



Draft AUG Statement Consultation 2022/2023 - EON (incorporating npower Business Solutions response)

Question 1. Our overarching methodology is detailed within Section 4 (“Overarching Methodology”) of the draft AUG Statement. This methodology is based on the following principles:

- **Bottom-up Determination:** we quantify UIG for each identified contributor and add these together, rather than estimating the overall UIG and apportioning it or using it as a means of differencing;
- **‘Polluter Pays’:** we interpret “fair and equitable” to mean that UIG should be allocated in the same proportions as it is created. As the UNC does not permit the allocation of UIG at a Supply Point level, the best current attainment of this principle is that each position on the matrix of EUC Band and Class attracts its appropriate proportion; and
- **Line in the Sand:** we only include in our calculation of Weighting Factors the UIG that will exist at the Line in the Sand (the final Settlement position) and not the UIG that exists temporarily prior to this.

Please highlight any aspect of these principles or our overarching methodology that you disagree with or could be improved upon, providing your rationale and, wherever possible, supporting evidence. Please also make any suggestions for alternative approaches and describe how you think this would improve the Weighting Factors contained in the AUG Table.

Response:

The process in place to deliver the AUG statement is transparent and well presented. We acknowledge the efforts of the AUG to engage Parties prior to publication. The data available has shown that UIG is of a higher level than had been previously assumed, agreeing that a value between 2.5 and 3% is the most likely level. However, the overall approach is unchanged and further work is required to ensure that each known contributor is fully explored to give Shippers a better indication that the weighting applied to each factor is proportionate. It is also concerning that factors vary so much year on year despite how long UIG has been in existence.

Whilst the current overarching methodology remains unchanged in its style and structure, this unfortunately does not address some of the fundamental issues which contribute to the volumes of UIG.

The issue of UIG is a problem which ultimately impacts costs to all parties who transport, meter, and supply gas to consumers. However, the current model does not spread the responsibility to reduce UIG across all parties.

The overall results chart (page 3) highlights the ‘known’ contributors of UIG and shares the volume across these sections. However, there is still a need for a greater clarity within the ‘theft’ contributor to apportion the confirmed cases of theft separate to a number of factors



which would be more accurately represented as 'Unbilled gas'. These factors are explained in more detail under notes on section 5.

Question 2. Our results for the two new contributors and two refinement investigations are contained within Section 5 ("Detailed Investigations") of the draft AUG Statement. For each of these contributors, please highlight any assumptions, methodology aspects, calculations, and results which you disagree with and which you believe materially affect the Weighting Factors contained within the AUG Table. Where possible, please provide your rationale, suggestions for improvement and supporting evidence:

- 2.1 140 – Meters with a By-Pass Fitted (NEW);
- 2.2 160 – Isolated Sites (NEW);
- 2.3 010 – Theft (AMR only) (REFINEMENT); and
- 2.4 090 – No Read at the Line in the Sand (REFINEMENT).

Response:

The new additional categories for detailed investigation are welcomed, however, whilst the methodology for measuring '140 – METERS WITH A BY-PASS FITTED' is detailed and logical, the volume of UIG which has been attributed to this cause is minor. However, with greater focus this contributor could have a greater impact improving the overall UIG picture. We do agree that currently the data is too poor to allow a UIG impact to be calculated.

For '160 - ISOLATED SITES' we agree the analysis confirms that UIG exists for these sites, and the analysis is sensible from the available data.

Within Category '010 THEFT', further work is needed to expand the 'unbilled' consumption of gas, and reflect this accurately in the AUG report.

Through the number of confirmed cases in TRAS, we can attribute a substantial volume of gas theft to residential prepayment. Cases of commercial gas theft are considerably lower. Whilst the industry has worked hard to improve performance and reporting of gas theft, this is not accurately reflected in the AUG's breakdown.

The industry workgroups have identified a number of scenarios which can cause gas to be consumed, without any meter interference or tampering. (Which are currently being counted as Theft).

For example, where a new connection is fitted, the install of the meter can be arranged without a supply contract being in place. In some cases this leaves a period of gas consumption that is not accounted for as a Supplier cannot retrospectively charge for gas consumed before the contract start date.

Other scenarios such as voluntary withdrawal are also an opportunity for a supplier to cease responsibility for consumption. (Often on the grounds of failed access.) If not fully



investigated, the process will allow the withdrawal of responsibility by a Shipper, without confirmation from Agents or Transporters.

Whilst the AUG has made progress with this contributor, further work would be beneficial to ensure the volume of UIG in this area is better understood. We also believe that there may have been a meter category missed in the analysis given the larger sites should all have AMR fitted to meet obligations. We would suggest this is investigated and updated this year if possible, but as a minimum for next year.

A further contributor which would benefit from further work is '090 – NO READ AT THE LINE IN THE SAND'. Using the reason codes to look at the rejected reads volumes is sensible, however, to be sure that the reason codes being used are correct, further analysis of MPRN's in this category, (and those with significantly higher volumes of rejection rates,) is needed.

As the industry is nearing the end of the Smart Meter and AMR roll out, the frequency and accuracy of reads is expected to improve and thus will have a positive impact on industry settlement. This is not yet evident in the data produced for this contributor. Equally, the data presented to the Performance Assurance Committee (PAC) was intended to ensure that Shippers and Suppliers are meeting and managing their obligations to gain actual reads.

It is necessary to have a cut off/line for Settlement, however, the evidence provided would suggest that many read's are being rejected due to timing, not inaccuracies. Further work in this area would be welcomed and we would support PAC being requested lookat how to ensure reads are received successfully into the system.

Question 3. Our results for the eight contributors not under detailed investigation are contained within Section 6 ("Other Contributors") of the draft AUG Statement. These contributors to UIG were investigated last year and are repeated this year. Dataset refreshes have occurred for all eight contributors. In some cases, small improvements have been made to a step in the methodology or calculations, and we highlight these instances.

For each of these contributors please highlight any methodology aspects, calculations and results which you disagree with and which you believe materially affect the Weighting Factors contained within the AUG Table. Where possible, please provide your rationale, suggestions for improvement and supporting evidence, with a particular focus on sharing new insight and commentary not previously provided:

- 3.1 020 - Unregistered Sites;
- 3.2 025 - Shipperless Sites;
- 3.3 040 – Consumption Meter Errors – Inherent Bias;
- 3.4 050 – LDZ Meter Errors; 3.5 060 - IGT Shrinkage;
- 3.6 070 - Average Pressure Assumption;
- 3.7 080 - Average Temperature Assumption; and
- 3.8 100 - Incorrect Correction Factors.

Response:



We have no additional comments to make regarding these contributors

Question 4. If there is any other relevant matter in relation to this consultation that you would like to raise which you believe materially affects the Weighting Factors contained within the AUG Table, please explain this and provide your rationale and, wherever possible, supporting evidence.

Response:

We believe the splitting of the EUC categories to such granularity has created some oddities in the data where cells are blank, we believe grouping at a higher level would be better