

Email Subject: Response to British re: Update on progress of the AUGS for 2013/14 methodology

Date: 17 December 2012

Organisation: Allocation of Unidentified Gas Expert (AUGE)

Email Abstract:

Graham,

Thank you for the email raising your concerns regarding the production of this years AUGS.

With regards the failure to meet timescales, throughout the year there have been delays in obtaining the necessary data to complete the required analyses as noted in the various progress update communications. We had expected to publish the AUGS for consultation and review following the publication of the Interim Report in September but the industry wanted to see the results of more LDZs before accepting the improved methodology. This had a fundamental impact on the timescales as we could not write the 2nd draft AUGS until we had completed the analysis of more LDZs.

For your information, by the end of October we had received data for 3 LDZs, 6 more by the middle of November and by the end of November we had received data for 10 LDZs which the 2nd Draft AUGS is based on. The remaining 3 LDZs were received on Friday 14th December and are currently being processed.

We had concerns in late October whether we would be able to complete the consumption analysis and publish the AUGS in time for consultation and review, approval and preparation of the final figures. At that time we did consider putting the consumption analysis on hold and developing the methodology from last year and we did progress both for a few weeks. We then received data for a number of LDZs that once processed would provide sufficient evidence one way or the other as to whether the consumption method was still going to be viable. We decided to wait for the results of these analyses before making that decision. We were also concerned that if we abandoned the consumption method at that point the industry would be concerned that we were chopping and changing our minds with regards the methodology going forward having indicated in the Interim Report that we recommended the consumption based method.

Having obtained results for more than half of the LDZs we decided to progress with the consumption method and prepare the AUGS on that basis and stopped any further work on development of the RbD based methodology. We wrote to the industry outlining our planned timelines at that time.

In hindsight, given the length of time to obtain meter reads/metered volume data, it might have been better to progress that analysis in background throughout the year whilst preparing the AUGS on the RbD based method from the outset and only propose the

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consumption method once all the data had been received and analysis completed in its entirety. That said, keeping the pressure on Xoserve to provide the data and our team to progress the analyses has meant that the consumption method has progressed where otherwise it might have taken much longer if not seen as such a high priority task.

Work proceeded on the 2nd draft AUGS, but as noted in the letter dated 11th December, we did encounter issues that prevented us from publishing the AUGS on 7th December. I don't think digging into these or providing further information on them necessarily achieves anything as they were internal to GL Noble Denton - we failed to deliver on time and that is something that I am not very happy about as our team as a good track record of project delivery in other projects. It is something I will be looking at with our managers to ensure we have better cover going forward.

More importantly, during a second review of the AUGS in the early part of that week I identified some gaps in what had been written that needed to be addressed before publication. I was concerned that, from previous consultations if we had not provided sufficient evidence to our findings or if the analysis was not explained fully there would be criticism from the industry. As far as I was concerned if it wasn't right it was not to go out even if that resulted in further delays. I am sure you will appreciate that there is no point wasting your time reviewing the AUGS or us answering queries for matters that shouldn't have arisen in the first place. This plus the impact of temporarily losing key resources meant that the AUGS was just not ready for publication at that time.

The issues that I identified have now been addressed and the 2nd Draft AUGS that has now been published is a much more comprehensive and in depth statement than previous drafts and I believe this statement will provide a much more robust methodology going forward.

With regards the options outlined in the letter dated 11th December:

We had indicated a timeline in a communication on 21st November that in order to publish a final AUG table the consultation period would need to run to 11th January (the second consultation period is usually 4 weeks, but this would be 5 weeks allowing for the Christmas holiday period). With a week to respond to queries we would seek approval on or around 24th January so that a final table could be published by 1st February.

Given the AUGS publication over the weekend just gone, Option 1 has a reduced consultation period of 4 weeks finishing on 11th January but our concern is whether this is sufficient time for the industry to review. We would also need to arrange an industry meeting to present the AUGS prior to your responses. If you can review the AUGS within these constraints then the timescales are potentially achievable and I would suggest you have a quick look at the 2nd draft AUGS to assess whether your team will have time to fully digest its contents and respond by 11th January. We will also be making the data sets and results used for the AUGS available to the industry which given the sheer size of the data sets involved is

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not straightforward.

Option 2 acknowledges that the industry may need more time to review the 2nd draft AUGS but doesn't propose a specific time line (this is for discussion on Thursday). The key issue here is how late can the final AUG and rates table be published to allow the industry to implement the details? This of course assumes that no major issues arise and the methodology is approved and we have all remaining data available to complete the final table in time.

If neither of the above are acceptable Option 3 rolls over the figures from the previous year. It would not be possible to revisit the RbD method as this would also require consultation/approval and British Gas have concerns regarding the SSP assigned Unidentified Gas issue which, with this years data is no longer negligible in magnitude.

I was asked to provide options to the UNCC with our recommendation. Whilst we are more than happy to press on with the consultation of the 2nd Draft AUGS with the aim of gaining approval and publishing figures based on this method for 2013/14 we are acutely aware of the practicalities of doing so. In particular, providing sufficient time for the industry to review as highlighted above. We will also require time to prepare responses and this of course depends how many issues are raised by the industry during consultation and whether we need to clarify any data issues with Xoserve. If the industry can accept these constraints then we will do all we can to ensure the methodology is approved and the final AUG table prepared for 2013/14.

On balance we therefore (reluctantly) recommended Option 3 as this seemed to be the most likely outcome whether the decision is taken now or in 6-8 weeks time. However, as stated in the letter we are open to suggestions and willing to progress either of the other options.

I am sorry that there have been delays in publication of the AUGS particularly at this late stage having got to a suitable point with provision of data and analyses. A lot of hard work has gone into the 2nd draft AUGS but that counts for nothing if it cannot be approved in time.

I trust this email answers the questions you raise, and I will be attending the UNCC meeting on Thursday with the objective of agreeing a way forward that is acceptable to all parties.

Regards,

Clive.

Clive Whitehand
Senior Consultant
Software Solutions
GL Noble Denton

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