met. • The CDSP do not require an instruction from the industry to give notice to the AUGE to cease the service. • An AUG Statement is created and available as per the BAU process timeline. 	Risks N/A

SM noted the need for hesitation and stated that the AUGE determines a value and applies the weighting factors and that Model error and due to the aftereffects of Covid-19, volatility is still being seen although prices seem to be levelling off now.

Mark Field (MF) noted that the solution to this Modification does not remove UIG volatility but might suppress it.

When asked how the Modification would be implemented, it was confirmed that the vision would be LDZ by LDZ.

It was noted that the solution for this Modification could add an impact for Shippers depending where their portfolio lands geographically and that this Modification would remove volatility in UIG calculations year on year but moves the cost of UIG from one place to another.

Workgroup discussed alternative solutions and RH reminded Workgroup that if there is an alternative solution that is wished to be pursued, an alternative Modification can be raised.

Action Closed

2. Amended Modification

The Modification has not been amended.

Workgroup considered the Initial Representation provided by Sembcorp Energy UK. Mark Field (MF) was invited to provide an overview of the Initial Representation which can be viewed here: <https://www.gasgovernance.co.uk/0831>.

Workgroup discussion:

- The UIG Table could have some 0 (zero) factors.
- It was noted that the vast majority of UIG is theft and that downstream theft is the responsibility of Suppliers and the Retail Energy Code (REC).
 - SM asked why Shippers are managing downstream theft – it is a matter for Suppliers and the REC.
- There is a lot more transparency on the level of UIG since Nexus implementation.
- In terms of what the Modification is attempting to incentivise, if the Modification is not making any incentive, UIG will not reduce the volatility.

It was clarified that the Legal Text should be straightforward to remove reference to the AUGE but will be less easy to remove the UIG Table. With this in mind, as the UIG Table has impacts to Demand Forecasting, it was suggested to keep the UIG Table in the Code and, if this Modification is implemented, a second Modification can be raised to take the UIG Table out of Code.

ER clarified it will be a relatively simple approach to deliver the solution of this Modification, it will be almost reversing for Modification 0473 - *Project Nexus – Allocation of Unidentified Gas*, solution.

MJ confirmed an amended Modification will be submitted prior to the next Workgroup meeting.

New Action 0101: Proposer (MJ) MJ to consider providing statements in response to each of the UNC Modification Panel questions for Workgroup to consider at the next meeting.

3. Development of Workgroup Report

Development of the Workgroup Report was deferred to the next meeting which will be held on 23 February 2023.

4. Next Steps

- MJ will provide an amended Modification based on Workgroup discussion and will provide more detail in the Solution; Business Rules and include the UIG Table with factors of 1.
- Alternative solutions to be brought to Workgroup for discussion.

- ER will confirm timescales for the ROM.

5. Any Other Business

None.

6. 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	Workgroup Programme
10:00 Thursday 23 February 2023	5pm 14 February 2023	Microsoft Teams	<ul style="list-style-type: none"> • Standard Agenda

Action Table (as at 31 January 2023)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0111	29/11/22	2.1.1	CDSP to provide information on the AUGE contractual interactions.	CDSP (FC/ER)	Closed
0101	31/01/23		Proposer (MJ) MJ to consider providing a statements in response to each of the UNC Modification Panel questions for Workgroup to consider at the next meeting	Proposer (MJ)	Pending