AUG Technical Workgroup of UNCC
Friday 10th August 2018
at Xoserve, Lansdowne Gate, 65 New Road, Solihull, B91 3DL

Attendees

Fiona Cottam (Chair)	(FC)	Xoserve
Neil Cole (Secretary)	(NC)	Xoserve
Sabah Hussain	(SH)	Xoserve
Andy Gordon	(AG)	DNV GL
Clive Whitehand	(CW)	DNV GL
Gareth Evans	(GE)	Waters Wye
Imran Shah*	(IS)	British Gas
John Welch*	(JW)	Npower
Kirsty Dudley*	(KD)	EON Energy
Mark Bellman	(MB)	Scottish Power
Mark Jones	(MJ)	SSE
Mark Palmer*	(MP)	Orsted
Rhys Kealley*	(RK)	British Gas
Steve Mulinganie	(SM)	Gazprom
Tony Perchard	(TP)	DNV GL

Apologies

Carl Whitehouse	(CWh)	First Utility
Chris Warner	(CWa)	Cadent

**via teleconference*

Copies of papers are available at: https://www.gasgovernance.co.uk/uncc/100818

1. Introductions

FC welcomed attendees to the meeting and outlined the agenda as:

- Introductions
- Purpose of the Meeting (Xoserve)
- Summary of the new Process Timetable post Review Group 0639 (Xoserve)
- Introduction to the Approach for 2019/20 (DNV GL) including Next Steps
- Questions and Answers
- Any Other Business

2. Purpose of the Meeting (Xoserve)

FC advised that the workgroup had been initiated as a result of UNC Review Group 0639 which reviewed the AUG process. The AUG Fframework has been updated to include increased industry interaction, additional meetings and to provide clarification on the role of the AUGE.

The objective of this introductory meeting is to provide an early introduction into the proposed approach for developing AUG deliverables for 2019/20 and gathering feedback from the industry. A further early engagement meeting is planned for October, ahead of the draft AUGS statement being published in January.

3. Summary of the new Process Timetable post Review Group 0639 (Xoserve)

FC introduced the representatives of DNV GL (the "AUGE"). TP welcomed participants and thanked the industry for their support.

4. Introduction to the Approach for 2019/20 (DNV GL) including Next Steps

TP outlined that the consultation period had been brought forward in the timeline. This is in order to provide the industry with greater opportunities to engage and raise any issues to be addressed. The consultation period has been shortened and any areas of concern should be brought up at this meeting or the next meeting.

TP asked what the best method for general communication with the workgroup should be. The workgroup agreed to use Joint Office as the central communication source. TP further advised that the aim is to adhere to the timetable, however there are also discussions underway between Xoserve and DNV GL to amend the contract to match the new obligations.

SM asked DNV GL to create a central issues log for visibility, where issues could be raised, tracked and closed as an audit trail. The issue should not remain confidential, although the person who raised it can remain anonymous if necessary. KD asked for this log to be hosted on the Joint Office website. CW added that a regular technical update report will be provided, informing the industry of issues and the status.

Approach

TP discussed the approach of the work to be carried out, outlining what will be done at each phase and what the output is. The project kicked off in July and tentative dates were agreed of when data will be required by to develop the data specification.

TP advised that this introductory meeting is an opportunity to feed in new issues, which will form part of a prioritised list. The prioritisation will be dependent upon budget, resources and timing. SM questioned how the level of prioritisation would be determined if a new issue was raised and deemed to be more important than a scheduled issue. CW responded that effort, benefit and priorities would need to be assessed in this case. The workgroup agreed that any issues should be raised and discussed and areas of concern should be escalated to the DSC Contract Management Committee.

The workgroup discussed the timeline of when new issues can be raised by and when prioritisation of issues can no longer be altered. It was advised that the next industry meeting is available to raise issues; however issues should be raised as they become apparent. The issues log will provide a central hub to understand whether additional items can be incorporated within this AUG year.

JW asked how links should be made with the UIG task force to which FC will provide the direct communication. FC advised that there will also be a log for the task force to ensure everything is captured.

TP updated the group that initial findings will be reported in mid-October and the first draft of the AUGS will be provided in January. There will also be an industry meeting part way through the consultation period whilst the industry is preparing its comments, to address any questions. The target date to publish the modified AUGS is 5th March, by which point it will be too late to include any big new issues. The final AUGS will be published on 1st April, in time to be considered at the April UNCC meeting. Throughout the duration of this process, monthly progress updates will be provided on the Joint Office website. Anything which requires clarification will be communicated via e-mail.

Proposed Changes to Methodology

TP explained that there are 3 areas for investigation which are being carried forward from last year – theft, volume to energy conversion and theft from PC2 sites.

SM posed a question that post-Nexus, temporary and permanent UIG has resulted in high costs to market participants and how the market operates. Therefore, is it the right approach to have one table as this has seemingly led to higher costs? Should there be one table for Temporary UIG and another for permanent? MB suggested that SM had made an assumption about being misallocated UIG costs. The question to also be considered is how we ensure allocation at this time and in the future is reasonable? DNV GL responded that this is a wider issue about the level of UIG which is not in DNV GL's remit to consider and it is a topic for the UIG task force.

CW added that each time the UIG task force improves the method, the volatility would drop. By having two sets of factors, this will result in double benefit and dynamic factors would be required to balance this out. SM responded that this should be added to the issues log, along with an explanation of why this issue will not be considered. SM also asked whether the AUG process is optimum or whether a permanent and temporary table could be a better form of management. The way the AUG operates could be changed in the future via a modification.

RK raised a point about the changes to the NDM allocation algorithm *[clarification: RK was referring to the uplift factors included in the revised NDM Demand Estimation Methodology]* and understanding how that will impact the process. The simplistic view of increasing allocation of an NDM site by, say, 4% will reduce the levels of UIG. How radically will the table change based on DESC methodology? FC responded that all EUC classes need to be made more sensitive in the allocation model. This should be reconciled to actual consumption, reducing model errors and under allocations. The ALP adjustment varies across LDZ. The need for these factors may mean AQs are understated or it may mean the models are not representative of typical behaviours. FC clarified that the aim is to reduce temporary UIG and narrow the gap between UIG and post reconciliation; and DNV GL's role is to assess the final UG factors. Hence the change to the NDM Demand Estimation Methodology will not have any impact on the UIG Weighting Factors.

RK requested that there should be a change to how data is treated which feeds into modelling. TP advised that will be considered and FC informed the workgroup that the base ALPs and DAFs will be used. This means that the AQs will not change, as altering the ALPs and DAFs would result in double counting the adjustment. SM requested that a clear and simple explanation should be provided within the issues log.

New Issues for Analysis

TP enquired whether any attendees in person or on the telephone were currently aware of any possible new issues affecting UIG which the AUGE should consider for the coming year. Attendees raised a number of possible new issues.

LDZ Shrinkage Error

RK asked the workgroup to discuss whether shrinkage underestimate should be brought into the scope of the methodology. It was concluded that the UNCC specifically excluded shrinkage from the scope of this workgroup and any concerns should be addressed with the Shrinkage Forum with the escalation route being to Ofgem. SM requested for this to be included within the issues log and an explanation provided of why shrinkage underestimate will not be considered.

Volume to energy conversion

MB raised three points concerning volume to energy conversion which had been discussed with PAC:

- Using a standard factor which is systematically not likely to be accurate and should be using the site specific factor.

- Site specific factor for larger sites which may be incorrect
- No site specific factor, which should be in place for all larger sites, or where a convertor could be incorrectly measuring

Take-up of Product Class 3

RK asked whether the consumption in the calculation process and volume in product classes which has resulted in a larger shift in product Class 3 could be considered. This is because the movement within a product class is not linear. AG responded that as more snapshots become available over time, the rate of change can be tracked to form part of the analysis. TP advised that this would be logged to revisit estimates for product classes.

MP questioned why the amount of UIG allocated to a site changes it subject to significant change when it changes class. AG responded that Class 4 EUC bands 1, 2 and 3 have higher amounts of UIG. However moving between Class 3 and Class 4 and the usage of gas is not effective to UIG. The issue is that EUC bands are made up of a mixture of sites which have a smart meter and those which have a traditional meter. For example, Class 3 sites have a smart meter and lower rates of UIG to reflect this. TP advised this would be included in the issue log and an explanation provided.

Levels of final UG

MJ asked whether the permanent UIG level is still 1.1% or whether it should be higher as a result of Project Nexus and the reconciliation process. The discussion between the workgroup concluded that it would be useful to analyse reconciliation data by October to understand how UIG is being resolved over time. MB commented that the final UIG level is expected to be around 3%.

Inconsistent change of supplier readings

CW questioned whether there is potential for UIG to occur when a consumer switches Supplier and there is a gap between the closing read and opening read. When a consumer switches Supplier, the read from the incoming Supplier is shared with the outgoing Supplier. The read should be the same, however there are some instances where the outgoing Supplier provides an estimate of the final read which creates a gap in the consumer's billing. With the number of people changing Suppliers increasing, the total gap would be significant, leading to a potential increase in UIG. FC responded that the transfer read is only supplied by the incoming Shipper and closes out the outgoing Shipper with the same reading. From a reconciliation point of view, only one read gets used and there is an opportunity for the incoming Shipper to correct both reads at the same time. This means that there is no gain/loss of energy for change of Shipper. SM asked for this should be included on the issues log and closed.

TP questioned whether there would be a similar issue with meter changes. The workgroup discussed that a change of meter would result in two separate meter readings. There has been an increase across the industry on meter updates since Project Nexus Go-Live in June 2017, resulting in an increase in rejection rates. However even though this date coincides with Nexus, there were high levels of data cleansing activities undertaken. FC responded that Xoserve has liaised with Shippers on the high rejection rates. MB advised that this is an issue to be looked at as there are many scenarios of meters changing which could impact calculation rates.

FC advised that going forward, a description, explanation and outcome should be included within the issue log.

Topics for analysis

There are 3 topics already on the log to be dealt with this year – energy conversion, pressure and theft. The AUGE explained their approach to each one in turn.

Energy Conversion

TP informed the workgroup that gas meters measure volume and assumptions are made when converting to energy. A response last year requested that DNV GL should also look at pressure and temperature factors. Looking at the effect of temperature on energy conversion, the levels of UIG are positive or negative depending upon the season. Colder weather contributes to UIG as when it is cold, gas is dense resulting in greater energy for the same volume of gas. The assumption is that if average figures are correct, this will not contribute to permanent UIG.

TP explained that it is difficult to know what the gas temperatures are in the meter. Assumptions could be made based on air temperature and then converted. TP asked the workgroup if anyone has knowledge about the temperature in gas meters. MB advised that assumptions could be made when more gas is being consumed than the summer, as winter is when there would be greater impact.

Pressure

Similar effect to temperature, when pressure is high, gas is denser. Initially it seems as though pressure has the greatest impact and altitude is less of a concern. Data has been identified from Ordnance Survey on average altitude which needs to be matched to meter points based on the postcode. DNV GL will request which 3 LDZs for Xoserve to match for DNV GL for analysis.

MB questioned what the next steps will be if an issue is found as the value would need to be established. The workgroup responded that this may result in correcting the daily UIG based on temperature. Also, there may be regional differences which net out, resulting in no effect with the UG factors. However, it may also result that UG is incorrect nationally and will require attributing. However it was note that the standard correction factor is currently specified in GB Legislation.

Theft

AG provided a detailed overview of the theft issue. Smart and traditional meters experience different levels of theft. Each Supplier investigates theft with a different strategy which results in bias. In order to remove the bias of investigation, DNV GL wants every lead of suspected theft which equated to approximately 57,000 suspected incidents in 2016.

The Workgroup raised a number of points for DNV GL to consider. This includes:

- Within the smart meter population, when there is a change in Supplier, the meter goes dumb. Therefore, it would be unable to communicate any tampering and its value as a deterrent is fairly limited.
- Domestic data sharing was meant to be for the detection of theft. Therefore it needs to be assessed whether this information can be shared for UIG too.
- TRAS apply a bias when Suppliers have reported a theft, by applying a theft level. Therefore, it is important to be mindful of the bias and be clear of the criteria which TRAS are using.

AG discussed the need for a solution to pick up every smart meter. Serial numbers can be used to identify smart meter types, which Xoserve can map. KD advised that smart meter information is in the Market Domain Data which provides a breakdown of meter details.

KD also discussed that the future of smart meters is currently unknown as people may no longer tamper with smart meters, but can intercept the messages. The UIG values are currently attributed to classic metering. Therefore the modelling needs to be fit for today and also for the future.

AG advised that the final draft of the data request has been issued and will be considered at the Theft Issues Group (TIG) on 21st August 2018. FC asked if anyone has colleagues who attend TIG, please ensure the data requests are promoted. AG continued that to ensure the first draft of AUGS is published on 1st January, this data is required by the end of October. KD advised that in order to have received this information by October, the request should have now been with TRAS to progress. CW questioned whether this is something Ofgem could unblock if required, to which SM responded yes.

5. Questions and Answers

Covered throughout the duration of the meeting.

6. Any Other Business

Next Steps

DNV GL will conduct the initial analysis ahead of the meeting in October.

FC thanked the meeting participants for joining and closed the meeting.