

Friday 22 January 2021

To: Analytical Services, Xoserve, analytical.services@xoserve.com
Engage Consulting, auge@engage-consulting.co.uk

Consultation response: Draft AUG Statement

UW welcomes the opportunity to respond to the draft AUG Statement. UW's overwhelming response is of concern that key assumptions appear to remove the vast majority of benefits from smart meters. The significantly higher weighting factor (when normalised) dis-incentivises shippers to use Product Class 3, which risks increasing unidentified gas for the whole market.

We have summarised our position on three of the topics in the sections below.

Overarching methodology

Whilst we are supportive of Engage reviewing the methodology we would like to see further transparency and explanation of the calculations. A detailed explanation of the weighting factors would help demystify the calculation process, making it easier for participants to engage in the overall UIG process.

Looking at the decision to forecast the total number of supply meter points to not exceed 4 million during the 2021 - 2022 gas year, based on the latest published figures, this would mean across the industry only another c.200k supply meter points would be transferred from PC4 into PC3, regardless of the number of smart meters fitted during this time. This behaviour would be driven by the weighting factors which erodes the Project Nexus business case.

In keeping with the spirit of Project Nexus and one of the core principles of smart metering, these sites should be transferred into PC3 to accurately capture consumption. We feel strongly that the AUG Statement weighting factors should not slow and potentially stop the rate at which sites are transferred in PC3.

Contributors under detailed investigation

We support the research completed to determine that approximately 1.5% of total gas throughput (inc. shrinkage) should be attributable to theft. However, we strongly disagree with the assumptions relating to levels of theft through smart meters.

Smart meters provide a number of real time alerts to indicate if the meter has been accessed or tampered with by an unauthorised party. Consumers are becoming increasingly aware of this which acts as a disincentive to commit theft. This increased level of information, coupled with regular meter readings, allows suppliers to identify any potential thefts significantly earlier. As a result, we are of the view the total number of thefts relating to smart meters is likely to be lower than traditional meters and, also the length of time for which a theft continues is likely to be far shorter. This should be reflected in the calculation. With this in mind we welcome further detail and explanation of the assumptions used for smart and traditional theft levels and, how these impact the draft AUG table.

Other relevant matters

We also welcome the increased weighting factors in EUCs 03 - 09. The large volume of gas being consumed in these areas is likely to contribute a larger volume of UIG which we feel is accurately reflected in the revised weighting factors.

Overall we are supportive of the approach taken by Engage and welcome the openness and transparency exercised during the process, however, would like to raise our concern with the overall table not providing effective economic drivers that support the smart programme.

If you would like to discuss any aspect of this in more detail, please don't hesitate to contact me.

Kind regards, on behalf of Utility Warehouse,

Naomi Anderson

Head of Industry Codes and Revenue Assurance

nanderson@uw.co.uk