UNCC AUG Sub-Committee
Friday 15 March 2019
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Chris Shanley (Chair)	(CS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Andy Gordon	(AG)	DNV-GL
Carl Whitehouse*	(CW)	First Utility
Clive Whitehand	(CWh)	DNV-GL
Fiona Cottam	(FC)	Xoserve
Gareth Evans*	(GE)	Waters Wye Associates
John Welch	(JW)	npower
Luke Reeves*	(LR)	EDF Energy
Mark Palmer*	(MP)	Orsted
Megan Coventry*	(MC)	SSE
Rhys Keally*	(RK)	British Gas
Steve Mullinganie	(SM)	Gazprom
Tony Perchard	(TP)	DNV-GL

** via teleconference*

Copies of all papers are available at: http://www.gasgovernance.co.uk/uncc/150319

1.0 Introduction

Chris Shanley (CS) welcomed everyone to the meeting.

1.1. Approval of Minutes (15 February 2019)

The minutes of the previous meeting were approved.

2.0 Discussion on Modified AUGS and Table

Tony Perchard (TP), Clive Whitehand (CWh) and Andy Gordon (AG) provided a detailed walkthrough of the presentation provided for the meeting titled *Modified AUGS Summary.*

TP introduced the presentation by explaining the purpose of the meeting and that the key topics to be covered included the modified AUG Statement and the updated UIG Factors. He highlighted that this was the last opportunity to raise any issues or concerns before the UNCC approval in April.

In relation to the timetable, Rhys Keally (RK) queried why there was a gap between the next meeting on 12 April 2019 and 01 October 2019 when the final AUGS becomes operational. FC explained that industry agreed to move the timetable earlier to allow early engagement so that the AUGS and tables could be known as soon as possible.

TP confirmed that the project was on target with the modified AUGS and updated factors both being published. In addition, the consultation issues and AUG Expert responses have also been published. The theft data request for SPAA has been sent to the CDSP and a meeting has been arranged with the British Gas Revenue Protection Unit on 04 April 2019.

In terms of the issues, TP stated that there have been a lot of new issues raised by industry this year and of these six remain open and will be considered in the next AUG year. Four of the issues are ongoing and one further issue has been added in relation to meters being assigned to the wrong address.

He then provided an update on the data stating that there have been some issues in relation to the CSEP invoicing data for 2014 and 2015 and a workaround has been put in place. AG provided further information on the CSEP data issue explaining that data has become unavailable post-Nexus. An alternative data source is being investigated and, in the meantime, data is available up to Nexus go live and this is being used. He also added that attempts were still being made to collect missing meter read information.

TP provided a brief overview of the updates to the methodology and the factors which include:

- Updated figures to reflect UIG terminology
- Incorporation of the new theft methodology
- Additional data in relation to temperature Analysis
- Use of Standard Conversion Factor for 04B and above and updated methodology to include an element of permanent UIG
- Final UIG/Reconciliation analysis updated with latest data
- Inclusion of IGT Modification References.

He then explained what has changed in relation to the UIG factors in terms of methodology changes and data changes (slide 8).

AG introduced slide 9 which provided an update of the product class snapshot. He explained that the table provides the results of the latest information on each product class. He highlighted that DNV GL have been building up a library of product class data, but it has not been a simple process to extrapolate the data because of the number of step changes that have taken place. The approach taken has been to use patterns of data, discounting step changes to produce the best estimate. The table therefore, shows the results of these calculations. He highlighted product class 3 was of most interest.

TP then provided an update on the volume conversion data highlighting that two PC1 meters without volume conversion are being investigated by the CDSP. He added that all PC2 meters have volume conversion.

He then introduced slide 11 in relation to the use of standard conversion factor for 04B and above stating that there were 4,023 meters in the asset data provided in 2018 equivalent to a total AQ of 6,288GWh. 1,766 updates have been done since the CDSP provided the updated list and as a result UIG reduced by approximately 47GWh/annum. Making similar adjustments for the impact from uncorrected meters suggests that the remaining UIG is approximately 60GWh. In addition, an assumption that a further 44% of remaining meters with a standard CF are corrected prior to 2019/20 gas year leaves a permanent UIG of 33.53GWh from this source.

Slide 12 provides a table illustrating this permanent UIG of 33.53GWh by AQ for meters 04B and above and with a standard CF.

Theft of Gas

AG introduced this topic area reiterating information from the previous meeting that the theft data set contains 9,000 confirmed thefts since Nexus go-live none of which are from PC1 and PC2 and just 2 from PC3. Of these, 307 confirmed thefts were from Smart Meters/Automatic Meter Reading (AMR) and all but 2 are in PC4 despite having the technology to be in a different product class.

AG stated that the most striking fact is that 78% of all confirmed thefts are from Electronic Token Meters (ETMs) with the majority in PC4 End User Category (EUC) 01B.

AG then briefly explained that two sources of bias were present in the data. The analytical approach allowed removal of one type of bias but not the other. He added that next year DNV GL will be able to apply the full methodology as it is defined, on the expectation that SPAA would provide all the data required.

A lengthy discussion took place on the theft of gas analysis. The key points of discussion are set out below:

Following a question from John Welch (JW) AGe provided more explanation stating that there are two steps in the theft detection process. The approach starts with the theft leads which can be from a variety of sources. He explained that there is different behaviour between Suppliers with some carrying out significant theft detection activity which can skew the number of theft leads. Some theft leads are from an unbiased source i.e. from TRAS or from a meter reader. He re-iterated that Supplier own leads are biased. With Supplier own leads it is at the Supplier's discretion which leads are investigated and which are not. The fact that some Suppliers don't do any investigations, and some do their own analysis introduces bias into the data. DNV GL only have data in relation to Supplier leads that have been investigated and no information on leads not followed up the Supplier.

Steve Mulinganie (SM) asked a question in relation to the sub-division of EUCs especially as 78% of all confirmed thefts are from EUC 01B suggesting that the analysis should reflect the bias to theft in EUC 01B. He accepted that this would not be possible for this year but encouraged inclusion for next year. AG indicated that next year DNV GL are intending to track the ETM population. In response to a further question he clarified that it is not possible to distinguish between Suppliers with ETM and those without hence why factors are provided by 01B. He also suggested that an amendment to the UNC would be needed to achieve this. SM expressed concern in relation to the current approach stating that Gazprom don't have any ETMs and strongly suggested that consideration is given to being able to show statistics for theft of gas for a particular type of customer.

RK expressed unease about the observations in relation to pre-payment meters asking if the report differentiates between permanent and temporary UIG theft from pre-payment meters as in his opinion it is more likely to be temporary UIG. In response, AG explained that fiscal theft from ETMs is not UIG as the definition of UIG is gas burned in an unrecorded manner and tampered ETMs are classed as UIG. He suggested that it is important to separate out fiscal theft and note that not all theft from ETMs is fiscal. The majority of theft from ETMs is not fiscal but it is difficult to provide evidence of this as there are weaknesses in the tamper codes in the outcome file. He stressed that the AUGE recognise the need to identify the true level of fiscal theft and remove it from the calculations. He also suggested that the longer-term solution is to introduce a fiscal theft tamper code.

CS asked if any feedback has been provided to the SPAA Joint Theft Review Group (0677R) and suggested that it would be helpful to add this issue to their issues log.

RK reiterated his previous concerns stating that British Gas are not comfortable with the 2019/20 theft position and would have preferred reverting back to the old methodology. He indicated that he would like to re-open the consultation on the theft methodology.

However, SM expressed support for the use of the theft methodology and suggested that this would also be the case at trade association level in terms of ICoSS members.

A debate took place on which methodology should be used. The AUGE view was that there has been some progress and they have undertaken all the analysis possible within the data limitations and if no new data was available then that would have been more of a rationale to

stay with the same methodology. In addition, the new methodology better reflects theft usage and whilst the AUGE don't have all the data, the data is more detailed and considered to be more accurate.

AG agreed to make a minor amendment to the relevant sentence in the AUG Statement to reflect that not all industry parties support the new theft methodology due to only part of the theft data being made available to the AUGE.

CS also suggested that if participants had concerns, they could be expressed through the UNCC process with a proposal to revert to the old methodology. He noted that unanimous UNCC support would be required in order for such a change to take place.

A discussion then took place in relation to the certainty of whether reads/AQ corrections have taken place as part of a theft related consumption adjustment. AG explained that AQs are corrected to account for assessed losses. CS reported that this was also discussed at 0667R Review Group and Xoserve have been asked to provide further information on the consumption adjustment process for the next meeting on 29 March 2019.

AG suggested that relatively few sites that could cross an EUC boundary and added that there will be very few domestic meters not recorded as EUC 01B. Clive Whitehand (CWh) indicated that crossovers are possible.

It was suggested that the AUGE may want to check that they are confident that the process works so that where theft is found an AQ correction is being done to ensure that they are in the correct EUC band? CS highlighted that the 0667R Review Group were also assessing the impact of valid thefts being closed down with no further action and suggested this maybe a bigger concern.

In response to a question from Luke Reeves (LR), AG confirmed that the new theft data does not go back before Nexus and the amount of theft reported depends on the leads and these may vary year on year.

AG reported that there is a statistical curve illustrating the proportion of thefts that are going to be detected over an 8-year period; with 50% detected in year 1, 25% in year 2, 12% in year 3 and so on. An adjustment factor is included in the theft calculation.

In response to a further question from LR, AG clarified that confirmed theft since Nexus go live may be in the older thefts (i.e. thefts have a from and to date (which could be post Nexus)).

Balancing Factor Split

AG introduced the table on slide 14 highlighting that the results are skewed to PC4 01B (95.2%) and PC4 02B (4.7%). JW asked if more could be done to make correlations for permanent UIG by LDZ when looking at reconciliation data, to give industry more confidence. Could bias also be removed on an LDZ basis?

AG agreed that judgements of undetected theft based on detected theft are not ideal. JW asked what other factors are contributing to UIG if it is not undetected theft?

SM suggested the shrinkage factor was a possible factor but as shrinkage cannot be considered, because it is excluded because of a potential double jeopardy scenario, more thinking is needed around what the AUG should consider.

AUGE agreed to consider re-looking at the data on an LDZ by LDZ basis. Fiona Cottam (FC) suggested using smaller geographical locations for example at exit zone level.

Updated UIG Factors (slide 15)

TP explained that the total UIG has be recalculated using the latest meter read and asset data and estimated CSEPs for 2014 and 2015. He added that the modified AUGS relates to recalculation of total consumption. Overall there has been a change of approximately 6TWhours.

3.0 Review of Outstanding Actions

AUG0101: *Reference IGT CSEPs and SIUs* – Xoserve (FC) & AUGE (TP) to ensure that the UIG issues are considered and whether it reveals a new root cause that potentially impacts the UIG weighting.
Update: TP indicated that there was an example in relation to a Class 2 site where the Shipper was unable to submit returns as a result of a systematic error in their portfolio. He reported that steps are now being taken to resolve this. In relation to the CSEP information, FC confirmed that there is no data for SIUs in the latest data set and this has subsequently been confirmed as being correct by Scotia Gas. It was agreed that this action can be closed.
Closed

AUG0201: Xoserve (FC/NC) to investigate any sites where there are no volume converters in place and to contact the relevant Shipper for more information if required. A list of sites where there is no volume converter to be provided to the AUGE by 22 February 2019.
Update: FC confirmed that the list was provided and that there are still 2 sites without volume converters. Actions are being taken to address this so it was agreed this action can be closed.
Closed

4.0 Any Other Business

4.1. Gas Meter Temperature

CWh introduced slides 18-23 in relation to gas meter temperature. In the context of industry issues relating to the use of a standard temperature for volume conversion, CWh suggested that there were some fundamental questions to consider:

1. Is the current standard temperature conversion factor of 12.2C appropriate?
2. What should the standard temperature conversion factor be?
3. Should different factors be used for each LDZ, EUC, Season?
4. What would be the wider impact of using a different conversion factor e.g. billing, reconciliation, NDM allocation etc? i.e. what are the unintended consequences of changing this?

He suggested that questions 3 and 4 are best dealt with by a cross industry Workgroup and questions 1 and 2 by a more detailed study. When going through slide 19 he provided more thoughts on what should be done recommending a mix of initial lab tests supported by field trials. He indicated that the advantage of the lab tests is that they can be done quickly with controlled conditions, whereas the field trials would be used to validate the results from the lab tests over a longer period of 3 or 4 years. Importantly he said that equations can be developed linking air temperature to gas temperature which gives the ability to look at other scenarios such as the temperature range geographically and global warming.

Initial engagement with Kiwa to consider feasibility and costs has indicated approximate costs of £100K for the lab tests. In response, to a question from SM he suggested that there would be no reason why smart meters could not be tested given they are expected to be used predominantly going forward.

Committee members received the proposal positively and discussed the most appropriate way to seek approval of the spend. CWh indicated that a procurement exercise would be needed

as well as agreement of the scope of the work and a decision on the most appropriate procurement route - whether a single source or open procurement is to be used.

Following discussion, it was agreed that Xoserve (FC) would put forward procurement options for discussion at short notice at the next DSC Contract Managers meeting on the 20 March 2019.

New Action 0301: Xoserve (FC) put forward procurement options for discussion at short notice at the next DSC Contract Managers meeting on 20 March 2019.

In response to a question about whether lab tests have been carried out before, TP confirmed that a restricted study was undertaken by Kiwa in Netherlands using a standard temperature of 11 degrees.

In relation to the field trial, AG explained that there is an advantage to using non-intrusive temperature measurements. He added that DNV GL have the capability in-house to install and maintain the data. He recommended a minimum sample of 400 sites per year with a range of types of meter: domestic/non-domestic, large/small, indoor/outdoor to ensure a representative sample.

TP then provided an illustration showing a comparison of LDZ air temperature to meter box temperature. The small-scale test showed that on average the meter box is warmer than the reported LDZ temperature. He also suggested that more detailed information on meter locations would be useful to inform the study as he had discovered some meter configurations where the meters were semi-submerged.

In relation to the cross-industry Workgroup to address questions 1 and 2, FC informed the Committee that CDSP have drafted a Review Group proposal which she is looking to seek sponsorship from Mark Bellman, Scottish Power because of their previous interest in the topic.

4.2. XRN4665 Creation of New End User Categories

TP briefly mentioned the change proposal relating to the creation of new end user categories stating that UIG sharing remains by EUC band and that all EUC band and sub-EUCs will be treated the same. He added that currently there is no distinction between credit and pre-payment meters in the AUG factors.

5.0 Next Steps

TP concluded his presentation by thanking participants for their contribution and feedback and confirmed the timetable:

- 01 April 2019 - AUGE to publish Final AUGS and Table
- 12 April 2109 - AUGE to present Final AUGS and Table
- 18 April 2019 - UNCC to consider Final AUGS and Table
- AUGE Annual review of process with CDSP

Following a brief discussion, it was agreed that the 12 April 2019 meeting would be via teleconference as only minor changes to the AUG statement are expected.

6.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time/Date	Venue	AUGS Statement
10:30 Friday 12 April 2019	Teleconference	Agenda items to be agreed.

Action Table (as at 15 March 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	11/01/19	2.0	Reference IGT CSEPs and SIUs – Xoserve (FC) & AUGE (TP) to ensure that the UIG issues are considered and whether it reveals a new root cause that potentially impacts the UIG weighting.	Xoserve (FC) & AUGE (TP)	**Closed**
0201	15/02/19	2.0	Xoserve (FC/NC) to investigate any sites where there are no volume converters in place and to contact the relevant Shipper for more information if required. A list of sites where there is no volume converter to be provided to the AUGE by 22 February 2019.	Xoserve (FC/NC)	**Closed**
0301	15/3/19	4.1	Xoserve (FC) put forward procurement options for discussion at short notice at the next DSC Contract Managers meeting on 20 March 2019.	Xoserve (FC)	**Pending**