

# ICoSS comments on the Proposed Allocation of Unidentified Gas Statement (AUGS) for 2019/20

22 January 2019

The Industrial and Commercial Shippers and Suppliers (ICoSS) group is the trade body representing non-domestic industrial and commercial (I&C) suppliers in the GB energy market. Members collectively supply three-quarters of the gas needs of the non-domestic sector as well as half of the electricity provided by non-domestic independent suppliers<sup>1</sup>.

Please find below our response to the consultation on the Proposed Allocation of Unidentified Gas Statement (AUGS) for 2019 / 2020.

## Executive Statement

ICoSS has long been an advocate of the AUGE regime. We remain to be supportive that the appointment of an independent third party to determine permanent Unidentified Gas (UG) volumes and its sources is of critical significance. We continue to believe that it is the most appropriate process for this task considering the material impact of UG to shippers. We have the following key points to make regarding this proposed statement:

- We urge the AUGE to incorporate the latest proposals to calculate theft using the methodology dated 21 December 2018 and recently published and discussed on 11 January 2019
- The AUGE statement remains stable and there has been little change to how it is compiled since the current high-level methodology was developed in 2012, which itself has not changed significantly since 2012.
- **2019\_1:** We agree with the proposals not to include information on temperature of gas impacting UG.
- The process for determining the sum of UG present in an LDZ remain appropriate.
- The process for determining the value of directly verifiable sources of UG remain appropriate.
- Our position has consistently been that sites which are daily read and have daily reads submitted do not contribute to undetected theft of gas. We are encouraged by the development of a more robust methodology that includes TRAS reports which (when the data becomes available) should validate the immateriality of theft from these sites.

## Response:

DNV GL is grateful for ICoSS's support for the AUGE process. The comment regarding gas temperature is noted. We can confirm that, following our review of industry consultation responses, the new theft calculation method will be used in the calculation of the Unidentified Gas factors for 2019/20.

## 2019\_2:

### 1. High-level Methodology

The methodology is now well-established and has been used several times in the past by the AUGE to determine the initial level of UG present in an LDZ. It is our view that it remains to be fit for purpose and continues to be a suitable mechanism to assess historic UG volumes. We are

encouraged by the proposals to update the theft calculation in particular, which we cover in more detail below. We also agree that there is not a realistic prospect of calculating accurately the UG if any attributable to differences between assumed and actual temperature at offtakes.

**Response:**

**Noted.**

**2019\_3:**

## **2. Gas Theft**

We have previously responded on numerous occasions to convince the AUGE that gas theft is not uniform across all sectors, EUC bands and metering types. We are most encouraged by the changes that have now been made to the methodology with regards to UG as a result of theft. We agreed with the AUGE's view that profile class 2 sites are far less likely to be the source of theft than other sites and that their scaling factors should be correspondingly lower.

Whilst we are encouraged by improvements to the current calculation process, we strongly urge the AUGE to utilise its new process developed and set out on 21 December 2018. It represents a significant improvement to the current process, using actual industry data to a far greater degree. Considering the time that is remaining for the final factors to be calculated, we believe that the AUGE can obtain the theft data from Experian in order to ensure its inclusion in time for the final Allocation of Unidentified Gas Statement for 2019/20 later this year and encourage the AUGE to take all necessary steps to ensure that the theft data is made available to them.

**Response:**

**We can confirm that, following our review of industry consultation responses, the new theft calculation method will be used in the calculation of the Unidentified Gas factors for 2019/20. However, as not all of the requested data has been made available the new approach cannot be implemented in its entirety.**

**2019\_4:**

## **3. Smart and AMR Population Estimates**

We are pleased that the AUGE has used the latest statistics to determine the level of AMR and Smart Meters currently installed as well as the data on AMR uptake that was not included within the BEIS dataset that has been provided by ICoSS. The current extrapolation rates based on the rollout rates published by BEIS is not likely to be a completely accurate reflection of the rollout levels as it does not include ICoSS members who represent the majority of AMR installations. As we have provided information to the AUGE on previous levels of installations by ICoSS members over more than 1 year we believe it should be possible to amend the Large Supplier rollout by assessing ICoSS rollout rates.

**Response:**

**We can confirm that we do not assume that the AMR roll-out rate for small suppliers is the same as that for large suppliers. We estimate the installation rate for small suppliers using a combination of the BEIS data (covering large suppliers) and the data provided by ICoSS for small suppliers. A factor that represents the difference between the observed installation rates to**

date for small and large suppliers is calculated using these two datasets, and this is used to scale our forecast for the large suppliers' rate to give an estimate for small suppliers. As a simple example: if small suppliers have installed twice as many AMR devices as large suppliers in the same timescale, the small suppliers' installation rate is assumed to be double that for large suppliers.

This approach uses the data supplied by ICoSS alongside the BEIS figures. This is more accurate than using the ICoSS figures on their own because the more detailed nature of the BEIS figures allows a more reliable extrapolation to the forecast year to take place. These figures are the ones that are then scaled using the ICoSS data to ensure that the different installation rate for small suppliers is taken into account.

This approach leads to our current best estimate that across the population, 36% of AMR/Smart installations for 02B and 03B sites will have been completed by 1<sup>st</sup> April 2020 (the midpoint of the forecast year). This overall value is a combination of the small suppliers' figure of 83.3% and the large suppliers' figure of 22.5%, both of which were calculated using the method described above.

The spreadsheet where these calculations are carried out is made available by the AUGS to the industry on an annual basis, so it can be reviewed by any parties who wish to do this.

2019\_5:

#### **4. Verifiable Sources of Unidentified Gas**

We continue to be pleased with the handling of Unidentified Gas sources where Xoserve have provided evidence. We are in general happy with the work currently being carried out to assess the materiality the metering errors. We are largely satisfied that the scale of metering errors is only a small proportion of UG and will diminish in time as Smart and Advanced Meters become more and more abundant.

Response:

Noted.

Additional Note:

The issue of why the initial UIG factors for PC4 02B and 03B were larger than that for PC4 01B, and in particular why PC4 03B was the largest of the three, was raised by ICoSS member Gazprom at the AUGS Walkthrough meeting on 11/01/2019. DNV GL's response at the time was that this may be down to under-reporting of AMR in the asset data, but further investigation has revealed a different reason for this phenomenon.

This pattern in the factors was actually caused by greater PC3 uptake for 02B/03B sites with AMR/Smart meters. Based on current figures and take-up rates extrapolated to the forecast year, we expect around 1% of 01B sites with Smart Meters to have moved to PC3. The figures for 02B and 03B are 31% and 59% respectively. Even at the time of writing, PC3 take-up for these sites is approaching this level: 27% for 02B and 52% for 03B.

The result of this much stronger tendency for SME sites with AMR or Smart Meter to move to PC3 is that a higher proportion of PC4 sites for these EUCs have traditional meters, which attract

a higher level of UIG than Smart Meters and AMR. This is the reason for the higher initial factors for PC4 02B and 03B.

It should be noted, however, that this issue only affects the Balancing Factor split as calculated using the old method. The new theft method has superseded this and hence this issue no longer arises.