

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:	Jason Salmon
Organisation:	Utility Warehouse
Date of Representation:	04 June 2021
Support or oppose implementation?	Support
Relevant Objective:	d) Positive f) Positive

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

Whilst we welcome the intention to deliver a more robust and accurate methodology it is our view that due to the timescales imposed by the framework, there has not been sufficient opportunity for parties to robustly challenge the assumptions and methodologies used. Specifically those associated with the levels of theft.

In the new statement the assumed level of theft associated with smart meters is more or less equal to the level of theft associated with traditional meters. This assumption is counter intuitive as smart meters settle regularly on actual meter readings and provide real time alerts to indicate if the meter has been accessed or tampered with by an unauthorised party. Consumers are becoming increasingly aware of this which acts as a disincentive to commit theft. This increased level of information, coupled with regular meter readings, allows suppliers to identify any potential thefts significantly earlier. As a result, we are of the view the total number of thefts relating to smart meters is likely to be lower than traditional meters, and also the length of time for which a theft continues is likely to be far shorter. This should be reflected in the calculation.

Rolling forward the current (2020/21) AUG table into the 2021/22 gas year, will allow parties to robustly review and understand the methodology and assumptions, providing confidence the new weighting factors are reflective of where UIG occurs.

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

We agree with the timescale specified in the modification paper - it would need to be implemented as soon as possible and before the start of the new gas year on 01st October 2021.

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

N/A

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

We agree the legal text will deliver the intent of the solution.

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.

The approach taken by the AUGGE to review many of the existing assumptions and effectively start from scratch is welcome however the level of information provided to support the new methodologies behind the assumptions has been lacking. This has made it very challenging for parties to clearly understand what has driven the weighting factors and therefore lack the confidence required to fully support them. Especially as they are significantly different from the previous weighting factors.

It is our view that due to the timescale limitations imposed by the framework, coupled with a lack of detail behind some of the weighting factors, parties have not had sufficient time to robustly review and challenge the assumptions. There are a number of outstanding questions relating to some of the weighting factors, specifically those relating to theft.

This has resulted in parties not being able to satisfy themselves that the new methodology is an improvement on the previous version and not just a change.

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.

Based on our views relating to the robustness of the production process, above, we can not confirm if the resulting table is robust. Further review of the detail behind the table will be required to confirm 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 effectiveness of the overall governance process is broadly good however the process this year has highlighted some areas that should be considered for review. Namely the length of time provided between AUG table production and approval and; the approval mechanism.

It is our view that each year a longer time frame should be afforded to parties to properly review and challenge the table, if this time frame were to exceed the traditional UNC approval date of the table then so be it.

We also hold the view that the quoracy on rejecting the new table each year should be reviewed. Currently the unanimous requirement could lead to further instances in the future of tables being approved without sufficient scrutiny. Moving to a simple majority could prevent this.

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.

Whilst there is a risk that this mod could be seen as asking the Authority to validate the statement, we do not believe that this is the intention of the modification and is a result of the existing AUG production and approval process. It is our view that if the production and approval processes were to be amended to allow a more flexible approach (eg. the UNC having the ability to reject the AUG statement by majority instead of unanimously) there would be no need for direction from the Authority.

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.*

N/A

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

N/A