

Engage Consulting,  
Allocation of Unidentified Gas Expert

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Sent by email to: [analytical.services@xoserve.com](mailto:analytical.services@xoserve.com)  
CC: [auge@engage-consulting.co.uk](mailto:auge@engage-consulting.co.uk)

Dear Sir/Madam,

## **AUG Draft Weighting Factors 2023/24**

Thank you for the opportunity to provide comments on the Draft Weighting Factors for 2023/24.

We do not believe it is fair and equitable to allocate almost 6 times more UIG to small domestic prepayment customers compared to non-prepayment customers. We believe the weighting factors for prepayment and non-prepayment domestic customers should be equalised across product class 3 and 4 separately.

We are very concerned about the number of customers who are struggling with their energy bills amid the ongoing cost-of-living crisis. For some customers prepayment meters are an option that can help them to budget, and help mitigate the risk of going into, or exacerbating, existing debt. We consider that the proposed differential in the weighting factors between domestic customers creates an increasing penalty on customers with a prepayment meter.

We previously expressed concern in our response to UNC 0711, which updated the AUG table to allow separate allocations to prepayment and non-prepayment customers:

*“It is expected that the change will shift UIG costs further towards residential and particularly pre-payment customers. The consideration of this impact has been explicitly removed from the remit of the AUG Expert, however it is relevant to the consideration of the UNC Panel and Ofgem.”*

Since the AUG table was updated, the weighting factors for domestic prepayment customers have been considerably higher than domestic non-prepayment customers, from 3 times higher in 2021/22 to 4 times higher in the current factors and now almost 6 times higher in these draft factors.

We do not believe the “Polluter Pays” approach should be applied at such a granular level. The primary differentiator between the UIG allocations is theft and the higher allocation to domestic prepayment customers appears to be driven by higher historical theft detection rates for customers with prepayment meters.

In their “Theft Estimation Methodology” (TEM) report Capgemini Invent on behalf of RECCo states: *“there is a bias in investigations towards pre-payment meters and that the conversion rate to confirmed thefts is higher than with other meter types”*. We also believe that one of the

reasons historical theft detection rates are higher for customers with a prepayment meter is because the extra layer of data (customers not vending) makes it easier to detect.

We do not believe that applying the “Polluter Pays” approach at a meter type level is fair because in the case of gas theft, by definition, the polluter is *not* paying: the approach places the cost of theft increasingly on those who are *not* stealing gas simply because theft detection rates have been higher for customers with similar meter types.

We also note that all other prepayment EUC bands have the same weighting factor as their non-prepayment counterparts, and it is only small domestic prepayment customers who are treated differently in this way. The consultation document states that this is due to limited data, but we question the equitability of such an approach.

Therefore, we believe the weighting factor for prepayment and non-prepayment domestic customers should be equalised across product class 3 and 4 separately. We recommend the AUGE consult further on the approach for the allocation of unidentified gas across domestic EUC bands.

Please do not hesitate to contact me, or my colleague James Knight, if you have any questions.

Yours sincerely,

Kirsty Ingham  
Head of Industry Transformation, Governance & Forecasting  
**Centrica Regulatory Affairs & Policy**