

**Ms Wanda Goldwag
UNC Committee Chair
Radcliffe House
Blenheim Court
Warwick Road
Solihull
B91 2AA**

17th March 2021

Discrediting the AUG Statement as a means to secure rollover of Weighting Factors

Dear Ms Goldwag,

I have read the letter that ICoSS has sent to the UNC Committee, dated 22nd February 2021. I am also aware that this is one of a series of initiatives being progressed by ICoSS that are designed to discredit the Proposed Final Statement for Gas Year 2021-2022 that we have produced as the AUG, and engineer a rollover of the Weighting Factors from Gas Year 2020-2021.

I do not consider the ICoSS letter and associated accusations to be a fair or balanced representation of the situation. I am writing to you to provide pertinent observations on the arguments being made, so that the Committee has additional context.

Our overall approach was founded on the principles of integrity and impartiality, and the Proposed Final Statement that we produced contains Weighting Factors that we believe will allocate UIG in an equitable manner. In producing our Statement, we engaged openly and transparently with stakeholders, diligently applied our knowledge and expertise and, in accordance with our terms of reference, exercised our balanced judgement.

The thrust of the arguments being made in the letter and associated initiatives would appear to be:

- ▶ the method we have used to quantify theft is flawed; it has resulted in a figure that is far too high; and we should have used the “top-down” method that was employed by the previous AUG;
- ▶ we have not addressed all consultation comments; and
- ▶ we have not complied with our terms of reference.

Each of these points is addressed briefly below.



Quantification of Theft

Our [Proposed Final Statement](#) published on 5th March 2021 provides a detailed description of the methodology we used to quantify theft, along with our rationale. This methodology resulted in a theft estimate of 1.48% of LDZ throughput (excluding shrinkage).

The Final Statement for the current Gas Year (2020-2021) was based on a theft estimate of 1.45% of LDZ throughput (excluding shrinkage). Furthermore, the “top-down” differencing methodology employed for previous Gas Years would quantify theft for the target Gas Year (2021-2022) at 2.0%. In addition, for previous Gas Years, this top-down methodology left over 90% of UIG unexplained and simply assumed that it was all theft.

It seems incongruous that there are such vociferous protestations at the method we used to quantify theft and the percentage it resulted in when our 1.48% is:

- ▶ just 0.03 (2.1%) higher than the theft percentage for the current Gas Year;
- ▶ a significant 0.52 (26%) less than the percentage that the “top-down” methodology being sought would result in for the target Gas Year; and
- ▶ based on a methodology that seeks to quantify theft more explicitly.

The arguments being made simply do not stack up. We stand by our methodology for quantifying theft for all the reasons we cite in our Statement.

Consultation Comments

We administered the consultation on the Draft AUG Statement in a thorough and structured manner. This included cataloguing all comments made by all respondents. For consultation responses that followed the format requested, this was very straightforward. However, the ICoSS response contained a report commissioned from the previous AUGE (DNV) with many pages of text critiquing the vast majority of our Draft Statement. This required us to distil the points that constituted a consultation comment from the overall narrative. Our approach also entailed consolidating like or repeated comments across all respondents, so that they could be considered, addressed and responded to collectively and coherently. We considered all such comments very carefully, provided a detailed response in our [Response to AUG Statement Consultation](#) and presented this to the AUG Sub-Committee on 12th February.

We are confident that, as part of this process, we addressed all consultation comments. A significant majority of those comments were raised by ICoSS or by the previous AUGE on behalf of ICoSS. We have not been permitted a copy of the list that ICoSS alleges have not been addressed and so have not been afforded the opportunity to assess this, although the list has been provided in confidence to Xoserve. The example cited in the letter, in relation to Boyle’s Law, was a simple typographical and immaterial error that had already been noted and



is addressed in our Proposed Final Statement. This is very different from its portrayal in the letter.

Compliance with the Terms of Reference

We can assure all stakeholders that we have complied with our terms of reference. We can also assure all stakeholders that we have undertaken our role as the AUGER with the utmost diligence, acting impartially and with integrity at all times.

We do not accept the accusations of non-compliance and consider that they are based on very tenuous interpretations that serve to distort the situation. In addition, we have not had any non-compliance issues raised with us by Xoserve, either formally or informally.

We have been impartial and have operated with integrity at all times. We have also engaged with stakeholders throughout, keeping them informed of our approach and the basis of our proposed methodologies. It is noteworthy that no concerns were expressed by any industry parties prior to publication of the Weighting Factors. We have met all of our deadlines and have not had any performance issues raised with us by Xoserve. Furthermore, several industry parties have been very supportive of our approach and the additional detail we have provided.

We contend that the various initiatives being progressed to discredit our Proposed Final Statement are being pursued solely to secure commercial benefit. We believe that the Weighting Factors should be determined by the AUGER based on equitable allocation of UIG. Our principles of integrity and impartiality do not permit them to become a function of external pressure that is applied.

We will of course continue to serve all stakeholders with the utmost diligence, integrity and impartiality.

Yours sincerely,



John Peters

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CC: DSC Contract Management Committee

