

AUGE Response to Queries Arising From 1st Draft 2013 AUGS for 2014/15 Consultation

Queries From	ICoSS on behalf of Corona Energy ENI Gazprom Energy GDF Suez Energy UK Statoil UK Total Gas & Power Wingas UK
Date Received	12 th June 2013
Date of Response	25 th June 2013

Comment (from covering letter 4th paragraph):

"In addition we have highlighted previously the impact of several modifications, specifically UNC modifications 0410/0410A, 0425 and 0429 which will impact the Unidentified Gas estimate. All of these modifications will be decided upon by Ofgem prior to the commencement of the next AUGS statement. We expect that the impact of all of these modifications, if approved, be taken into account when determining the total volume of Unidentified Gas in the market for the year 2014/15."

Response:

We indicated in our previous response that these modifications would only be examined once approved in order to avoid wasting effort analysing something that does not end up being implemented. We raised this issue with Xoserve, and whilst we maintain a watching brief on modifications that could impact the AUG, these modifications are currently out of scope of our analysis. Should they be approved by OFGEM, Xoserve will raise a change control in order for us to proceed with the analysis as required to implement them in the methodology. Should any of the modification decisions occur after the methodology has been approved for this year, or during the query process (up to the point at which such changes could be implemented before the final AUG table is produced for 1st January) then they will be taken into account as appropriate. If the modification decisions are made after that time then they would be implemented in the following year's AUGS.

For example, had last years methodology been implemented successfully, Mod 424 (which was effective from January 2013) would not have been taken into account in 2013/14 since it came in after the final AUG table was prepared.

If you would like an analysis of the impact of these modifications to be carried out during the modification process so that any updates to the methodology could be proposed and implemented in a timely fashion, this would best be done by engaging the Gas Transporters/Xoserve to include these in our scope of works.

Comment:

In the same vein, the impact of the changes to the Gas Theft licence needs to be incorporated as these new obligations will have a significant increase in the number of detected gas theft sites and so increase the amount of temporary Gas Theft assigned to the LSP NDM sector.

Response:

We have obtained and reviewed the impact assessment of gas theft report by OFGEM. We understand that the new obligations predict an increase in the level of theft detection to approximately twice the current level. However, there is no guarantee that this increased level of detections will be achieved or that the volume of theft detected would double.

We have considered whether it would be appropriate to increase the level of expected detected theft and then review what was actually achieved and make a correction for any difference after the year, but that introduces the concept of back correcting UG.

We will try to find out if there is any evidence that the level of theft detections has increased, but we believe that in the absence of any robust evidence to the contrary the figure for theft detection, which we deduct from the total UG for 2014/15, should be based on the previous levels of detection for the previous 3 years. Note that the average amount of detected theft that has occurred per year is ~20GWh and this will be somewhat overshadowed by some of the other improvements to the methodology.

With regards to transportation charges associated with theft of gas recovery, we believe these are out of scope of the AUG process. We are seeking clarification on this, however.

Phidex Report Comments & Responses

(from section 2. Summary of Key findings and Recommendations)

Despite assurances from the AUGS that the data provided to them is the best available from Xoserve, Phidex firmly believes that this is not the case. The UK Gas Market is the most advanced deregulated gas market in the world, and the 20% error rate found by both AUGS and Phidex would not be deemed acceptable, if it were true. A sophisticated validation and reconciliation process exists between Xoserve, the Suppliers and all other parties with an interest in accurate data. The types of error identified by both Phidex and the AUGS are routinely corrected through these established processes.

Response:

We believe the error rate of 20% highlighted here is actually the consumption calculation failure rate. If the error really represented 20% of total consumption then there would be up to ~80TWh error in a year of annual consumption @400TWh. Note that the Xoserve AQ calculation rate each year also results in ~20% of sites that fail to calculate successfully so this is not unexpected. The failure rate currently stands at about 10% following improvements to the consumption calculation process and updated data from Xoserve.

In 2012 we carried out a sensitivity analysis, details of which can be found in section 4.7.4 of the 2nd Draft 2012 AUGS for 2013/14, which showed the potential level of variation of the estimate of UG with different sample sizes. Whilst we want to maximise the sample size where possible the level of total UG achieved was consistent even at smaller sample sizes.

We are pleased to report that as part of the provision of data for this year, in addition to new meter reads and consumptions that have occurred since the last data drop in 2012, we have also received a complete refresh of the LSP meter reads and consumptions. These include any corrections and updates that have been provided by shippers up to 31st March 2013. In addition, Xoserve have also identified that there were some meter reads and consumptions that we did not receive last year but should have, and these have also been included in the latest data set.

We recommend that Xoserve check samples of the data provided with relevant Shippers so that they can confirm that the data now matches the expectations of the industry. We cannot do this as we do not have data from Shippers or real customer MPR details with which to match up consumptions to the Shipper specific data.

We are also pleased to report that we have received all the consumption data requested and will be analysing this over the coming weeks as we prepare the 2nd draft statement.

Comment:

Many of the asset details provided in the supporting data and highlighted in this document do not exist. In other cases, the asset details provided for specific MPRs are highly dubious, where meter types typically associated with high consuming industrial sites are allocated to MPRs in the SSP sector in alarming regularity.

Response:

We share your concerns regarding asset details in the supporting data. This is one of the reasons that we do not use LSP meter reads (except the imperial/metric indicator) and associated asset details to calculate consumptions (even though the previous Phidex report suggested we use meter reads in certain cases).

The asset details we use are the same as Xoserve use when calculating AQs and allocations, and carrying out other processes within the gas industry. If the asset data is incorrect in our data set, then it follows (given the same source) that it is also used incorrectly elsewhere.

This raises much bigger questions about the integrity of data used in the gas industry, which could have a more far-reaching impact than Unidentified Gas which is only a small fraction of throughput.

Comment:

Meter reads surrounding actual and cosmetic meter exchanges were not provided, indicating that not all meter read information available to Xoserve has been utilised in calculating metered consumption, or provided to the AUGE.

Response:

With regard to meter exchanges and cosmetic meter exchanges, our most recent data set includes meter exchange data, although it did not include cosmetic meter changes. We believe that the latter has a potential impact on the SSP consumption calculations rather than LSP (since we do not use asset data other than the imperial/metric flag for those). We have requested cosmetic meter data from Xoserve so that we can review this information and potentially incorporate it into the methodology.

Comment:

Accurate energy determination is solely dependent on meter reads and asset information. The findings of Phidex have categorically shown that the supporting data provided by the AUGE contains significant and persistent errors. The impact of these errors is relayed in the variance between energy allocated to specific MPRs by the AUGE and that calculated by Phidex. The scale of these errors does not exist in the complex data supply chain and charging mechanism of the UK Gas Market which indicates that a different and unacceptable dataset has been used in this process.

Phidex's calculations and refined extrapolation of results has identified a potential error quantity of 2.7 TW in the calculated energy value; therefore increasing the UG value by the same amount. The monetary value of this energy, at the forecasted rate of 2.34p/kWh for 2013 – 2014 is almost £65 million.

Response:

At the time of the last analysis we had been given assurances that the data provided was consistent with the rest of the gas industry. If this is true, by association there would be questions raised about the validity of gas industry processes in general since many of these rely on the same asset data and meter read data that we are using.

However, as noted above we have received updated consumption data and are looking to obtain additional asset data which we believe will go a long way to address your concerns.

We note that Modifications 455 and 457 have been raised with the aim of improving the quality of asset data as this is clearly a wide ranging root cause issue. The AUGÉ welcomes such initiatives by the industry to improve raw data, as this not only improves the AUG process and results but also every aspect of the gas metering and billing processes.

With regards to the monetary value, there are a number of improvements to the methodology that will be included in the next statement. Some of these result in a decrease in UG, some result in an increase in UG. At this time we do not wish to comment on the resulting level of UG as work is ongoing to update the methodology as necessary and re-run consumption calculations as appropriate. We do believe however, that the resulting AUG table will be a more accurate estimate than previous versions.

Comment:

Much of Phidex's findings have also been mentioned by the AUGÉ in its own statement, however the impact was not considered to carry sufficient gravity to insist a new and improved dataset was delivered. A much firmer approach should be adopted to guarantee only the most accurate data available is used for this process. The data for future AUG processes should align to the data used to reconcile the LSP shippers to their actual energy usage in each period.

Response:

When we initially raised the issue with Xoserve we were assured that the data we had was up to date and correct and had no reason to believe otherwise.

As noted in the responses above, we have now received updated data from Xoserve which we are assured has the most up to date data and correct consumptions. We have challenged Xoserve strongly with regard to the data mismatches raised during consultation to ensure that the data we do receive is indeed fit for purpose.

Note that any consumption corrections made by Shippers since March 31st 2013 will not be included in the new data set as this is the cut off point that we requested. Any verification of the data provided by Xoserve to that held by Shippers should allow for this.

We would also like to remind Code Parties that the decision of what data to use rests with the AUGÉ.

Comment:

The AUG process is still largely un-audited. The supporting data is huge and in a format which is not easily accessible to organisations or departments with only modest IT capabilities. There is no independent review of the calculations performed on behalf of the AUG before it is released for approval. Taking into consideration both these two points, the work of the AUG at a granular level will go largely un-checked, which is of concern when the value at risk is in the region of £140 million.

Response:

We have answered this question in the previous consultation, and whilst we are sympathetic to your views this is an issue that you should raise with the UNCC/Transporters as it is not within our remit to engage any further independent reviews.

We do, however, believe that the process is sufficiently audited. We publish a methodology at various times of the year for consultation. We have provided data and our calculations to those Code Parties that requested it. A number of consultancies have subsequently reviewed our work including Energy UK, Frontier Economics and Phidex Consulting, in addition to all the Code Parties that have responded to the consultations.

In addition to issues raised through consultation, our own internal reviews have also identified improvements to the methodology. It should be noted that the AUG Guidelines do not make provision for the AUG to seek further independent reviews, and any independent expert reviewing our work would also need to be up to speed with all aspects of the methodology and UG in order to competently review the work.

Where issues have been identified and raised with us we have looked at these, and in addition we have considered a variety of other issues. This process has led to ongoing improvements in the accuracy of the UG estimates.

As issues are identified and resolved they are added to our regression test plan and data sets, so that any subsequent changes to the methodology do not have any unexpected impacts elsewhere in the process.

Comment:

(from comments on Data format page 8-9)

The dataset format provided by The AUG is fit for purpose, as long as the recipient runs an Oracle environment and has plenty of server disk space available to host the estimated 60 GB (uncompressed) of data. Only an Oracle environment is able to load and interpret the Oracle Dump files .dmp provided.

Bearing in mind it is likely a large number of recipients do not run Oracle; a more useful solution would have been for The AUG to have exported the data into a .csv flat file format, perhaps providing the complete data file and a smaller sample file.

This would enable recipients to more easily load the data into their respective databases and environments, smaller sample files would have been able to be analysed using standard MS Office applications such as Access or Excel.

Response:

With regard to data formats, we indicated to Code Parties during preparation of the methodology in 2012 that data would be provided in an Oracle format. No issues or concerns were raised regarding the database used or volume of data. However, we note that as Phidex are not a Code Party they may not have been made aware of this at the time.

It is necessary to use a robust database capable of processing vast amounts of data, which Microsoft Office products are not really designed to do. Speed was also an important consideration.

With regard to storage requirements, we do not regard this as an important issue – we recognise that it is a large dataset, but disk storage is not particularly expensive. In the case of Oracle, it is possible to download a free version of Oracle (called Oracle XE) that could be used to analyse the smaller data sets as it has a limit of 5Gb. Given the scale of the costs of UG, the investment of a few thousand pounds for a suitable server and Oracle licence is relatively minor.

Nonetheless, as indicated in the most recent UNCC (AUGE) meeting, in future we will make data available to Code Parties in both Oracle and/or .CSV format. The .CSV format files will contain the same data, but will not contain the code that calculates consumptions.

Rather than provide a full data set we could also just provide a small sample. Our regression test database should suffice for this purpose.

We also note that Phidex looked at a subset of data and compared it to existing LSP data sets. Given the size of the data set it is not practical to manually examine and validate data and consumptions associated with each MPR, and there will always be certain combinations of data that do not give the expected results. We estimate that if someone spent on average 2 minutes looking at data associated with each meter, a team of 10 people would take 24 years (working 8 hour days) to examine them all.

Comment:

Test 1: Using the data provided by the AUGE in January 2013 Phidex identified LSP sites where

- the AUGE's consumption calculation using metered volumes failed the >5*AQ validation check
- using meter reads instead gives a consumption which is significantly higher than the EUC average consumption which the AUGE uses because its calculation failed

(please see section 5, 6, 7 of Phidex report for full details)

Response:

As previously stated in the AUGE's Response to Queries Arising from 2nd Draft 2012 AUGS for 2013/14 Consultation, using meter reads to calculate consumption relies on accurate meter read units and T&P correction factors, so even if the reads themselves are accurate there is still room for significant error. A comparison of using meter reads as a fall-back to metered volumes for LSPs was previously carried out for one LDZ and reported in the First Draft 2013 AUGS for 2014/15.

The AUGE expects that the receipt of new improved metered volumes from Xoserve will greatly reduce the number of LSP sites which fail, which will reduce the importance of this issue.

However once all data has been imported and processed the AUGÉ intends to carry out further comparison across multiple LDZs as noted at the previous UNCC (AUGÉ) meeting and will provide an update in the next draft AUGS.

Comment:

Test 2: Phidex identified sites where the AUGÉ's consumption calculation had failed and there are different values in the EUC and EUC_CALC fields of the results table.
(please see section 5, 6, 7 of Phidex report for full details)

Response:

Phidex refer to these differences in EUC band as “downgrades” (or “upgrades”). In fact these differences are due to one of three reasons

- the meter is in an MMSP and the EUC field provided by Xoserve is based on the Supply Point AQ whereas the EUC_CALC field is calculated based on the individual meter point AQ. Since the AUGÉ's calculations are at the meter point level it is not appropriate to use an EUC based on a supply point AQ as this may include the consumption of dozens of other meter points. For example the AUG has found an example of an MMSP with 123 meter points within it. Each meter point has an AQ which places it in 01B but the aggregate consumption places the supply point in 05B. Clearly if one of the individual meter points fails it should be replaced with an 01B average consumption and not an 05B average consumption.
- some EUC values from Xoserve were incorrectly assigned. This error was identified following the previous responses and has been corrected in the latest data.
- the EUC and EUC_CALC fields are based on AQs with different effective dates. In the 2nd Draft 2012 AUGS for 2013/14 version of the algorithm, EUC data was taken from both the AQ data tables and the meter reads tables. Following the previous consultation (in March) this was found to lead to inconsistencies which were identified as the root cause of an issue with not using read units for some SSP calculations. In the 1st Draft 2013 AUGS for 2014/15 this was addressed and EUC data is now only taken from the AQ data tables.

This issue has caused some confusion (with regards to how these “downgrade” manifested) but has thrown some useful focus on the difficult task of selecting the most appropriate AQ/EUC to use for validation and scaling of failed sites.

It is difficult to select the most appropriate AQ for comparison as we don't know what reads were used to calculate it by Xoserve. However Phidex have highlighted a number of cases where we have clearly selected an inappropriate AQ. The main cause of this appears to be our decision to only consider the latest AQ from each gas year. For example MPR_ID 768300. We calculate a consumption of 342,868 kWh for 2010. The AQ records are:

MPR ID	AQ EFFECTIVE DATE	EUC	AQ	SITE TYPE FLAG	LDZ
768300	01/10/2007	05W03	374046	N	EA
768300	01/10/2008	05W03	444884	N	EA
768300	01/10/2009	05W03	439990	N	EA
768300	01/10/2010	05W03	438043	N	EA
768300	01/10/2011	03W02	315367	N	EA
768300	16/08/2012	03W02	1	N	EA

From the meter reads it was apparent that the meter stops consuming on 30/09/2011. Based on this the AQ is set to 1 from 16/08/2012. Now we are interested in the period 01/04/2010 to 31/03/2011 when the meter was consuming the whole time. Therefore the AQ value effective 01/10/2011 is the most appropriate to use. AQs can be updated during the year and if they are reviewed we have assumed that there was a good reason for doing so and that the updated AQ should be a more accurate reflection of the consumption of a meter. However, in this particular example, the MPR in question stopped consuming and the AQ was set to 1. Our process therefore ignores the AQ prevailing at 01/10/2011 as it has been updated mid-year and so the AQ of 1 from 16/08/2012 was chosen instead. Our consumption estimate therefore fails the 5*AQ check even though it is perfectly valid. Note also the incorrect EUC band in the AQ data which further muddies the waters.

Therefore going forward we intend to remove this restriction on the choice of AQ and will carry out further analysis to see if any other changes are required to how we use AQs for validation since there will be situations where the updated AQ will be better than that calculated for October 1st. Details of this analysis and updated method to rectify this will be included in the next draft AUGS.

Comment:

Test 4 Phidex identified a number of sites where meter reads were being used for the calculation but unit reads were not being used.
(please see section 5, 6, 7 of Phidex report for full details)

Response:

Following the previous consultation responses in March an issue with not using read units with meter reads has been fixed which affected sites which changed market sector during the period under consideration.

Our validation of read units has also been improved but there undoubtedly remain numerous cases where the meter asset data is incorrect and we are unable to produce our own estimate. This issue with regards our use of read units was addressed in the most recent 1st Draft 2013 AUGS for 2014/15 and the consumption calculation method updated.

Comment:

Test 5 Phidex identified a number of cases where the asset data for a meter is suspicious and they believe that no such meters exist (or in very small numbers).
(please see section 5, 6, 7 of Phidex report for full details)

Response:

As noted in test 4 we have improved our validation of read units so some of the spurious meter types have been removed. We are also awaiting data on cosmetic meter exchanges which may also improve the data quality. However the AUGS ultimately has to work with the data that is available.

Note that read units are currently only being used for SSPs.

Comment:

“During the manual calculation phase of this assignment it was found that meter exchanges were being managed particularly poorly. Unless a seamless sequence of meter reads was available the metered volume would likely fail the AUGS’s validation check. The lack of

seamless sequences of meter reads over an actual or cosmetic meter exchange are common, meaning that where this occurred the less accurate method of using the average AQ for the EUC Band was applied. These reads are available to Xoserve and, although an area which is more prone to anomalies than others, is managed within the energy reconciliation process.”
(from section 8 of the Phidex report)

Response:

As Phidex themselves acknowledge meter reads / volumes around meter exchange are particularly prone to anomalies. There are, for example, situations where meters have been replaced in the wrong property and the meter asset data no longer matches what is actually in place including mis-assignment of subsequent meter reads. The AUG’s consumption algorithm relies on having a unique meter read for any given meter and read date. As such the AUG requested and received filtered data from Xoserve. Where opening and closing reads were recorded with the same date Xoserve provided the closing read. In the latest data set Xoserve have provided both the opening and closing reads. We will investigate the feasibility of incorporating these additional reads into the algorithm and any subsequent changes to the algorithm will be described in future versions of the AUGS.

Queries From	Dong Energy
Date Received	12 th June 2013
Date of Response	25 th June 2013

Comment:

We refer to the First Draft Allocation of Unidentified Gas Statement published on 1 May 2013 (the "AUGS"). We write to you to provide our consultation response in relation to the AUGS and in particular to draw your attention to our underlying concerns regarding the data used to support the AUGS.

In collaboration with the Industrial and Commercial Shippers and Suppliers Group (ICoSS), we have jointly commissioned a report prepared in May 2013 by Phidex Consulting Limited (the "Phidex Report" – please find enclosed a copy for your information) which conducts detailed analysis on the data set proposed to be used to support the AUGS. The Phidex Report builds upon the findings of an earlier report published in February 2013 which outlined significant errors in the data proposed to be used in support of the 2013/2014 AUGS. We would like to draw your attention to the key conclusions of the Phidex Report, specifically with regards to the accuracy of the proposed data set supporting the AUGS process.

Key Findings of the Phidex Report

Whilst we invite you to review the full detail of the Phidex Report, the following points highlight some of the key findings in the report:

- Phidex indicate a firm belief that the data set provided to the AUGS by Xoserve is not the best available and is not fit for purpose, given the unacceptably high error rate (around 20%) that Phidex have identified. It is noted that the data set does not take into account the sophisticated validation processes used across the industry to correct data errors. Xoserve should therefore provide a new data set which contains fewer errors and which can reasonably be deemed 'best available' and 'fit for purpose';

Response

Please see our ICoSS response to this issue. We are pleased to report that we have received an updated data set which is, we believe, an improvement on the previous data set.

Comment:

There are genuine concerns over the existence of incorrect asset details in the supporting data, which is unacceptable. Furthermore, meter reads relating to actual and cosmetic meter exchanges were not provided to the AUGS and were not therefore included in calculating metered consumption;

Response:

Please see our ICoSS response to this issue. We agree that asset data needs to be improved in the industry and whilst we now have better data sets, there are still asset data issues and we welcome any initiatives to improve the situation. We have also requested cosmetic meter exchange details with the aim of incorporating these into the method as appropriate. However, we would like to reiterate that the only meter asset information used in the calculation of LSP consumptions is the imperial/metric flag.

Comment:

Given the extent of such inaccuracies in asset details and meter read information, Phidex have shown that the supporting data used by the AUGC contains “significant and persistent errors”. The scale of such errors is inconsistent with the levels of data accuracy otherwise achieved across the industry and is therefore unacceptable for the purposes of supporting the AUGC process;

Response:

Please see our ICoSS response to this issue. We note that even with improved data from Xoserve there are still data issues within the industry that affect many other processes, not least the allocation of UG.

Comment:

The current AUGC approach to data accuracy is unacceptable, and a more stringent approach should be adopted to guarantee that only the most accurate data available is used for the AUGC process. The data for future AUGC processes should align with the data used to reconcile the LSP shippers to their actual energy usage in each period;

Response:

Please see our ICoSS response to this issue.

Comment

It is noted that the AUGC process is largely un-audited, and that there is no independent expert review of the AUGC’s calculations before it is released for approval. Given the large monetary value of the calculated sums, there is a distinct lack of verification procedures which exposes industry parties to the risk of miscalculation and the inaccurate allocation of UG costs.

Response:

Please see our ICoSS response to this issue.

Comment:

As outlined above, the Phidex Report presents a number of substantial concerns relating to the poor quality of the data used, concluding that such data is not fit for purpose. The implication is therefore that considerable further work will be required to deliver an acceptable level of data accuracy and that the current methodology should be revised at the earliest opportunity.

Response:

Xoserve have assured us that we now have the most up to date (as of 31st March 2013) and complete data set, and we believe that the data is fit for purpose. The methodology has and is being updated to address the concerns raised by yourselves and ICoSS where they were found to be material and where data is available with which to address them.

In addition we have, independently of the consultation process, identified a number of other improvements described in the covering letter which will also improve the accuracy of the methodology. We therefore hope that you will find the data, methodology and resulting output described in the next draft of the AUGS satisfactory.

Queries From	RWEnpower
Date Received	12 th June 2013
Date of Response	25 th June 2013

Comment:

RWEnpower welcomes the opportunity to respond to this consultation on the 2014/15 AUGS.

RWEnpower is supportive of the AUGS's assessment that the consumption based method of estimating unidentified gas is more accurate and is adopted by the Industry.

Analysis has shown that the RbD method used previously is inaccurate and it is our belief that this has caused residential customers to be exposed to incorrectly allocated costs historically. In the absence of this analysis and detail this may have been appropriate however it is imperative that this cross subsidy is eradicated at the earliest opportunity by implementing the more accurate and independently assessed, consumption based methodology that is detailed in this AUG draft.

We are pleased to note that a firm timetable has been produced detailing the dates of report publications for this year which should remove any confusion from the process going forward.

RWEnpower is fully committed to providing the best outcome for our customers who will be required to bear the costs associated with unidentified gas through no particular fault of their own. We do not believe that any particular customer group should subsidise another therefore welcome this more statistically accurate calculation.

In summary RWEnpower supports the new methodology and we hope our comments are beneficial and assist your decision making process.

Response:

The AUGS welcomes RWEnpower's support of the methodology and we look forward to continued support during the rest of the year.

Queries From	Scottishpower
Date Received	12 th June 2013
Date of Response	25 th June 2013

Comment:

We welcome the opportunity to respond to the 1st Draft of the AUG Statement for 2014/15. Our response is non-confidential and therefore can be posted on the Joint Office website.

ScottishPower will continue to be proactively engaged with the AUG in the development of the AUG Statement for 2014/15. We fully support the work that the AUG has undertaken to develop and refine the consumption based methodology, which on consideration; we believe more accurately calculates the volume of unidentified gas and the level of contribution that each market sector makes to this value.

It is useful that the AUG has included comments within the methodology relating to the impacts of approved Modifications and also the benefit that would have been introduced if other Modifications such as Mod 282 – Introduction of a process to manage vacant sites had been implemented. The AUG has recognised that the introduction of a vacant flag would assist in identifying vacant properties. The use of this flag would have allowed increased visibility and transparency of this category of meter point, and therefore would have allowed the AUG to segment this category of site from the core gas portfolio.

We believe that the AUG has completed some valuable work in relation to identifying and understanding contributing factors to the scale and volume of unidentified gas. The AUG through their work has had the opportunity to scrutinise and examine large volumes of data. Through the course of this work the AUG has been in an advantageous position to be able to identify, to some degree, why errors have occurred and are prolonged either through technical failures, data submission errors or lack of appropriate governance controls. In addition if Shipper data had been provided to the AUG in a non-anonymised basis, it would have provided evidence of not just the degree to which each market sector is contributing to the error but the contribution of individual Shippers within market sectors.

As outlined within our response to the review of AUG performance for the year 2012/13, we believe that there is merit in considering an extension to the Terms of Reference of the appointed AUG to include the identification of root causes, the communication of contributing factors and proposals on how the situation can be improved and/or resolved. The Industry is currently discussing proposals for the introduction of a Performance Assurance regime within Gas. Where settlement error is recognised, Parties overseeing/involved in the process should be empowered to take proactive measures to assist in rectifying the situation, be it through reporting, proposing corrective action or raising Modifications.

We look forward to continued engagement with the AUG and believe that further improvements to the AUG process can be achieved via industry engagement and consultation. It is important that the Industry consider in detail additional issues highlighted by the AUG which are contributing to the overall volume of unidentified gas and to discuss potential solutions to mitigate the risks of such issues.

Response:

The AUGÉ welcomes Scottishpower's support of the methodology and we look forward to continued support for the remainder of this year's process.

As mentioned at the recent UNCC (AUGÉ) meeting, we intend to flag up MPRs that have specific issues to Xoserve to pass on to the relevant Shippers for potential resolution going forward. It is our intention to look at the most recent consumption data set provided by Xoserve as this does contain a number of updates.

In addition to issues raised from the consultation process regarding the previous statement published in December, we have identified further improvements to the methodology which will be included in the next statement.

We have also noted new modifications aimed at improving the quality of meter asset data. This is a key element of calculating consumption, which impacts many business processes within the gas industry in addition to Unidentified Gas. We welcome any initiatives to improve the current situation.

Queries From	British Gas plc
Date Received	12 th June 2013
Date of Response	25 th June 2013

Comment:

British Gas (BG) welcomes the opportunity to consult upon this, the 3rd iteration, of the consumption-based methodology to calculate the total quantum of Unidentified Gas (UG) and sector apportionment. As with previous iterations, BG reinforces the previously stated view that the consumption-based methodology is the most accurate method of calculating UG and addresses one of the critical failings of the RbD-bias method in that it measures initially assigned SSP UG. As mentioned in previous consultation processes the validity of the consumption-based method, particularly when compared to the RbD-bias method, is not in question and has been demonstrated to be statistically more accurate and significantly more likely to yield a correct outcome.

The allocation of the balancing number in line with throughput has again been shown to be the most accurate and ultimately the fairest method of cost allocation having been subject to rigorous challenge and review over the numerous consultation phases. It seems reasonable for this to be reviewed additionally only when compelling evidence to the contrary (should this exist) is presented. Additionally any potential new data streams which may provide insight into this area would need to be assessed as to their maturity and representative nature prior to consideration.

BG recognises the rationale behind the AUGE adopting a 'seasonal normal adjustment' approach to forecasting; but would request that the AUGE perform some sensitivity analysis to ensure that the assumptions surrounding this hold true. For example, that theft consumption is behaviourally the same as non-theft consumption in relation to seasonal fluctuations. It may be that by averaging several years of data that the AUGE is, by default, adopting a seasonal adjustment that reflects actually experience weather conditions.

BG recognises that the AUGE has addressed the minor concerns raised during the previous consultation window as to the proper treatment of IGT Shrinkage and has now published a replicable formula to extrapolate LSP consumption as a proportion of total NDM consumption.

BG further recognises that the AUGE has also addressed the concerns raised by all industry participants over the course of several consultation periods and that this methodology is both well matured and well understood.

BG notes that the AUGE has demonstrated thus far in the 2013 process that it is keen to adhere to the stated timeline provided by the guidelines document and this is to be applauded. This should avoid any repeat of the unfortunate situation whereby a statistically more accurate method and a significant incremental advancement to the methodology was forfeited due to time expiry. The result of which was a detriment to the fair allocation of costs.

In summary, British Gas supports the latest iteration of the consumption-based methodology.

Response:

The AUGÉ welcomes British Gas's support of both the consumption-based methodology and the wider process.

We do not have sufficient data to be able to measure the weather sensitivity of theft at a detailed level. Ideally we would be able to compare consumption of consumers who were stealing and those who were not, against weather to see what level of weather sensitivity existed. However, we would need to do this on a like for like basis, i.e. similar type of property/premises, occupancy, location etc. In addition, the amount of theft is estimated and as we have concluded from extensive analyses on the subject the estimated periods of theft and amounts of theft are not reliable.

All we can say with the information we have at this time is that 2009 and 2010 formula years were colder than average while the 2011 formula year was warmer. Overall the scaling factors to correct to seasonal normal conditions will reduce our theft estimate by ~1.11%. The actual impact in GWh will be determined once the raw estimate of total theft has been calculated using the latest data and updated methodology. Compared to some of the other improvements to the estimate of UG the handling of seasonality has a relatively small impact and ensures that we are not introducing a bias following a period of particularly warm or cold years.