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ICoSS Response to consultation on Allocation of Unidentified Gas Statement 2018/19

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[1].

Please find below our response to the consultation on the draft Allocation of Unidentified Gas Statement (AUGS) for 2018/19.

Executive Statement

ICoSS is supportive of the AUGE regime. We believe that appointing an independent third party to determine permanent Unidentified Gas volumes and its sources remains the most appropriate process considering the material impact any decision on shippers. We have the following key points to make regarding this year's statement:

- The AUGE statement has now stabilised and there has been little change to how it is compiled since the current high-level methodology was developed in 2012. , which itself has little changed since 2012. The high-level framework is robust.
- The process for determining the sum of UG present in an LDZ remains sound.
- The process for determining the value of directly verifiable sources of UG remain appropriate.

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[1] :

- We are still of the view that sites which are read daily and have daily reads submitted do not contribute to undetected theft of gas and should be excluded from the allocation of UG, as demonstrated with DM sites in the AUG methodologies prior to 2017/18. There has still been no evidence provided to suggest that our assumption is incorrect.
- Considering that the high-level framework of the statement is not set, we would encourage the AUGE to make every effort to use the information to hand to try and determine as accurately as possible the Unidentified Gas (UG) split between EUC Bands and Metering types..

We therefore suggest that the AUGE revisits the methodology to undertake an assessment of the variation of theft across the market and revise the current assumptions regarding daily metered sites.

High-level Methodology

The proposed methodology has been used several times in the past by the AUGE to determine the initial level of UG present in an LDZ and still remains a suitable mechanism to assess historic UG volumes. The use of verifiable historic data should be the standard approach for all aspects of the methodology..

Directly Verifiable Sources of Unidentified Gas

In general, ICoSS is happy with the treatment of Unidentified Gas sources for which Xoserve have provided direct evidence, namely iGT CSEP errors, Unregistered Sites and metering errors. We do not believe that there is substantially more information required to assess the first two sources listed above and so the AUGE has ascertained as robust a solution as possible. Whilst we agree that there is more work that could be done on assessing the materiality of the metering errors, this issue is a very small proportion of UG and will decline over time as Smart and Advanced Meters are installed; we believe there is more value in concentrating on a proper assessment of Gas Theft.

Gas Theft

Split between Product Classes and EUC Bands

Gas Theft will not be uniform across all customers as the propensity to steal will depend on a variety of socio-economic factors as well as the opportunity and ability to steal. It is therefore

disappointing that again there is no assessment of the variability of gas theft owing to the widely varying nature of gas customers.

As we set out last year, there is sufficient information provided by shippers for the AUGE to attempt to determine the variability of theft by EUC Band. Since 2012 over 14,000 confirmed theft cases have been reported, resulting in around 3% of the total theft in the market being detected each year. This information should be used to refine the table set out in page 58.

In addition, though the amount of information held by Xoserve was insufficient to allow a true assessment of the propensity of Smart and AMR sites to steal gas, this situation seems to have improved. On 14 March 2017 the AUGE indicated that there were only 700,000 such sites recorded in asset data held by Xoserve. On 27 November 2017 at the UNC Modification 0632S workgroup, Xoserve reported 2.2m smart meters were registered. Sufficient information seems to have been provided by shippers regarding their role out during 2017 to allow the AUGE to undertake the analysis we originally suggested.

The current information dataset which Xoserve has is therefore of a suitable size (statistically significant) to allow the AUGE to determine with a high degree of accuracy the distribution of theft against consumption levels and meter type, so allowing the UG factor to be calculated with a far greater level of precision.

Smart and AMR devices.

The AUGE has again identified two key differentiators in determining whether a site will be more or less likely to steal gas; whether it is a DM site or whether it is has AMR or Smart meters installed

The chances of theft from any form of site settled on a daily basis (either Class 1 or Class 2) going undetected until the code cut-off date (up to D+4 years) is minimal as the site's consumption is monitored daily with the information provided direct to the supplier. **This is recognised by the AUGE when it is has stated that no daily read sites have ever had a theft incident**.   It is the frequency of meter readings, not the metering equipment, that drives whether Gas Theft goes undetected; it follows that the actual level of undetected theft from sites with any form of AMR or Smart device operated in the same manner as a DM site is in fact de-minimis i.e. zero and so all sites that are daily settled should be treated as attracting zero theft, rather than the 50% factor currently allowed for in Class 2.

We note that in April 2018, the majority of Class 1 sites will be forced to move to Class 2 if they wish to stay daily metered, otherwise becoming Class 4. If this is the case then they will move from having no UG owing to gas theft being allocated to them, to be no different as other sites in Class 2 and have significant amounts of UG allocated to them. This is illogical.

Smart and AMR Population Estimates

We note that the AUGE has used the latest statistics to determine the level of AMR and Smart Meters currently installed.   This information is comprehensive for the domestic market, but does not provide an accurate view for the non-domestic market as it does not take into account the submissions for most non-domestic suppliers.   We have provided detailed information separately, but we estimate that over 100,000 additional advanced meters are not covered in the calculation. **This would roughly triple the number of non-domestic sites with Smart or AMR devices and significantly alter the scaling factors for Classes 2 and 3.**

Shrinkage Error

ICoSS agrees that any inaccuracies with the shrinkage calculation should be addressed via the shrinkage forum rather than in the AUGE process.

Please contact me if you wish to discuss further.

Yours sincerely

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