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27 January 2021

Dear Xoserve

The draft Allocation of Unidentified Gas (AUG) Statement for the Gas Year 1st October 2021 to 30th September 2022 - Consultation

Thank you for the opportunity to provide views on the draft Allocation of Unidentified Gas (UIG) Statement.

This response is in two parts:

- A – Response to Consultation Questions
- B – Observations

A – Response to Consultation Questions

Consultation Question:

1. *Our overarching methodology is detailed within Section 4 (“Overarching Methodology”) of the draft AUG Statement. This methodology is based on the following principles:*

Polluter Pays – *we interpreted “fair and equitable” to mean that UIG should be allocated in the same proportions as it is created;*

Line in the Sand – *we only considered UIG that will exist at the Line in the Sand (the final Settlement position) and not UIG that exists temporarily prior to this; and*

Bottom-up Determination – *we quantified UIG for each identified contributor and added these together, rather than estimating the overall UIG and apportioning it or using it as a means of differencing.*

ScottishPower Response:

Polluter Pays - ScottishPower agrees with the statement

Line in the Sand - The methodology considers UIG that will exist at the Line in the Sand (the final Settlement position) and not UIG that exists temporarily prior to this. Given initial cash flows are based on earlier views of UIG, it would be useful to see a version of the analysis the considers UIG that exists earlier at initial allocation stage. Initially this might be offered as Innovation under the CDSP-AUGE contract; once evaluated and consulted upon, industry participants can then decide whether there are any opportunities to benefit UIG Allocation across the market.

Bottom-Up Determination, ScottishPower agrees with the approach

Consultation Question:

2. *Our results for the four contributors under detailed investigation are contained within Section 5 (“Detailed Investigations”) of the draft AUG Statement. For each of these contributors, please highlight any assumptions, methodology aspects, calculations and results with which you disagree and which you believe materially affect the Weighting Factors contained within the AUG Table, providing your rationale and, wherever possible, supporting evidence:*

- 2.1 010 - Theft of Gas;
- 2.2 040 - Consumption Meter Errors;
- 2.3 050 - LDZ Meter Errors; and
- 2.4 090 - No Read at the Line in the Sand.

ScottishPower Response:

050 - LDZ Meter Errors

ScottishPower does not agree with the inference about assurance:

The trend over the last five years has been reasonably static, with between one and seven errors being reported each year. This is consistent with there being a robust and effective assurance regime in place

The drop off in the last

Consistent it may be but it leads the casual reader to infer cause and effect which cannot be inferred without other supporting evidence.

Consultation Question:

3. *Our results for the six contributors not under detailed investigation are contained within Section 6 (“Other Contributors”) of the draft AUG Statement. For each of these contributors, please highlight any assumptions, methodology aspects, calculations and results with which you disagree and which you believe materially affect the Weighting*

Factors contained within the AUG Table, providing your rationale and, wherever possible, supporting evidence:

- 3.1 070 - Average Pressure Assumption;
- 3.2 080 - Average Temperature Assumption;
- 3.3 100 - Incorrect Correction Factors;
- 3.4 020 - Unregistered Sites;
- 3.5 025 - Shipperless Sites; and
- 3.6 060 - IGT Shrinkage.

ScottishPower Response:

No further comments

Consultation Question:

4. *If there is any other relevant matter in relation to this consultation that you would like to raise which you believe materially affects the Weighting Factors contained within the AUG Table, please explain this and provide your rationale and, wherever possible, supporting evidence.*

ScottishPower Response:

ScottishPower believe that there are a number of root causes of UIG that have not yet been adequately assessed.

In particular ScottishPower would like AUG to include analysis of the potential UIG attracted from Meter Bypass & Consumption Adjustment errors in their work-plan for 2022/23 factors.

Meter Bypass

This is on the PAC's risk register and recent industry discussions with Xoserve indicate this could account for at least as much UIG as some of the other contributors identified by AUG. Vectors include incorrect Consumption Adjustments, unrecorded Bypass valves, open valves not notified to Xoserve. ScottishPower would like AUG to carry out an assessment of the UIG associated with Meter Bypass valves and incorporate into UIG Factors as a contributor and also to propose controls to reduce the incidence of such errors.

Consumption Adjustment Error

Consumption Adjustments are by their nature estimates and estimation error can be a contributor to UIG (either positive or negative), some of which may not be corrected by Line in the Sand depending on whether it's subjected to meter read reconciliations.

ScottishPower would like AUG to carry out an assessment of the accuracy of Consumption Adjustments and incorporate into the UIG Factors as a contributor.

B – Observations

Further to the AUGE Sub-Committee meeting on Friday 15th January, at which ScottishPower was unable to field a representative, ScottishPower would like the following to be considered regarding Innovations:

Innovations

- ⇒ ScottishPower agree with the proposed innovation “Audit of Correction Factors” with the objective of accounting for the findings in UIG Weighting Factors from 2022/23.
- ⇒ Furthermore, we note that site-specific factors are ‘flat’ and so do not reflect seasonal temperatures at the site. ScottishPower would like AUGE to review the calculation of site-specific correction factors and assess the error introduced by such flat factors, with the objective of proposing either to adjust the UIG weighting factors or to use actual temperatures in settlement for those sites requiring site-specific factors.
- ⇒ As noted in our response to Q4 above, and by email to Xoserve on 15th January 2021, ScottishPower would also like AUGE to examine the case for:
 - Physical audit of Meter Bypass valves
 - Audit of Consumption adjustments

Please do not hesitate to contact me or Mark Bellman if you have any questions arising from this response. Clairelouise.Roberts@ScottishPower.com
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Yours sincerely,

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