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Dear Karen

Thank you very much for the feedback and clarification questions with regards the second draft AUGS. There are some issues that you raised which we would like to clarify further before we compile our responses and in some cases have requested you provide relevant data/evidence where appropriate. We appreciate that there will be some information that we may be able to get from Xoserve and we are drafting further requests of information from them.

1) With regards to the issues of unknown supplies (we assume this meant supply points)

- “Unknown” supplies – “there are a significant number of Large Supply Points which are unknown to National Grid and are consequently using unallocated gas”

If the networks, Xoserve and the Shippers do not know about these supply points then there is no information on them and nothing the AUGE can do to assess their impact although these would get caught up in our balancing factor estimation. However, if SOHN or indeed ScottishPower are aware of unknown supply points then they cannot really be unknown (since someone knows about them) in which case please provide such details to Xoserve as soon as possible to be included in the various processes. We will also be contacting SOHN to obtain such information.

2) **Allocation of Algorithm Error** “How is the AUGE going to keep the composite weather variable under consideration?”

Could you please explain what you are looking for here as we don’t quite understand the question? What is the issue that you would like to be addressed?

3) **Allocation of Algorithm Error** “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)?”

Could you explain your reasoning for this and why you think this analysis would be appropriate and what bearing do you think it would have on Unidentified Gas?

4) **AQ Details** “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%.”

Could you please provide details/source of information for the 65% figure. Does this include CSEPS?

5) 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. “

Can you provide specific examples to backup your hypothesis that supply points would use more gas than their AQ during this period? For unregistered sites this is less of an issue as they will be (in most cases) backbilled and we are looking at the whole backbilling issue. We will also seek additional information from Xoserve, but if you have specific examples that would help.

6) 6.4.1 Shipper Activity/Orphaned Sites

“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 AUGÉ to make more accurate assessments going forward. Can the AUGÉ put this in place with Xoserve?”

What aspect of tracking do you think Xoserve has not been doing? We now get 2 monthly snapshots of the aggregate details and can possibly get access to information behind this to look at specific issues. Is this about tracking a particular site all the way through the process (bearing in mind we have to treat such data confidentially so there is a limit to what we would then be able to share with the industry)?

7) Question 2 Pg 45

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

We will pass this question on to Xoserve.

8) 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. “

This is not necessarily the view held by the AUGÉ but a summary of responses from the Shippers to questions raised back in April. Could you provide evidence of a blue chip company that has been suspected of and subsequently proven to have stolen gas to invalidate these shippers claims? We will also request Xoserve for such evidence.

9) 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.”

Could you clarify the wording of the first sentence as it appears to contradict itself. Did you mean “...not a net contribution to unidentified gas from metering errors?”

In addition, please provide the evidence you refer to that demonstrates meter errors aren't resolved within the reconciliation period.

We will of course post these clarifications and your responses on the JoT for transparency. We look forward to your reply

Yours sincerely

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