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

4 February 2019

Dear Clive/Tony/Andy,

2019_25:

After your good initial investigation into the issue of static correction in October I'm sorry to say that I was disappointed to see in January the methodology had been updated to incorporate a pressure adjustment but not a temperature adjustment.

This is quite an omission by DNV.

I also think the question was not framed correctly, and could be taken as disingenuous... it should not be 'what temperature would be more correct', it should be 'how can the UIG factors more accurately reflect the effect and its distribution'.

It does not reflect well that AUGE has failed to make a proposal that industry can work with. There are many suggestions and some of these were discussed yesterday.

My view is that AUGE should, as the acknowledged expert, making the rational case for a more accurate treatment.

And that might include being prepared to engage parties to raise awareness and understanding across the industry.

Without the latter there can be no informed majority mandate from the industry, and that runs the risk of a treatment that is inaccurate at best and partisan at worst.

I look forward to contributing to proposals in this complex area in the coming weeks with the objective of ensuring a treatment is incorporated into 2019/20 Factors.

Kind Regards,

Mark Bellman

Response:

We appreciate industry concerns about the level of UIG resulting from the assumption of average gas temperature being 12.2C. Our analysis has shown that there is a large degree of uncertainty around this value. As the AUG Expert, we need to recognise this level of uncertainty

and accept that the data we currently have is insufficient to allow us to propose an alternative value with any degree of confidence.

This issue was discussed at length at the UNC AUG sub-committee meeting on 15th February and we presented additional explanation and analysis. As a result of these discussions we are currently developing an approach to capturing additional data which will allow gas temperatures to be estimated with greater confidence.

The AUG Expert also believes that addressing the temperature issue by adjusting the UIG factors is not an effective solution. In particular, this approach will not reduce initial UIG volatility and takes no account of variations in average temperature between gas years. The AUG Expert will continue to work with the industry and the UIG taskforce with the aim of agreeing the most appropriate treatment for this issue.