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ICoSS Response to consultation on 2021/22 AUGE statement

The Industrial & Commercial Shippers & Suppliers (ICoSS) is the trade body representing the majority of the GB non-domestic energy market. Our members¹, who are all independent Suppliers, in total supply in excess of three quarters of the gas and half the electricity provided in the highly competitive non-domestic market.

This letter should be read in conjunction with our detailed response compiled by DNV GL, attached to this letter.

There are a significant number of detrimental issues that exist in the proposed statement, impacting the vast majority of the Unidentified Gas identified, and so the scaling factors proposed.

It is our concern that this statement as currently drafted would result in a detrimental and undue discrimination in the allocation of Unidentified Gas when compared to the approach taken by the previous AUGE and therefore may be challenged through the UNC change process.

We believe as currently drafted it will require either significant revision for it to be fit for purpose or if such changes cannot be made then the existing statement and table should be retained.

Further to our detailed response, we have highlighted the key findings below:

UIG determination methodology

We have serious concerns regarding the bottom-up methodology that had been utilised as the basis of determining Unidentified Gas. This places great emphasis on the volumes calculated using limited and incomplete data rather than consumptions volumes recorded by Xoserve.

We have been unable to reconcile the values calculated by the AUGE to the reported industry values that had been provided by Xoserve since Project Nexus.





The values reported by the AUGE are much higher than those observed and reported by Xoserve.

We conclude therefore that the methodology utilised **is not fit for purpose** and instead a more reliable methodology using known consumption values should be used instead.

Gas Theft

We believe the current methodology proposed to be used to apportion gas theft (by far the largest proportion of Unidentified Gas) between EUC bands and Product Classes **is not fit for purpose**. The process relies on detected theft, which has previously been recognised in the industry as a sub-optimal approach, specifically rejected as an approach by Ofgem in its decision letter on UNC Modification 0228 and as evidenced by previous AUGE statements and consultations.

The methodology has a number of considerable weaknesses which undermine its credibility:

- The use of unrelated data to attempt to determine relative theft levels between EUC bands. Any assessment of the preponderance of theft in a market sector must be determined using a robust dataset that is applicable to the unique circumstances of the gas market. The information used is very high level, has been sourced from open-source reports, does not apply to the gas market and very little information has been provided on how the very wide range bands have been condensed down to a single figure. It is also worth noting that due to the large volume of energy associated with the area small changes in the choice of % create significant levels of energy.
- Any apportionment must also consider the fact that the AUGE is only assessing theft downstream of the ECV, i.e., shipper responsibility. The information used does not distinguish between downstream and mid-stream theft sources.
- The assumption that sites with Automated Meter Reading AMR metering have the same levels of theft as sites with legacy metering. There seems to be no evidence provided as to why this counter intuitive assumption. Sites with remote meter reading capability have more granular data, tamper circuits will have been installed relatively recently and are more likely to be investigated if consumption drops. This principle was established with the industry and has been reflected in recent AUGE statements.

Whilst we have seen in other areas a detailed approach to the analysis. In this area that accounts for the majority of energy the approach that has been taken is high level and relies on open source third party reports many of which have no relevance to theft in the gas market.

The process relies on detected theft, which has previously been recognised in the industry as a sub-optimal approach, specifically rejected as an approach by Ofgem



in its decision letter on UNC Modification 0228 and as evidenced by previous AUGE statements and consultations. The current theft assessment process **is not fit for purpose** for such a critical part of the AUGE statement and represents a less robust assessment than in previous years.

Data Sources and Assumptions

In many areas of the report, there seems to have been a reliance upon limited data to arrive at a determination which materially affects UIG scaling factors.

The industry has had little sight of how this information has been used and so we have been unable to verify that they are complete or accurate in many cases. We have identified a number of areas where we believe there are errors in the calculation (for example the number of sites not read at “line in the sand” is overestimated) which again calls into question the robustness and validity of the process.

We also have concerns over the assessment using AQ data as a primary source of information. Our experience is that AQ are not an accurate reflection of consumption in many cases (particularly for larger sites). For example, the Unregistered Sites calculation is distorted by a single site which is highly unlikely to remain unregistered. We would expect that any industry data used in the AUGE statement is suitably cleansed to remove outliers, as was done by the previous AUGE.

Next Steps

It is our view that the proposed AUGE statement **is not fit for purpose** in the majority of its assessment and is therefore not an appropriate mechanism in which to allocate unidentified gas between shippers.

Use of the statement in its current form would represent a detrimental and retrograde step from the robust assessments of previous years.

In the absence of suitable corrective action being taken we note that in previous years, where the AUGE statement was deemed to be inadequate, the AUGE has proposed either to effectively rollover the previous table. Whilst rollover is no longer a formal option the same outcome can be achieved if this is the preferred outcome by last year’s table being proposed by the AUGE. In these circumstances we believe that this would represent a reasonable step, so giving the AUGE time to fully explore the areas it has identified.

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Appendix 1

Review of proposed AUGS for 2021/2022 prepared by DNV GL for ICoSS.