

## **Initial AUGE responses to issues raised by ICoSS during the consultation period for the 2014 second draft AUGS for 2015/16, 14 August 2014**

Below are the issues raised by ICoSS following analysis carried out on their behalf by Phidex. Following each issue is the AUGE's response in italics.

### **LSP Data Discrepancies**

There is a disparity between the LSP volumes provided in the latest dataset by Xoserve to the AUGE and those volumes charged to shippers through the established Xoserve invoicing and reconciliation process. Comparing individual shipper data against AUGE calculations, for the same site and identical period, a shipper has received charges for different energy quantities than those contained in the AUGS 2014/15 calculations. The degree of variation on a meter by meter basis in the sample analysed is circa 10%.

#### ***Response:***

*The AUGE has been basing its calculations on what it believes to be the most accurate dataset. The data analysed by Phidex is from last year's AUG process (2012/13) and there have been further improvements since then. The latest data contains a number of corrections to both asset data and volumes. Some of the specific examples raised by Phidex are corrected in the latest dataset.*

*It is recognised however, that the .RCS data may be a 'better' source of data for the LSP market sector and this should be investigated in future. Unfortunately this will not be possible within the time frame of this year's AUG process. If the .RCS data is to be investigated further, there would be a significant amount of effort involved in data acquisition, a detailed analysis to confirm that it is indeed a better source of data and an assessment of how to integrate with the SSP data. There will no doubt be a number of issues with meters moving between SSP and LSP, i.e. some meters will only be in the .RCS data for some years.*

*Although Phidex quote that our calculated consumptions can differ from those using the .RCS data by up to 10% on a meter-by-meter basis, this difference can be in either direction and so there is no conclusion at this stage that the aggregate across all meters is biased.*

### **LSP meters which fail validation**

Because a sizeable proportion of data provided to the AUGE did not pass its own validation exercise, consumption quantities to apply to the AUGS Tables have been estimated. Analysis of MPRS which failed validation has shown the estimated value applied to the AUGS varies significantly from actual consumption. In the two LDZs analysed, the AUGE had understated energy by circa 127million kWh. With a SAP price of 2.36p/kWh, this demonstrates an erroneous increase in the Unidentified Gas value by approximately £18 million.

#### ***Response:***

*The use of the validation process is to ensure that consumption estimates based on erroneous data are not included in the total consumption. No validation process will be perfect and may occasionally remove meters where the data was in fact correct or keep meters where the data was incorrect.*

*Phidex have identified a number of cases where the metered consumption appears correct but where the validation process has replaced the consumption with the EUC average.*

*Further analysis has shown that most of the 127GWh over-estimate of UG in EA and NO LDZs is due to just 3 meters. It would be possible to manually check the meter reads for the largest LSP sites that fail due to the 5x test only and over-ride the "fail" flag if necessary. This step could be added to the data validation procedure.*

*Again it should be noted that the data analysed by Phidex is not the latest and a number of the cases which previously failed validation do not fail when using the most recent dataset.*

### **Volatility in UG figures**

In the 12 months since the AUGS Table for 2013/14 was published in Feb 2013 the total Unidentified Gas values have swung enormously, firstly decreasing 45% between Feb 2013 and Oct 2013 and then increasing 36% between Oct 2013 and Jan 2014. Together with known errors identified from Phidex and others, there is a strong case for this process to be independently audited.

#### **Response:**

*The UG estimates have shown volatility for a number of reasons.*

- With the greater focus on Unidentified Gas a number of modifications have been raised with the specific aim of reducing levels of UG. We would therefore expect to see a legitimate reduction in total permanent UG as a result.*
- Some of the variation is due to the difference between the interim and final UG figures. The interim figures are intended to be an initial estimate to provide the industry with a 'heads up' of the expected level of UG and to provide an opportunity to raise any queries regarding the figures, which may then change as a result of feedback. This is part of the process. By necessity, the interim figures are not based on the most up to date data.*
- Improvements to the methodology and/or calculation as a result of the query process.*
- Improvements to the quality of the data used in the UG calculation.*

## **Additional points raised by Phidex**

### **Data Confidentiality**

It was noted with some concern that the AUGE has stated the supporting data was to be provided only to a UNC signatory party and, as seen in the extract from AUGE doc ref: AUGS Data 2013 (dated 23 October 2013), that disclosure to other third parties is not allowed without expressed permission.

Independent and expert input in analysing the AUG supporting data, which has previously been shown to contain numerous calculation errors and flaws in its methodology, is essential for many affected parties. This point is particularly relevant when considering these charge values, in tens of millions of pounds, will be passed on to their customers. I would be keen to understand more about the intent of the AUGE for this statement.

### **Response:**

*The AUGE is happy to share information to allow the independent assessment of its methodology and calculations. However, industry data is provided to the AUGE on a confidential basis and so cannot be shared with any other party without express permission. Compliance to the AUGE terms of reference is covered in the AUGS Section 2 – ‘Compliance to Generic Terms of Reference’. In particular it states*

- *‘The AUGE will undertake to ensure that all data that is provided to it by all parties will not be passed on to any other organisation or used for any purpose other than the creation of the methodology and the AUGS.’*
- *‘The AUGE shall ensure that all data provided by Code Parties will be held confidentially, and where any data, as provided or derived from that provided, is published then it shall be in a form where the source of the information cannot be reasonably ascertained.’*

*The intent of the statement made by the AUGE is therefore to ensure compliance to these terms of reference.*

### **Data Quality and Requirement for Independent Review**

In the 2013 assignment Phidex noted that there were numerous errors in the AUG calculations which came from a number of root causes, including data provision, methodology and errors in the calculation code. We recommended that an independent review is undertaken prior to the finalisation of future AUG Tables to provide a secondary level of data cleansing, much in the way that Phidex has performed to date. A formalised independent and unbiased review will ensure the AUGS tables are tested and audited and that any costs of this are shared amongst all interested parties. Currently there is no guarantee of an independent review, any review which is undertaken is arranged through individual organisations where the output could be duplicated with other work or swayed in the favour of one particular sector.

It is duly noted that the AUGE responded to this point in 2013 saying that the inclusion of an independent review was not part of its scope and should be discussed at UNC level. Phidex therefore recommends that this is carried forward through ICoSS and any other organisation which has raised the issue.

Aside from an independent review, there is still the outstanding matter of data (and calculation) quality. Some of the matters raised by ICoSS and other shippers were stand-out, significant and should have been picked up by the AUGE as part of their business as usual practices. The AUGE commented on Phidex's enquiry about a granular review of their calculations prior to publication. The AUGE response to queries arising from 1st Draft 2013 AUGS, below, disappointingly reads that this is not a practical solution:

Phidex is keen to point out that an effective, intelligence led review of calculations would not take a single FTE 240 years to complete as we hope we have demonstrated in the assignment we have carried out to date. This most recent piece of work identifies further examples of anomalies identified and communicated to the AUGE previously. In a relatively short period of time Phidex has reviewed a new dataset and consistently found anomalies. These instances are what we aim to remove from finalised future tables.

**Response:**

*We are grateful to Phidex for identifying anomalies based on the additional datasets they have access to, and we will continue to improve our processes to reduce the number and size of issues raised through the query process. However, due to the huge volumes of data involved, any calculation process has to be largely automated and there will always be cases where a manual calculation would give a more accurate result. The AUGE aims to identify and correct the largest discrepancies which result from the automated calculation.*

*It should be noted that the Phidex analysis is based on data and calculations from the 2012/13 AUG process and that a number of the specific examples raised are no longer relevant using the most recent data.*

**Presence of erroneous Asset Data**

Calculation errors do still exist and examples found in the sample analysed; these include asset and calculation anomalies previously identified, but to a lesser extent.

**Response:**

*The AUGE has previously noted a number of issues with asset information and these are raised with Xoserve for investigation. The calculation process does aim to remove the effect of incorrect asset information by using default values where it is identified that the values are clearly incorrect. Of the list of assets that are not available in the UK gas market in Phidex Test 5, all but two of these are flagged as incorrect by the calculation process (Metric meters with units of 10 and Imperial meters with units of 10,000). In addition the meter index units from the asset data are only used in the calculation for SSP meter points. These 'spurious' assets will be raised with Xoserve and investigated prior to calculation of the UG estimates.*