

17th February 2023

AUG Sub-Committee Meeting



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Agenda

- 1. Welcome and recap on consultation process**
- 2. Issues raised in consultation responses**
 - a) Class 3 impacts on the Consumption Forecast**
 - b) Impact of Weighting Factors on prepayment customers**
- 3. Next steps and future considerations**

1. Consultation - Recap



Consultation - Recap

The consultation for Gas Year 2023 – 2024 has now closed

- ▶ The draft AUG Statement was published on 29th December 2022 (with minor updates 6th and 16th January 2023)
- ▶ We consulted on the Weighting Factors and methodology between 31st December 2022 to 27th January 2023
- ▶ We thank two stakeholders for their responses which we have reviewed and discussed where appropriate
- ▶ Our response to the matters raised during the consultation was published on 13th February: [AUG Statement 2023/24 | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/aug-statement-2023-24)

2. Issues raised in Consultation

- a) Class 3 impacts on the Consumption Forecast
- b) Impact of Weighting Factors on prepayment customers

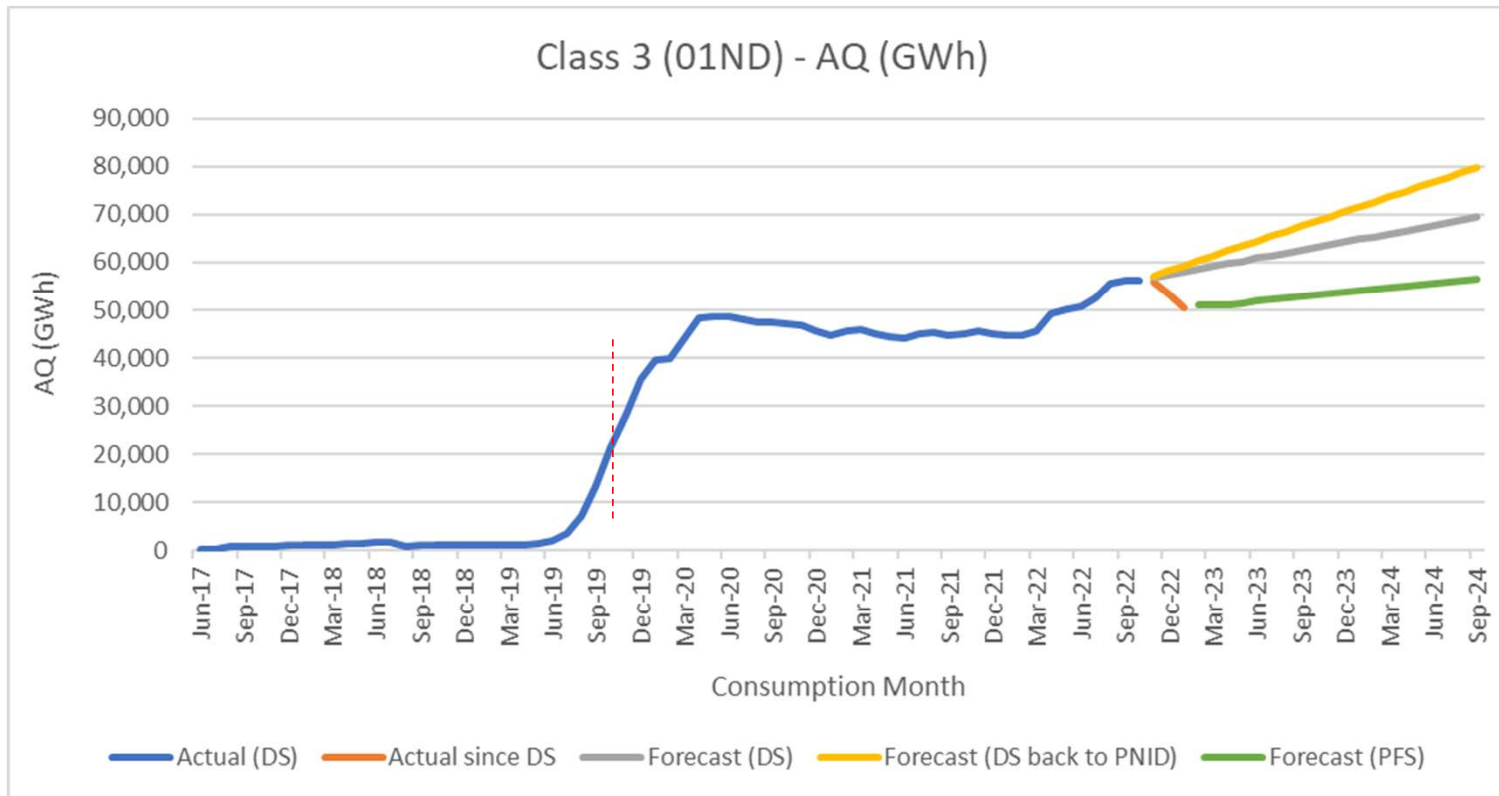
Consumption Forecast - Forecasting of Class 3

Description of issue raised

- The draft Statement details how the Consumption Forecast for each Matrix Position is based on data back to Project Nexus Implementation Date (PNID). This is appropriate for most Matrix Positions as it gives a sound historic basis for our forecast
- One Shipper observed that Consumption Forecast for Class 3 meters for the target Gas Year has bucked the trend of reducing AQs
- It was suggested that this is probably due to a continued predicted growth in this product class as more sites migrate over
- However, is the assumption justifiable given that further mass migrations are unlikely to occur in the future?

Consumption Forecast - Forecasting of Class 3

Class 3 Consumption Profile and Forecasting Options



Forecast AQ for target year 2023-24 (Class 3 01ND)

Draft Statement
65,372 GWh

Current view of Final Statement
54,370 GWh

Consumption Forecast - Forecasting of Class 3

Summary and outcomes

- ▶ **Data used to forecast Class 3 EUC Band 01ND does not go back to PNID. Instead we go back only to October 2019 - which is after most migrations have taken place**
- ▶ **This has the impact of flattening the projected forecast for Class 3**
- ▶ **We already take this approach for some other Matrix Positions e.g. EUC 9 class 1 & 2, where historic populations do not resemble the current position. In these cases a forecast based on recent history only gives in our view a better view for the target Gas Year**
- ▶ **We propose to carry out a full review of all Matrix Positions during next year's AUG cycle now we have 5 years of data since PNID**

Impact of UIG on prepayment customers

Description of issue raised

- ▶ One Shipper raised concerns about the impact of the differential of Weighting Factors between 01ND and 01PD:
 - ▶ *It is not fair and equitable to allocate almost 6 times more UIG to small domestic prepayment customers compared to non-prepayment customers.*
 - ▶ *The weighting factors for prepayment and non-prepayment domestic customers should be equalised across product class 3 and 4 separately.*

EUC BAND	CLASS				
		1	2	3	4
1ND	60.12	60.12	60.12	84.50	
1PD	64.11	64.11	64.11	382.64	
1NI	5.10	830.69	173.52	756.21	
1PI	173.52	295.06	173.52	756.21	
2ND	69.94	69.94	70.04	126.46	
2PD	70.04	91.22	70.04	126.46	
2NI	5.10	100.34	63.15	199.46	
2PI	26.18	26.18	63.15	199.46	
3	5.10	53.23	48.36	52.53	
4	5.10	60.68	54.07	59.41	

2022- 2023 Weighting Factors

EUC BAND	CLASS				
		1	2	3	4
1ND	51.39	51.39	51.39	83.70	
1PD	142.85	142.85	142.85	474.72	
1NI	5.47	871.97	159.03	634.53	
1PI	61.54	61.54	159.03	634.53	
2ND	63.52	63.52	63.55	125.27	
2PD	63.55	66.35	63.55	125.27	
2NI	5.47	292.27	85.42	293.82	
2PI	85.42	140.74	85.42	293.82	
3	5.47	56.25	47.15	53.66	
4	5.47	55.00	57.41	61.07	

2023 – 2024 Draft Weighting Factors

Impact of UIG on prepayment customers

We have discussed this issue with the respondent

- ▶ **We are sympathetic to this issue**
- ▶ **It is largely a result of the proportion of theft attributable to prepayment meters in the detected theft data**
- ▶ **The respondent's favoured outcome is the complete elimination of the differential before the draft Weighting Factors for 2023 - 2024 go live**
- ▶ **We therefore assess the options on the basis of that outcome**

Impact of UIG on prepayment customers

We have considered ways for the AUGE to address the issue

AUGE action	Differential removed?	Fast enough?	Within AUGE ToR?
AUGE investigates ways to address potential bias in prepay theft data	Implausible	No	Yes
AUGE seeks alternative source(s) for Supply Meter Point populations in 1PD Sub-Band	No	Probably not	Yes
AUGE combines Matrix Positions as proposed	Yes	Yes	Possibly not

Impact of UIG on prepayment customers

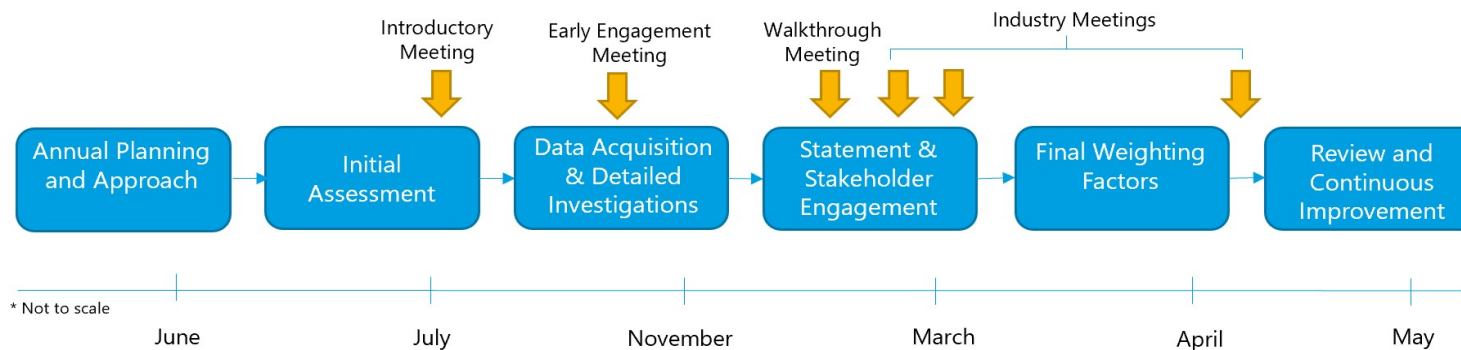
Summary and outcomes

- ▶ Unilateral action in this case would seem inconsistent with AUGE's Terms of Reference
- ▶ The justification for a combined calculation of Weighting Factors for the domestic Sub-Bands is different to the I+C Sub-Bands. *End user* impacts are not a core consideration for the AUGE – only the equitable allocation between Code Parties
- ▶ There is merit in further investigation of the elements that drive the differential between credit and prepayment Weighting Factors. But it would take time and would not achieve an elimination of the differential
- ▶ The indicated outcomes may be best achieved through an alternative governance route, for example modification. AUGE could remain neutral to such a modification where it specifies an outcome rather than an underlying methodology

3. Next steps and Future Considerations

Next Steps

- ▶ The draft AUG Statement will be appropriately revised and provided to the AUG Sub-Committee by 4th March 2023. This will contain the proposed Final Weighting Factors.
- ▶ The proposed Final AUG Statement will be presented at the AUG Sub-Committee Meeting on 10th March 2023, to explain the reason for changes made since the draft Statement.
- ▶ The final AUG Statement will be provided to the AUG Sub-Committee by 31st March 2023 and presented at the 14th April AUG Sub-Committee Meeting, prior to consideration at the UNCC Meeting on 20th April 2023
- ▶ Engagement with stakeholders will continue throughout the process. We can also be contacted at aug@engage-consulting.co.uk



AUGE key contacts



David Speake

Lead Consultant

07874 853305

Service Delivery Lead

david.speake@engage-consulting.co.uk



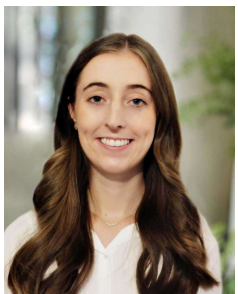
James Hill

Senior Consultant

07395 261632

Methodology Lead

james.hill@engage-consulting.co.uk



Sophie Dooley

Consultant

07814 893658

Data and Modelling Lead

sophie.dooley@engage-consulting.co.uk

Future Considerations 2023

To be taken forward in preparing 2024/2025 Weighting Factors

AUGE Action	
23/1	We will review all Matrix Positions for out of the ordinary historical consumption patterns given five full years' data since Project Nexus Implementation Date.
23/2	We will continue to work with industry to consider changes to the methodology and approach to determining Weighting Factors in Matrix Positions in EUC Band 01PD, in recognition of the historically increasing differential between these UIG for domestic credit and prepayment customers



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