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21st January 2022

Corona Energy response to Draft AUGE statement 2022-23

Dear Sir / Madame

We would firstly like to thank Engage for giving the market an opportunity to provide views on the Draft AUG statement for 2022-23.

Though the AUGE has had a further year to develop the AUGE statement, we still have considerable concerns over both the methodology and data used in its development and consequently whether the resultant factors are equitable between cohorts and ultimately fair. For example, microbusinesses customers continue to be the hardest hit with further change from last year to this year, and consider that this must be of concern to the whole industry.

The methods employed result in variable factors year on year, as well as significant volatility. This creates uncertainty and a lack of stability in being able to accurately and fairly include UIG costs into contract prices. We still think that further work is required to find a methodology that enables both the cost of unidentified gas to be distributed equably to all users of the system, and to provide stability to factors over time.

It is concerning that the market is seeing significant swings year on year in scaling factors, particularly in the lower end of the market. The re-emergence of a marked differential between Class 3 and Class 4 customers in the lower EUC bands will mean a substantial shift of sites back to this class. This creates harmful distortions and incentivises unnecessary moves in Class.

In addition, the outcome of this statement is, as last year, an unfair redistribution of costs from domestic to non-domestic customers, to a greater extent than in the previous statement.



We note it is difficult for industry to fully evaluate the robustness of the methodology as most information provided is only at a high level. From what has been made available, it is our view that the current methodology is not suitable. It does not achieve the aim of providing an accurate assessment of Unidentified Gas and their sources. The use of a “bottom-up” methodology is not a credible mechanism for the majority of Unidentified Gas; sufficient data does not exist to derive a robust assessment in the largest areas. The data that has been used does not seem to be applicable to the GB gas market. It is also concerning that the statement includes data from a limited number of sites (two) which is likely to distort the calculation of weighting factors. We note that the statement from 2020-21 and earlier did not suffer from these issues owing to the use of a top-down approach.

Corona Energy has raised two UNC modifications as a result of our concerns with the current AUGE process (UNC 0781R and 0782). Our assessment of this statement confirms our view that the AUGE framework is not fit for purpose. At a minimum stronger oversight is needed of the AUGE process to ensure an equitable outcome. Longer-term the process needs to be fully reviewed to ensure that shippers can benefit from a stable and transparent process for managing Unidentified Gas.

Yours faithfully,

Emily Wells
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Corona Energy