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## Uniform Network Code (UNC) 0868: Change to the current Allocation of Unidentified Gas Statement frequency & scope

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<b>Decision:</b>	The Authority <sup>1</sup> directs this modification to be made <sup>2</sup>
<b>Target audience:</b>	UNC Panel, Parties to the UNC and other interested parties
<b>Date of publication:</b>	17 January 2025
<b>Implementation date:</b>	To be confirmed by the code administrator

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### Background

Each year the Allocation of Unidentified Gas Expert<sup>3</sup> (AUGE) carries out an annual exercise to produce the AUG Statement and Table. The table applies for the relevant gas year which commences on 1 October following the production of the AUG table. The Uniform Network Code<sup>4</sup> (UNC) also allows for the UNC Committee to agree the approval of a modified AUG table or that further development of any step in the production of the table is required.

Over recent years the process work that the AUGE has undertaken to develop the statement and table has been limited to the refinement of existing values. If the pattern continues, there is a risk that this process may result in diminishing returns and a loss of the cost benefit of retaining the AUGE in its current form where only this refinement activity takes place each year.

UNC modification 0873 'Allow specific roll-over for the AUG Table 2025/26'<sup>5</sup> was given Authority approval to roll over the gas year 2025/2026 AUG table for a further two years to allow for the development of UNC modification 0868. However, UNC modification 0873 only allowed a specific rollover of the AUG table to accommodate a new AUGE procurement as well as take into account changes to the scope and the role of the AUGE should UNC modification 0868 be approved.

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<sup>1</sup> References to the "Authority", "Ofgem", "we" and "our" are used interchangeably in this document. The Authority refers to GEMA, the Gas and Electricity Markets Authority. The Office of Gas and Electricity Markets (Ofgem) supports GEMA in its day to day work. This decision is made by or on behalf of GEMA.

<sup>2</sup> This document is notice of the reasons for this decision as required by section 38A of the Gas Act 1986.

<sup>3</sup> Allocation of Unidentified Gas Expert is defined in [UNC TPD Section E - Daily Quantities Imbalances and Reconciliation section 9.1 Unidentified Gas – Allocation Factors](#)

<sup>4</sup> [Uniform Network Code](#)

<sup>5</sup> [UNC modification 0873 Allow specific roll-over for the AUG Table 2025/26](#)

## The modification proposal

The Modification proposed by SEFE Energy (The Proposer) on 02 April 2024 would seek to change the frequency of AUG table and statements and expand the role of the AUG to allow additional potential value-added activities.

These changes to the frequency of the AUG table proposed by this modification would see it move from an annually produced statement and table to the production of a new statement and table every three years.

This modification will also increase the scope of the AUG's role as the extension of the production period of the AUG table will allow it to focus on enhanced services.

These enhanced services are likely to include additional market engagement, allowing the AUG to engage with parties outside of the gas market, which could include both electricity and water markets. It could also include the introduction of an Unidentified Gas Reduction Initiative<sup>6</sup> (UIG) and a Discovery Service that would replace the Innovation and Advisory Services currently provided by the AUG sub-committee.<sup>7</sup>

These Innovation and Advisory Services currently provide:

- Innovation Service – identify, assess and propose ways in which UIG could be better and more equitably allocated.
- Advisory Service – provision of expert advice by the AUG on UIG and Settlement issues to industry Stakeholder.

The replacement activities would take the form of:

- Market Engagement - to engage with parties outside of the industry from comparable utilities, such as Electricity, Telecoms, and Water (where applicable).

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<sup>6</sup> Unidentified Gas is defined in [UNC TPD Section H - Demand Estimation and Demand Forecasting section 2.6.1](#)

<sup>7</sup> [Uniform Network Code AUG Sub-Committee Terms of Reference](#)

- Discovery Services – any activities which encourage innovation and/or analysis in the Allocation of Unidentified Gas processes or that would form the basis of a future UIG Reduction Initiative.
- UIG Reduction Initiative(s) – any activities which should have quantifiable outputs to reduce UIG.

Following the implementation of UNC modification 0873 the 2025/2026 AUG statement and table, which starts on gas year beginning 1 October 2025, will be rolled over for the following 2 gas years. For the gas year 2028/2029 a new AUG table would be produced by the AUGE under the scope of this modification and would start from gas year commencing 1 October 2028 and run for three years. During this period the AUGE would be expected to engage on value-added activities, provide updates to industry around the on-going value-added activities and work to produce the new AUG statement.

These added value-added activities are likely to take the form of UIG reduction initiatives and engagement with other sectors, such as electricity and water.

### **UNC Panel<sup>8</sup> recommendation**

At the UNC Panel meeting on 19 December, the UNC Panel unanimously agreed that UNC modification 0868 would better facilitate the UNC objectives and the Panel therefore unanimously recommended its approval.

### **Our decision**

We have considered the issues raised by the modification proposal and the Final Modification Report (FMR) dated 19 December 2024. We have considered and taken into account the responses to the industry consultation on the modification proposal, which are attached to the FMR<sup>9</sup>. We have concluded that:

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<sup>8</sup> The UNC Panel is established and constituted from time to time pursuant to and in accordance with the UNC Modification Rules.

<sup>9</sup> UNC modification proposals, modification reports and representations can be viewed on the Joint Office of Gas Transporters website at [www.gasgovernance.co.uk](http://www.gasgovernance.co.uk)

- implementation of the modification proposal will better facilitate the achievement of the relevant objectives of the UNC;<sup>10</sup> and
- directing that the modification be made is consistent with our principal objective and statutory duties.<sup>11</sup>

### Reasons for our decision

We consider this modification proposal will better facilitate UNC relevant objectives d) and f) and has a neutral impact on the other relevant objectives.

***(d) so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:***

***(i) between relevant shippers;***

***(ii) between relevant suppliers; and/or***

***(iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers***

The Proposer believes that this modification will better facilitate relevant objective d) as more efficient reconciliation of UIG compared to the current process will better facilitate competition between parties. The UNC Panel also believes that a three yearly table will facilitate better predictability and stability by providing a longer period of certainty of UIG allocation.

There were two responses to the industry consultation and both respondents believed that this modification will better facilitate relevant objective d) with one highlighting the increased efficiency in allocation improving competition.

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<sup>10</sup> As set out in Standard Special Condition A11(1) of the Gas Transporters Licence, available at: [Licences and licence conditions | Ofgem](#)

<sup>11</sup> The Authority's statutory duties are wider than matters which the Panel must take into consideration and are detailed mainly in the Gas Act 1986 as amended.

In our decision on UNC modification 0873 we acknowledged that one respondent felt that the rollover of the gas year 2025/2026 table for three years could result in a less fair and accurate distribution of UIG costs for suppliers. We believe it is important to consider this representation in relation to this modification as it will put into code the AUG table being produced and in place for three years.

We agree with the Proposer and workgroup that the stability provided by the decreased frequency of the publication of the AUG statement and the possibility of a reduction in UIG values, which this modification may bring, would benefit all industry participants and ultimately may lead to a reduction in UIG costs, which are passed on to consumers. We consider that the Proposer has made it clear that due to the minor changes in the AUG table each year the risk of an unfair allocation of UIG costs is very low.

For these reasons we consider that UNC modification 0868 will better facilitate relevant objective d).

***(f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code***

The Proposer believes that this modification will better facilitate relevant objective f) by introducing a change in the frequency of the production of the AUG table, which is likely to offset the loss in value of introducing minor amendments to the table each year, as well as ensuring that the retention of an independent AUG is cost effective.

The UNC Panel also agreed with the Proposer that moving the AUG table to a three yearly cycle will ensure continued predictability and stability to the industry as the current updates to the table are only minor refinements. The Panel also agreed with the Proposer that by allowing additional engagement with parties outside the immediate industry including water and electricity will ensure that the AUG continues to represent value even where refinements of the AUG table continue to be minor.

We agree with both the Proposer and the Panel that there is a need to ensure that retaining the AUG continues to represent value for money for the industry and ultimately consumers.

We consider that moving the AUG table from yearly to three yearly is likely to provide an increased level of stability and predictability for the industry. We are also supportive of the additional value-added activities, which may ultimately have an impact on consumer bills, such as a UIG reduction initiative.

For these reasons we consider that UNC modification 0868 will better facilitate relevant objective f).

### **Decision notice**

In accordance with Standard Special Condition A11 of the Gas Transporters Licence, the Authority has decided that modification proposal UNC 0868: Change to the current Allocation of Unidentified Gas Statement frequency & scope should be made.

**Michael Walls**

**Head of Retail Market Operations and Smart Metering**

Signed on behalf of the Authority and authorised for that purpose