

Representation - Draft Modification Report UNC 0758

Temporary extension of AUG Statement creation process

Responses invited by: 5pm on 04 June 2021

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Robert Johnstone
Organisation:	Utilita
Date of Representation:	04/06/2021
Support or oppose implementation?	Support
Relevant Objective:	<p>d) Positive</p> <p>f) Positive</p>

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

The 2021/2022 AUG Statement introduces a new methodology with a focus on the principle of 'Polluter Pays', which the recently voted upon 2021/2022 Statement does not sufficiently achieve. Utilita fully support the polluter pays principle however, the approved new methodology fails to deliver in enough detail to target the polluters. This mod would provide the AUG with sufficient time to improve the Polluter Pays principle and should do so by distinguishing between the settlement of gas on actual meter readings vs estimates, leading to more efficient and correct apportionment of UIG; the rolling over of the 2020/2021 Aug Table to the Gas Year 2021/2022 should provide enough time to improve this principle.

The AUG Statement must include a true reflection of customer groupings. The approved AUG Statement indicates 2M prepayment customers, contradictory to Ofgem data¹ from 2020 which states there are 3.4M customers within this category. The most accurate data available must be utilised to apportion UIG equitably and data inputs require revisiting so that this is achieved - rolling over the existing 2020/2021 Aug Table will facilitate this objective.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

Implementation for the beginning of the Gas Year 2021/2022.

¹ [Self-disconnection and self-rationing: decision \(ofgem.gov.uk\)](#)

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

Implementation would not result in any additional cost to Utilita.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes.

Modification Panel Members have requested that the following questions are addressed:

Q1: Please provide your views on whether the 2021/22 AUG Statement production process has been robust.

There are clear failures in the process. We believe that the process has been completed as per the UNC, however, the lack of a sufficient challenge mechanisms particularly, demonstrates that a review of the process is required.

Q2: Please provide your views on whether the 2021/22 AUG Statement production process has delivered a robust result and provide an explanation to support your response.

The process has not delivered a robust result. The overarching principle of 'Polluter Pays' has not been fully achieved and remains too broad and generic. The AUG must develop this principle further to target the actual polluters and should do so by differentiating between settlement on estimates versus actual meter readings.

The final AUG Statement has been determined from inaccurate data with relation to the volume of prepay customers, resulting in inaccurate allocation of UIG. The AUG Statement indicates 2M prepay customers, which contradicts to Ofgem data from 2020 which states there are 3.4M gas prepayment customers; the AUG Statement must reflect an accurate number of customers within each group through making best use of the most accurate data available so that fair and equitable distribution of UIG can be achieved, the current result does not facilitate this.

Q3: With reference to the existing governance arrangements, please provide your views regarding the effectiveness of the governance of the AUG Statement approval process, including, (but not limited to), the UNC and CDSP contracting arrangements, and the application of the Framework Document, including the UNC Committee stages.

The existing governance arrangements are not as effective as they should be and require revisiting. The existing arrangements have exhibited a framework and approvals process that is not sufficiently robust to challenge, and this is highlighted within UNC modification 0767.

Q4: Please provide a reasoned opinion as to whether the request for a direction on this Modification could be seen as placing a validation role of the AUG Statement on the Authority.

We do not see this as placing a validation role on the Authority for the following reasons:

1. A validation role would imply Authority involvement every year which must not be the case – UNC parties need to review and improve the approval process ASAP and this mod is a ‘one-off’ modification that is aimed at providing the incumbent AUG with sufficient time to further develop the AUG Statement.
2. The UNC is not very well set up for changing AUG methodology – UNC parties need to review the transitional arrangements for future service provider changes and conduct a lessons learned exercise from this years’ process.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No.

Please provide below any additional analysis or information to support your representation