

AUGE

21 January 2021

ICoSS Response to consultation on Draft 2022-23 AUGE statement

The Industrial & Commercial Shippers & Suppliers (ICoSS) is the trade body representing the majority of the GB non-domestic energy market. Our members¹, who are all independent Suppliers, in total supply in excess of three quarters of the gas and half the electricity provided in the highly competitive non-domestic market.

Executive Summary

We note that a large proportion of the statement is a refinement from the previous year's methodology and the so the majority of our comments from the previous year are still applicable.

As in the previous year, the AUGE statement has, in a number of areas, improved the understanding of Unidentified Gas in the retail sector. This would include such areas as consumption meter errors and temperature and pressure assumptions.

Overall, however we still have considerable concerns over the approach an output of this year's AUGE process. For the avoidance of doubt, it is still our view that the current methodology is not the optimal approach and that the underlying methodology and/or data used in that assessment is not robust. Specifically, though there has been some improvement in the assessment of theft, there are still a number of assumptions which have not been fully justified and are not applicable to gas theft in the non-domestic sector. It is also concerning that data that is likely to be inaccurate has been included in the calculation of losses to both unregistered and isolated sites. The distortion these numbers produce in the statement demonstrates the weakness of a bottom-up approach to calculating Unidentified Gas.

As in the previous year therefore, this statement as currently drafted will again result in an inequitable allocation of Unidentified Gas and result in cross-subsidies between market sectors. We are supportive of the current industry initiatives (UNC Modification 0781R and UNC Modification 0782) that seek to identify improvements to the AUGE process.





UIG determination methodology

We continue to have concerns regarding the bottom-up methodology that is the basis of this report. Such a process requires reliable information on the sources of Unidentified Gas. It does not exist for the vast majority of the Unidentified Gas identified, in particular the assessment of topic 010-Theft of Gas, the largest contributor.

Relying on limited data also subjects the methodology to potentially wild swings as that data is refined. This is notable in 020- Unregistered Sites and 160- Isolated Sites where a single site is the majority of the Unidentified Gas contribution in both cases.

Continuing to place emphasis on the volumes calculated using limited and incomplete data rather than consumption volumes recorded by Xoserve means that the methodology is not an accurate basis for determining Unidentified Gas volumes. In addition, as stated last year, it is difficult to fully understand the implications of the work undertaken by the AUGE owing to the lack of visibility of some of the detail of the calculations.

Areas Under Detailed Consideration

010-Theft of Gas

We welcome the recognition of the fact that industry data indicates that AMR sites have very low levels of theft associated with them. This is an improvement to the current methodology.

Overall, however our view is that the current methodology used to apportion gas theft is still not fit for purpose.

In many areas of the report, there seems to have been a reliance upon limited data to arrive at a determination which materially affects the scaling factors. Any assessment of the preponderance of theft in a market sector must be determined using a robust dataset that is applicable to the unique circumstances of the gas market.

It is also not clear as to why significant volumes of Unidentified Gas have been removed from the calculation thanks to the presence of AMR devices, but the total amount of gas stolen has increased. The information used in this report is very high level, does not apply to the gas market and very little information has been provided on how the wide range bands have been condensed down to a single figure. The lack of robust justification of some of the values calculated continues to undermine confidence in this report.

090- No Read at the Line in the Sand

Whilst we recognise the attempts to refine this potential source of Unidentified Gas, it is notable that a comparatively narrow change in methodology has resulted in a 38% increase in Unidentified Gas from this source. It is concerning that such a large shift



in volumes has occurred and further illustrates our concerns over the issues that arise from reliance of limited or incomplete data sets to undertake a “bottom-up” calculation.

140- Meters with a By-Pass Fitted

We agree with the AUGÉ that the information that has been identified indicates that a negligible level of Unidentified Gas can be apportioned to this factor. It should be noted that meter by-passes are used very rarely (only where the meter installation itself is being replaced, which is not required with an AMR installation) and usually during a period of wider maintenance at the site (so with low levels of gas consumption). As a result, we do not expect regular consumption adjustments above the 10,000 KWh threshold. We note that no evidence has been provided by any industry party of widespread misuse of meter bypasses despite a recent focus on this area and believe the AUGÉ should focus its resources on other topics.

160- Isolated Sites

We agree in principle that Unidentified Gas from isolated sites should be assessed to determine Unidentified Gas volumes. We note however that the vast majority of the value of this source of Unidentified Gas is assumed to come from one site.

We believe that the underlying issue for this site is to be addressed and so its contribution will be removed from the calculation. We welcome the commitment to improve the underlying dataset, but it highlights in our view the fundamental weakness in the methodology; reliance on limited information to determine Unidentified Gas apportionment.

Areas not Under Detailed Consideration

020- Unregistered Sites

As we noted in the previous year the vast majority of the gas apportioned to this factor is from a single site, which according to this calculation, is consuming 68GWh a year unregistered. If this is the case, there are obvious safety concerns with such a critical site consuming gas without a registered shipper for at least 12 months and in reality, longer.

We think it is extremely unlikely that this site is live however and in reality, this site is not consuming such a large amount of energy. We are surprised that no action has been taken to address this issue which is distorting the Unidentified Gas calculations and again demonstrates the risk of using a “bottom-up” approach without addressing outliers.

025-Shipperless Sites

We note that this process is unchanged from the previous year. The use of more accurate Aqs based on consumption will improve accuracy.

040 - Consumption Meter Errors



As compared to last year we believe that the use of the information to derive this value seems to be a positive step and support any improvements to this information source.

050 - LDZ Meter Errors

In line with last year, we agree that there is unlikely to be a significant amount of permanent Unidentified Gas from this source as errors are quickly identified and corrected for prior to line in the sand

060- IGT Shrinkage

We note the additional data that has been sourced to be inputted in the model developed by the AUGE. As we noted in the consultation response to the previous year the mapping of LDZ meter point population (Step 9) to losses in the IGT sector results in an unwarranted uplift to larger EUC Bands as the ratio of CSEP sites is different to that in non-CSEP sites. We request further confirmation that the AUGE has not used the information available on CSEP populations from the CDSP to apportion IGT shrinkage losses and, if this is the case, insight as to why.

070- Average Pressure Assumption

As stated in our response to the previous year, the approach described within the draft AUGS appears to be an appropriate methodology.

080-Average Temperature Assumption

As stated in our previous year's response The methodology described in the AUGS appears to be suitable.

100 – Incorrect Correction Factors.

The methodology described in the draft AUGS appears to be suitable. The increase in Unidentified Gas from previous estimates is likely due to an increase in the estimated consumption and any differences in the proportion of the consumption which is subject to volume conversion errors.

Next Steps

Despite some marginal improvements, it is our view that the proposed AUGE statement, like the statement for 2021-22, is not adequate when assessing the majority of Unidentified Gas. It is therefore not an appropriate mechanism in which to allocate Unidentified Gas between shippers. Consideration should be given to reverting all or part of the statement, particular the areas regarding theft, to the methodology utilised prior to 2021-22. If this is not possible, then the table used for the 2020-21 AUGE year should be used instead.

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