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(by e-mail)

Dear Tim

Allocation of Unidentified Gas Statement – Draft v2

Thank you for the opportunity to consider and make representation on the second draft of the Allocation of Unidentified Gas Statement. This response is non-confidential and ScottishPower are happy for this to be posted on your website.

Our comments are structured to represent the area of the statement to which they refer. However before detailing the comments, we would like to highlight the response provided by Sohn Associates¹ and the issues that they have identified which play a part of unidentified gas and ask that the AUGÉ explain what they intend to do to recognise and quantify the issues raised.

Sohn has highlighted three areas affecting the DM/LSP community, which will have a bearing on unidentified gas and are not recognised in the AUGÉ Statement:

- “Unknown” supplies – “there are a significant number of Large Supply Points which are unknown to National Grid and are consequently using unallocated gas”
- Daily Metered Sites with incorrect meter index factors – “I have been involved in negotiations with Suppliers on behalf of clients who have been retrospectively billed huge amounts due to errors in setting up meters and correctors in the industry databases with the result that the recorded consumption has been out by a factor of 10 or 100”
- Over Sized meters – where a number of large non-domestic rotary meters which are well over 20 years old and likely to be under recording, with one non-domestic Shipper/Supplier noted as having nearly 50% of their portfolio comprising these meters

In respect of the letter from Sohn we would like to highlight that each of the issues appears to have had the involvement of LSP Shippers, or at the very least their awareness, yet to date the issues have never been raised with either the AUGÉ or the industry to highlight that they may be contributing to unidentified gas. We believe that

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<http://www.gasgovernance.co.uk/sites/default/files/SOHN%20AUGS%20comments%2002092011.pdf>

this supports the assertion made under MOD343, which tried to ensure that Transporters and Shippers made the AUGÉ aware of issues affecting unidentified gas that were known to them. In addition it raises the question as to whether DM supply points should be considered in further detail.

Our detailed comments/observations and questions in relation to the AUGÉ Statement are detailed below:

Model error

The report believes that the provision of actual meter readings eliminates any model error on allocation and that all model error should then be picked up by the SSP sector. If modelling has to be used by the whole sector as a means of efficient allocation ahead of and on the day, why should the SSP sector pay for it? The statement suggests that the model error is “a significant component” and looks about 25TWh of volume. In section 4.3 there is a suggestion that this could be split out to show the proportion of model error in the LSP sector. We would query why the SSP sector should pick up all of the model error?

4.4 Alternative method

The drawback to this approach is that AQs are inaccurate, due to them being based on historic consumption, and there being data quality and update issues associated with them. ScottishPower’s MOD379A would help address this situation by improving data quality.

5.4 Opening meter readings for orphaned sites

The report says that data has been received about meter readings, but does not show the volume estimated to be used – can we see this?

5.4 New LSP sites

Have these sites been considered to see if there is a ramp up effect on consumption levels – should the AUGÉ not be considering if the initial AQ that was established is appropriate?

5.7 Additional AQ Data (3)

MOD81 Reports – the AUGÉ has requested additional information for AQ by EUC post the AQ Review – can we see this?

Allocation of Algorithm Error

The DESC sample data does not include samples of pre-payment meters in addition there is no consideration of new building standards, where AQs for the properties should be less than historic buildings that are less energy efficient. Are DESC going to address these shortfalls?

How is the AUGÉ going to keep the composite weather variable under consideration?

New Meters/Isolated meters – “It has been assumed that a meter is removed from the allocation process immediately after it stops taking gas. If a site stops taking gas but is not removed from the allocation process for some time, this will result in the incorrect allocation based on AQ when the true consumption is actually zero”. It might be useful for the AUGÉ to consider all the status information on sites, which Xoserve have provided under the AQ Review and which are referred in MOD379A e.g. dead, clamped capped etc.

Accuracy levels noted for AQs do not take account of sites with issues on site status (as above). LSP sites AQs are not updated to 78%, it is nearer 65%.

Could analysis be carried out to look at samples of usage (metered volume) –v- deemed –v- “corrections” (through RbD as LSP reads are factored through)?

Best Case Results Evaluation

The document talks about there being an issue with WS LDZ, which is caused by either incorrect AQs or actual allocations and that Xoserve are investigating – we would question why Xoserve have not picked this up previously and would like an explanation of the issues here.

AQ Details

The statement talks about there being little opportunity for AQs to change during the year and seems to suggest that the only opportunity for change is where the site is a threshold crosser. We would like clarification that the AUGE is aware of the option to appeal a site AQ, which exists more or less year-round for LSP Shippers.

Accuracy levels noted for AQs do not take account of sites with issues on site status (as above). LSP sites are not update to 78%, it is nearer 65%.

“It is not unreasonable to assume that the AQs of the meters which have not been updated in the AQ review have changes in a similar manner to those which have been updated” – we do not believe that this statement holds true and would suggest that the AUGE should be looking at the aging of sites where the AQ has not been updated and providing some information to substantiate their assertion.

6.3.1.1 Leakage

Should there be reporting on the inaccuracies of types of pipework, which are assumed to be in the ground, where some other material is found at replacement?

The report suggests that climate change effects are having an effect on gas temperatures and assumes that Own Use Gas will be lower as a result – can we see some substantiation as to why this would be the case?

6.4 Unregistered and Shipperless Sites

In table 4 – it could be argued that unregistered/shipperless customers will in fact be using more than their AQ, as they will not be paying for their gas usage and therefore have no incentive to keep consumption low. In addition as meter readings will not be taken then the AQ will not be getting updated.

6.4.1 Shipper Activity/Orphaned Sites

The report says “Only those that have a meter are capable of flowing gas” – We would question if this is definitely the case.

We accept that Xoserve have not been tracking sites in this area, but we would recommend that there should be some tracking going forward, as this will enable the AUGE to make more accurate assessments going forward. Can the AUGE put this in place with Xoserve?

Question 2 Pg 45

Can Xoserve not provide information as to “must inspects” that are outstanding across the whole market?

Question 3 Pg45

We do not agree with the assertion that a “large blue-chip” company would not be expected to be involved in theft – in particular companies of this scale potentially have the expertise to undertake theft in a safe manner.

Question 4 Pg 45

In respect of sites that may have a meter, take gas and not have an MPRN and not be registered – the report notes - “At least 2 respondents provided examples of when this occurs for them” – this suggests that this problem is systemic and we would propose that further details should be requested from the 2 Shippers both on when this happens and the number of cases identified.

6.7 Metering Errors

The report suggests that there is a net contribution to unidentified gas from metering errors – we do not believe this to be the case and have evidence of the metering errors to date that can be provided. In particular we would flag to the AUGÉ that there are a couple of modifications in the UNC MOD process, which are looking to restrict the reconciliation period which would impact for these errors. We therefore believe that more needs to be done by the AUGÉ in this area.

Table 13 Pg 56

“The high level of LSP Unidentified Gas observed in NW LDZ is mostly due to the “Unregistered <12 months category. The raw Unregistered and Shipperless Sites Report shows a consistent and very high AQ of sites in this category”. The figure for the NW LSP is 27% of the total unidentified gas for the whole of the LSP market – can this be explained in detail, together with what the figures for this LDZ for LSP sites has been in the past and what is being done to rectify it?”

I hope you find these comments useful and should you wish to discuss further please do not hesitate to contact me.

Yours sincerely,

Karen Kennedy
Gas Operations Manager
ScottishPower