

AUG Year Review Report for 2020/21

Purpose of the Document

This document is a report to the UNC Committee, in accordance with section 7.4 of the Framework for the Appointment of an Allocation of Unidentified Gas Expert (the “Framework”), which summarises the outcome of the Review of the AUG Expert Year 2020/21, in other words the preparation of the AUG Statement and Table of Weighting Factors to apply for the Gas Year 2021/22.

Executive Summary

Xoserve published a request for feedback on the AUG (Allocation of Unidentified Gas) Year 2020/21 process on 20 April 2021, and asked for responses by 17 May 2021.

Feedback was received from five parties: from the I&C Only Shippers and Suppliers trade body (ICoSS), from three Gas Shippers and from the AUG Expert. The three Gas Shippers gave generally positive feedback on the process as set out in the AUG Framework, and on the AUG Expert’s outputs. The ICoSS feedback was that there was insufficient time in the process to review the proposed methodology for 2021/22 and that they did not believe that the AUG Expert’s outputs met the requirements of the AUG Framework.

The AUG Expert felt that the AUG process worked well and that the timescales were appropriate to deliver robust outcomes. The AUG Expert thanked industry stakeholders for their engagement and feedback, and thanked Joint Office, DNV GL and Xoserve/Correlia for their support.

Introduction

At the end of each AUG Year Xoserve, in its role as the CDSP, is required to conduct a review of the activities and performance of the AUGE and relevant industry parties, for the creation of the AUG Statement and table. This report details the approach to the review for the AUG Year 2020/21 (the preparation of the AUG Statement and Table of Weighting Factors to apply for the Gas Year 2021/22), the review feedback and recommendations implemented or with the potential to be implemented for the current and forthcoming AUG years.

Terminology used in this Document

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| AUG | Allocation of Unidentified Gas |
| AUGE | Allocation of Unidentified Gas Expert |
| AUGS | Allocation of Unidentified Gas Statement |
| CDSP | Central Data Services Provider, i.e. Xoserve |
| DNV GL | The provider of the AUGE service to the gas industry in the previous year (2019/20) |
| EUC | End User Category |
| Engage Consulting | The provider of the AUGE service to the gas industry during the review year (2020/21) |
| The Framework | The Framework for the Appointment of an Allocation of Unidentified Gas Expert (UNC Related Document) |
| ICoSS | The I&C Only Shippers and Suppliers Group |
| UIG | Unidentified Gas |
| UNC | Uniform Network Code |
| UNCC | Uniform Network Code Committee |

Approach to the Review

Xoserve requested the Joint Office of Gas Transporters to circulate an open letter to all UNC parties to request feedback for the AUGE year 2020/21 and any suggestions for improvements. The distribution list for the letter included the AUGE, Gas Shippers, Large Gas Transporters, Ofgem and the Joint Office of Gas Transporters. The letter is reproduced in Appendix 1.

The request was issued on 20 April 2021, and asked for responses by 17 May 2021.

Areas to consider for feedback included:

- The AUG Framework document, e.g. timeline, clarity of scope and responsibilities
- The AUGE for such areas as communication, industry engagement, query responses etc.
- The industry, e.g. for support for the process and timeliness/relevance of responses to consultations
- Xoserve e.g. for the provision of information

Feedback was received from:

- ICoSS on behalf of a number of shippers in the industrial and commercial sector of the market
- three Gas Shippers
- the AUGE

Key points raised in the feedback are reproduced in the following section, along with Xoserve's response.

Summary of Feedback by Topic Area

| Organisation | Response | Comments |
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| 1. The AUG Framework document, e.g. timeline, clarity of scope and of responsibilities | | |
| British Gas E.ON | Positive | We are happy with the Framework as it stands, in terms of timeline, scope and responsibilities. |
| British Gas | Positive | There has been adequate opportunity for industry to critique and challenge [the AUG's] judgements. |
| The AUG | Positive | We believe that the process in the AUG Framework document has worked well and as intended, with delivery milestones being clearly defined and regular opportunities for public discussion and stakeholder feedback scheduled. We are also of the view that the timeframes in the AUG Framework document ... provide sufficient time for a robust process to conclude. In addition, we believe that the current governance arrangements play a significant part in protecting the independence of the AUG. |
| ICoSS | Areas for Improvement | <p>Overall, in contrast to previous years, we have serious concerns over the AUG process, do not believe it is fit for purpose and requires significant reform.</p> <p>As we have previously communicated during the development of the AUG statement there has been insufficient opportunity for industry parties to examine the proposed AUG methodology for 2021/22 as it departs significantly from previous methodologies. We are still of the view that insufficient time has been available to develop a robust model.</p> <p>Xoserve Response UNC Modification 0767 (Incorporation of AUG Framework Document into the UNC main body) gives an opportunity to review the process and the timelines while new UNC Legal Text is being prepared. We will provide this Review Report to the 0767 Workgroup so that it can consider this feedback.</p> |

| Organisation | Response | Comments |
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| 2. The AUGE for such areas as communication, industry engagement, query responses etc. | | |
| British Gas | Positive | <p>In the main we are comfortable with the approach taken [by the AUGE] this year. The AUGE has been clear and transparent where a judgement has been applied to determine a parameter.</p> <p>We have been satisfied with the communication, industry engagement and responses provided by the AUG Expert.</p> <p>Having reviewed both the AUGE's output and the voluminous challenges from various parties, apart from some minor points which were readily taken on board by the AUGE, we are satisfied with their performance and consider the criticisms in the round as differences in point of view that are inevitable in modelling this particular subject.</p> |
| E.ON | Positive | <p>Overall, we believe Engage Consulting in their capacity as the AUGE have conducted a thorough and well rounded review and we support the output.</p> <ul style="list-style-type: none"> • We were pleased to see the level of clarity on the highest risk areas which were investigated The output may have benefitted from greater detail in the narrative, but this can be evolved in subsequent years • We were encouraged to see the AUGE seek to investigate issues raised during the process and provide justification on why, in their expert opinion the outcome was as outlined • We support there not being a 'balancing factor' approach in this review as we have not previously supported or had confidence in this approach <p>Given the changes in the AUGE between DNVGL/Engage ... we did not experience any differences in service when compared to previous years processes.</p> |
| ScottishPower | Positive | <p>Overall ScottishPower are satisfied with the weighting factors published for 2021/22.</p> |

| Organisation | Response | Comments |
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| British Gas | Areas for Improvement | <p>As a point of convenience, our analysts would be appreciative of the sharing of the high-level harness model in Excel format (simply as a more efficient communication medium for those so inclined).</p> <p>Xoserve Response We will pass this feedback on to the AUGE and work with them to investigate ways of providing this without sharing their proprietary models.</p> |
| E.ON | Areas for Improvement | <p>We would suggest that moving forward consideration is given to treat [the whole of] EUC01 in the same way, rather than separating out; we believe this may have added complexities to the review completed this year and we encourage this being reviewed for future models. [End User Category 01 covers all Smaller Supply Points, i.e. with an Annual Quantity up to 73,200 kWh]</p> <p>Xoserve Response We will pass this feedback on to the AUGE. The sub-division of End User Category (EUC) 01 takes effect for the first time for Gas Year 2021/22, as a result of UNC Modification 0711. It can only be removed from UNC by a further UNC Modification, although the AUGE could decide to use the same factors across multiple EUCs or Classes.</p> |

| Organisation | Response | Comments |
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| ScottishPower | Areas for Improvement | <p>We would like, for the next AUGE Year, for AUGE to publish a monthly profile underlying the weighting factors in the Final AUGS for 2022/23.</p> <p>Xoserve Response</p> <p>We understand how difficult it can be for our customers to forecast future levels of UIG. At present the AUGE only assesses the final contributions to UIG by different categories of site at the Code Cut-Off Date (the Line-in-the-Sand), on an annualised basis. This is because the UIG Weighting Factors are used throughout the lifecycle of UIG, in Allocation and Reconciliation.</p> <p>The AUGE does not assess or predict UIG levels at any interim stages, such as after initial allocation.</p> <p>The actual daily or monthly levels of allocated UIG are wholly dependent on daily measurements and data/profile accuracy and are not set by the AUGE.</p> |

| Organisation | Response | Comments |
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| ICoSS | Areas for Improvement | <p>We are still of the view that ... there a number of areas where the framework document requirements were not fully discharged.</p> <p>Xoserve Response We fully understand that the new AUGE's approach has resulted in some large shifts in the relative size of Weighting Factors in comparison to the current set of Factors. Although the AUGE has still assessed UIG at the Code Cut-Off Date – the “Line in the Sand” – and still sought to assign UIG to the End User Category/Class combinations in proportion to their relative contribution to UIG, there have been some large movements between individual categories.</p> <p>Xoserve believes that the AUGE's attempt to quantify gas lost to Theft (rather than being the Balancing Figure in the methodology) is a positive step, and we are reassured that the overall projected UIG figure is close to observed levels of UIG (the latest position after reconciliation).</p> <p>We want all parties to be able to participate in the process and feel that their concerns are heard. We want to work with the AUGE and the industry to increase their confidence in the methodology and the calculations, and we will review the ICoSS detailed feedback with the AUGE, to identify any specific improvements to their processes. Where the feedback relates to the AUG Framework or the annual timetable, we will feed this in to the discussions on UNC Modification 0767 (“Incorporation of AUGE Framework Document into the UNC main body”).</p> |

3. The industry, e.g. for support for the process and timeliness/relevance of responses to consultations

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| <p>The AUGE</p> | <p>Positive</p> | <p>We were pleased with the level of interaction during our consultation on the Draft AUG Statement and Table and would like to thank all those who responded. Responses in line with the requested format made collation and analysis considerably more straightforward.</p> <p>We would like to thank the Joint Office of Gas Transporters for their governance of the AUG Sub-Committee meetings, and also for their flexibility in accommodating the Extraordinary AUG Sub-Committee meeting which we requested in November 2020.</p> |
| <p>British Gas</p> | <p>Areas for Improvement</p> | <p>While we do not take issue <i>per se</i> with the engaging of the previous AUG Expert provider to support the critique of the current AUG Expert's work, we do question the suitability of using the brand of that provider to add credence to the criticisms. The industry has collectively bought and paid for an umpire [the new AUGE] and taking this approach we feel risks opening the process up to the risk of duelling consultancies (with attendant costs).</p> <p>We would suggest introducing some mutually agreed limitations on the use of consultancies while providing feedback to the AUG process as a future addition to the AUG Framework.</p> <p>Xoserve Response</p> <p>This is a proposal which could become part of any Business Rules supporting the future process. It might need to take account of the fact that some smaller organisations (or groups of organisations) regularly use consultants to represent their interests in the industry.</p> |

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| British Gas | Areas for Improvement | <p>We are very supportive of the principle of a robust challenge to the AUG's work, especially when undertaken in good faith, but there has been some particularly loud lobbying this year against the AUG Expert's performance.</p> <p>Xoserve Response The level of engagement and its "volume" are both indicators of the importance of the role of the AUG and the financial implications of UIG. Some of that loud lobbying can be attributed to parties' concerns that there was no escalation route, should they be dissatisfied with the outcomes. This is an area which UNC Modification 0767 could consider.</p> |
| 4. Xoserve e.g. for the provision of information | | |
| E.ON | Positive | <p>Given the changes between Xoserve/Correlia we did not experience any differences in service when compared to previous years processes.</p> |
| The AUG | Positive | <p>Our working relationship with Xoserve/Correlia has been a positive one and we would like to express our appreciation for the timely provision of requested data and for the open and transparent manner in which communication has been conducted; this has greatly assisted the successful and timely execution of our responsibilities as the AUG in our first year appointed to this role.</p> <p>We appreciate the facilitation by Xoserve/Correlia of the handover with our AUG predecessor (DNV GL) and would also like to thank DNV GL for the thoroughness of the handover provided.</p> |

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| British Gas | Areas for Improvement | <p>There were some challenges in triangulating certain data points this year between different sources (e.g. numbers of prepay meters). We invite Xoserve/Correla to proactively suggest improvements to the provision of data and levels of support for the AUG Expert to resolve any notable disparities.</p> <p>Xoserve Response Xoserve takes all feedback seriously. We will investigate greater use of independent data sources to validate/challenge (in aggregate) the data that we hold, which is largely under the control of Gas Shippers.</p> <p>The discrepancy between the count of prepayment meters in the CDSP's systems and Ofgem's data was mentioned in UNC Modification 0758. The prepayment status of a meter point is Shipper-owned data, and can only be updated by the current Shipper. We would be happy to work with individual Shippers to review their prepayment portfolio and provide guidance on making updates where appropriate.</p> |
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Comments Related to UNC Modifications

| Organisation | Response | Comments |
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| 1. UNC Modification 0758 (Temporary extension of AUG Statement creation process) | | |
| ICoSS | Positive | We are supportive of the UNC Modification proposal 0758 to give more time to the AUGE Statement creation process. |
| ICoSS | Areas for Improvement | <p>In parallel [to UNC Modification 0758], the industry should review the AUGE process, and the UIG framework more widely, to assess whether the current regime should continue in its present form.</p> <p>We therefore suggest that Xoserve seeks to establish a working group as soon as possible to reevaluate how UIG is managed in the industry. [ICoSS has provided an options paper for the Future of the AUGE Process]</p> <p>Xoserve Response Xoserve's view is that a review of the AUG Process would be best done under UNC governance. This could either be an extension of UNC Modification 0767 ("Incorporation of AUGE Framework Document into the UNC main body") or as a separate UNC Review Proposal. This would ensure that all interested parties are aware of the discussions and have the opportunity to engage.</p> |

| Organisation | Response | Comments |
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| 2. UNC Modification 0767 (Incorporation of AUGE Framework Document into the UNC main body) | | |
| British Gas | Areas for Improvement | <p>Given the intrinsic contentiousness of the allocation outcomes, we think bringing the framework into the UNC will have a detrimental effect. The Expert Determination provisions in the UNC will undoubtedly be invoked in most years, begging the relevance of the AUG process in the first place.</p> <p>There are further conversations to be had on this topic, but in general any appeal mechanism should:</p> <ul style="list-style-type: none"> • be the exception rather than the rule; and • have a high bar in terms of credibility and evidence to be invoked – a transparent stalking horse for commercial interest should not be sufficient to disrupt the process and generate cost uncertainty for the industry. <p>Xoserve Response We recommend that these views are raised at Modification 0767 Workgroup or in the consultation process.</p> |

Useful Links

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| Joint Office of Gas Transporters website page for the 2021/22 AUG Statement | https://www.gasgovernance.co.uk/augenex2122 |
| Final AUG Statement for Gas Year 2021/22 | https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2021-03/Final%20AUG%20Statement%20v1.4.pdf |
| Final AUG Table for Gas Year 2021/22 (subject to the outcome of UNC Modification 0758) | https://www.gasgovernance.co.uk/sites/default/files/ggf/book/2021-06/AUG%20Table%20for%202021_22.pdf |
| The Framework for the Appointment of an Allocation of Unidentified Gas Expert | https://gasgov-mst-files.s3.eu-west-1.amazonaws.com/s3fs-public/ggf/page/2018-08/Framework%20for%20the%20Appointment%20of%20an%20Allocation%20of%20Unidentified%20Gas%20Expert%20v8.1_0.pdf |

APPENDIX 1: Text of the Revised Request for Feedback

To:
UNC Parties, including Shippers and Large Gas Transporters
The Joint Office of the Gas Transporters
Ofgem
The AUGE

19 April 2021

Dear Colleague

Allocation of Unidentified Gas (AUG) Process – Request for Feedback

2020/21 saw the fifth application of the post-Nexus Allocation of Unidentified Gas processes, as introduced by UNC Modification 0473. It was the third year of applying the updated version of the “Framework for the Appointment of an Allocation of Unidentified Gas Expert”, which was developed in UNC Review Group 0639 (Review of AUGE Framework and Arrangements) to address many of the industry’s concerns with the previous process. The latest Framework document was approved by UNC Committee in June 2018 and can be found under UNC Related Documents: <https://www.gasgovernance.co.uk/tpddocs>

This was also the first year in the AUGE role for Engage Consulting Ltd, who were appointed in June 2020. The outputs of the process for 2020/21, which included seven meetings of the UNC AUG Sub-Committee and which concluded at April’s UNC Committee meeting, can be found on the Joint Office website. The AUGE’s proposed Statement and Table of Unidentified Gas Weighting Factors was approved at April UNC Committee (subject to the outcome of UNC Modification [0758 - Temporary extension of AUG Statement creation process](#) – and any similar future Modification proposals).

UNC AUG Sub-Committee: <http://www.gasgovernance.co.uk/aug>

April UNC Committee: <https://www.gasgovernance.co.uk/uncc/150421>

Final AUG Statement and Table: <https://www.gasgovernance.co.uk/augenex2122>

APPENDIX 1: Text of the Revised Request for Feedback

The AUG Framework includes a requirement for the Central Data Services Provider (the “CDSP” – Xoserve) to seek feedback on “the activities and performance of the AUGE and the industry for the creation of the AUGS” and to report to the UNC Committee (section 7.4 of the revised Framework).

I would like to request your feedback on the events of the AUG Expert Year 2020/21, i.e. the development of the AUG Statement and Table of UIG Weighting Factors for 2021/22, and any suggestions for improvements.

Areas on which you may consider providing feedback include:

- The AUG Framework document, e.g. timeline, clarity of scope and responsibilities
- The AUGE for such areas as: communication, industry engagement, query responses etc.
- The industry, e.g. for support for the process and timeliness/relevance of responses to consultations
- Xoserve/Correla, e.g. for the provision of information

The intention is to produce a review report on the 2020/21 process for presentation to June 2021 UNCC meeting, including any recommendations for further improvement. To enable this to be produced, I would be grateful if you could provide any feedback by **Monday 17th May 2021**.

Please submit your responses to **analytical.services@xoserve.com**. Please **advise whether you are happy for your feedback to be made public** (which will probably be as an appendix to the report).

If you have any questions regarding this topic please do not hesitate to contact me via the email address below.

Yours sincerely

Fiona Cottam

Business Process Manager, Correla on behalf of Xoserve