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Dear Fiona

Allocation of Unidentified Gas (AUG) Process – Response to Request for Feedback

Thank you for your hard work supporting the running of the AUG process again this year. We have considered the points you raised in the request and would like to provide the following points of feedback.

AUG Framework Document
- We are presently satisfied with the framework, in terms of timeline, scope and responsibilities.

- We would suggest introducing some mutually agreed limitations on the use of consultancies while providing feedback to the AUG process (see third point under *The Industry* below).

- There is a move by some industry participants to change the governance of the framework document by moving it from being a subsidiary document to being part of the UNC.

  Aside from the circuit breaker in the process whereby a unanimous vote from the UNCC could impose allocation weightings other than those determined by the AUG Expert, there remains a question on whether there should be another route of appeal, and if so what this appeal route should this look like.

  Given the intrinsic contentiousness of the allocation outcomes, we think bringing the framework into the UNC will have a detrimental effect. The Expert Determination provisions in the UNC will undoubtedly be invoked in most years, begging the relevance on of the AUG process in the first place.

  There are further conversations to be had on this topic, but in general any appeal mechanism should:

    - be the exception rather than the rule; and

    - have a high bar in terms of credibility and evidence to be invoked – a transparent stalking horse for commercial interest should not be sufficient to disrupt the process and generate cost uncertainty for the industry.

AUG Expert Performance
- For the process this year there was a new provider utilising a different methodology. At a high level the new approach could be categorised as less data intensive, and more bottom-up. In previous years we have taken issue at elements of the process reliant on detailed analysis of data sets that are inherently biased and incomplete, so in the main we are comfortable with the approach taken

this year. The AUGE has been clear and transparent where a judgement has been applied to determine a parameter, and there has been adequate opportunity for industry to critique and challenge these judgements.

- We have been satisfied with the communication, industry engagement and responses provided by the AUG Expert. As a point of convenience, our analysts would be appreciative of the sharing of the high-level harness model in Excel format (simply as a more efficient communication medium for those so inclined).

The industry
- We are very supportive of the principle of a robust challenge to the AUG's work, especially when undertaken in good faith, but there has been some particularly loud lobbying this year against the AUG Expert's performance.

- Having reviewed both the AUGE's output and the voluminous challenges from various parties, apart from some minor points which were readily taken on board by the AUGE, we are satisfied with their performance and consider the criticisms in the round as differences in point of view that are inevitable in modelling this particular subject.

- While we do not take issue *per se* with the engaging of the previous AUG Expert provider to support the critique of the current AUG Expert's work, we do question the suitability of using the brand of that provider to add credence to the criticisms. The industry has collectively bought and paid for an umpire and taking this approach we feel risks opening the process up to the risk of duelling consultancies (with attendant costs). We would like this point added to any future conversations on the AUG framework.

Xoserve / Correla
- There were some challenges in triangulating certain data points this year between different sources (e.g. numbers of prepay meters). We invite Xoserve/Correla to proactively suggest improvements to the provision of data and levels of support for the AUG Expert to resolve any notable disparities.

Yours sincerely

Rhys Kealley
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