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1) Comments on overarching methodology

Utilita are supportive of the Polluter Pays and Line in the Sand principles.

Utilita believe that Bottom-up Determination has the potential to produce a more accurate apportionment of UIG, however this accuracy is dependent upon both the methodology adopted and the quality of historical data. If any of the foundational inputs are not representative of the likely 2021/22 to-be position, then the resultant allocations are likely to be inaccurate. There exists a particularly large challenge when it comes to estimating volumes and weighting in the EUC bandings introduced by Mod 711, given that no historical data sets exist.

Utilita has a fundamental issue with the Consumption Forecast which has been produced, which is unrepresentative of the actual prepayment numbers. The total volumes assigned to the prepayment EUC bands (1PD, 2PD) grossly understates the actual volumes attributable to these categories i.e., there are many more prepayment meters *in situ* than are recognized in the 1PD and 2PD bands. Historically, there has been no distinction made between credit and prepayment meters in EUC 1 and 2, therefore the AUGE Expert has had to split and apportion historical data using backwards trends. Failure to take account of future trends, based on the relatively new EUC prepayment Bandings, has resulted in a huge underestimation of 1PD throughput. Given that the Weighting Tables are calculated as the ratio between expected UIG levels and Throughput, understating Throughput for the prepayment categories results in a much higher relative percentage of UIG being assigned to these categories.

Utilita also have comments to make on the bottom-up approach used in relation to specific UIG contributors. We have provided these comments in our response to question 2.

2) Comments on detailed investigation of four contributors

Theft

Utilita take no issue with the method used to estimate the Level for Total Theft, nor the way Detected Theft is deducted.

Utilita question whether the allocation of Undetected Theft across EUC bands is based on incorrect assumptions. The fact that Smart Meters had undetected theft levels distributed based on the smart meter specific Consumption Forecast means that the accuracy of said forecast is key. We have no visibility of any smart meter specific forecast used to produce the AUGE tables. However, Utilita infer from the overall consumption forecast that the smart meter specific forecast is likely to be inaccurate. This is described above in our response to question one.

This is also an issue when it comes to assessing the accuracy of Undetected Theft across Smart Meters, provided in the Allocating Theft Across Matrix Positions section. The estimate of Undetected Theft attributable to Smart Meters is provided (15%) but no associated estimate of Smart AQ % is provided for the relevant year. Given this, it is hard to comment on the accuracy of this figure.

It is stated in the Allocating Theft Across Matrix Positions section that Undetected Theft on Smart Meters is allocated in proportion to throughput for all Matrix Positions[1]. This reads as if every unit of consumption on a smart meter will receive the same allocation of unidentified gas, regardless of EUC category. It is clear from the Theft UIG as percentage of Throughput that this is not the case. It is unexplained as to why different rates are applied to Supply Points within Product Classes 1, 2 and 3.

Utilita also notes that the weighting table attributes a significantly higher Theft of UIG as a percentage of throughput to EUC 1PD, however there appears to be no justification for this provided in the Allocation Theft Across Matrix Positions section, where the differentiation between credit and prepay EUC bandings is not mentioned. This is directly opposed to the statement made in the Allocating Theft Across Matrix Positions table, which states that UIG for smart meters is distributed based on forecast consumption[1].

Utilita notes that Undetected Theft for Traditional Meters has been allocated across sub-EUC bands in proportion to TOG and TRAS data over the last 10 years. Given that UIG is allocated as a % of throughput, it is important that TOG and TRAS allocation of meters into credit and prepayment mirrors that which is seen in the AUGE consumption forecast. This is not the case. TRAS numbers contain a far higher number of prepayment sites than has been allocated by the AUGE to the PD sub-bands. This means that the consumption forecast is based upon an allocation which vastly understates the volume in the prepayment sub-bands. The incorrectly low forecast volume in the PD sub-bands results in the Theft UIG as a percentage of throughput being too high, as the numerator (calculated using TRAS data) has not been understated in the same way the consumption forecast (denominator) has. This, once again, ties in with our overarching point stated in response to question one, that the incorrectly low PD sub-band consumption forecast results in too high a weighting being applied to the prepayment sub-bands.

Furthermore, whilst we acknowledge no individual Shipper's experience is likely to be wholly representative of aggregate findings, the resultant Theft UIG as a percentage of throughput is directly contradictory to our own findings and reporting submitted via TRAS. The theft as % of throughput for EUC 1PD (prepayment) is shown as 2.3% for Product Class 3 and 5.2% for Product Class 4, these are substantially higher than the EUC 1ND (Credit) equivalents, which are 1.1% and 1.2% respectively. Our own findings suggest that theft associated with credit customers is roughly double than that which we find with prepayment. Utilita are willing to share our TRAS submissions upon request.

Consumption Meter Errors

Utilita note that the allocation of UIG in relation to this component is dependent upon the distribution of specific meter models visible in historical data. We question how this can be accurately calculated across the new EUC bandings, particularly when you consider our response to question one.

3) Comments on six contributors

Average Temperature Assumption

Once again, we question how accurate meter samples could have been used when you consider our response to question one.

4) Other comments

Utilita recognises that many of our concerns stem from what we consider to be a non-representative consumption forecast. The production of this forecast is made particularly challenging due to the introduction of the new EUC 1 and 2 sub-bandings. It is likely that Utilita are not the only Shipper who are yet to finalise their allocation of Supply Points into the new EUC bandings. Therefore, the Consumption Forecast produced by the AUGE Expert in relation to the distribution of meters and volumes between these categories is inaccurate. This has a significant effect on the Weighting

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[1] Allocated in proportion to our Consumption Forecast for smart meters.(p.31)

Tables, as the Consumption Forecast is effectively used as the denominator to the UIG Forecast numerator. As the denominator is understated, but the numerator is not (being based, in the case of theft, on all prepayment meters, whether or not they are in the 1PD or 2PD EUCs), the amount of UIG attributed to prepayment meters is greatly overstated.

This therefore raises concerns around the fairness of total UIG as a percentage of Forecast Throughput, which has a 3.6% variance between credit and prepayment in Product Class 4 and 1.2% in Product Class 3. We request that further narrative is provided as to why the prepayment categories appear to have consistently been assigned a higher proportion of UIG as a percentage of throughput when compared to the credit categories. Given that one of the key principles used to allocate UIG is that Polluter Pays, we feel that fully justifying this split is necessary.

Utilita are willing to share our own forecast of sites and volumes to be allocated to these positions, which we believe will have a substantial impact on the resultant forecast.