

UNC Final Modification Report	At what stage is this document in the process?								
<h1>UNC 0840 (Urgent):</h1> <h2>Equalisation of prepayment and non-prepayment AUG factors</h2>	<table border="1"><tr><td>01</td><td>Modification</td></tr><tr><td>02</td><td>Workgroup Report</td></tr><tr><td>03</td><td>Draft Modification Report</td></tr><tr><td>04</td><td>Final Modification Report</td></tr></table>	01	Modification	02	Workgroup Report	03	Draft Modification Report	04	Final Modification Report
01	Modification								
02	Workgroup Report								
03	Draft Modification Report								
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<p>Purpose of Modification:</p> <p>This Urgent Modification proposes to remove the differential treatment of prepayment meters and non-prepayment meters in the allocation of Unidentified Gas.</p> <p>This proposal is to amend the process prior to the finalisation of the AUG Table for Gas Year 2023/2024</p>									
<p>Next Steps:</p> <p>Panel consideration is due on 16 March 2023 <i>(at short notice by prior agreement)</i></p>									
<p>Impacted Parties:</p> <p>High: Suppliers, Shippers, Consumers</p> <p>Low: CDSP</p> <p>None: Transporters</p>									

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Timetable		
Modification timetable:		
Date Modification Raised	06 March 2023	
Ofgem Decision on Urgency	07 March 2023	richard.pomroy@wutilities.co.uk
Draft Modification Report issued for consultation	07 March 2023	
Consultation Close-out for representations	13 March 2023	07812 973337
Final Modification Report available for Panel	14 March 2023	Systems Provider: Xoserve
Modification Panel decision	16 March 2023	 UKLink@xoserve.com



1 Summary

What

The current process for deriving Allocation of Unidentified Gas (AUG) weighting factors (referred to in the Uniform Network Code – Framework for the Appointment of an Allocation of Unidentified Gas Expert as “UGS Weighting Factors”) permits different factors to be assigned to prepayment and non-prepayment End User Categories (EUCs). This Modification seeks to mandate that there should be no differentiation in AUG weighting factors for prepayment and non-prepayment EUCs in the same sector and product class.

Why

In an efficient market the costs faced by Consumers should reflect the costs they impose on the system. Shippers and suppliers will pass through the costs of unidentified gas based on expected AUG weighting factors. However, having different factors for prepayment and non-prepayment EUCs in the same sector and product class creates an unnecessary level of risk and unpredictability. This damages effective competition and ultimately leads to higher costs for Consumers.

This Modification will significantly reduce existing consumer detriment for domestic prepayment Consumers. Since the AUG Table was updated to permit different weightings between prepayment and non-prepayment, the weighting factors for domestic prepayment Consumers have been considerably higher than domestic non-prepayment Consumers – from 3 times higher in 2021/22 to 4 times higher in the current year factors and almost 6 times higher in the latest proposed draft factors for gas year 2023/24. We consider that the differential in the weighting factors between domestic Consumers creates an increasing penalty on Consumers with a prepayment meter.

How

It is proposed to remove the differentiation in AUG weighting factors for prepayment and non-prepayment EUCs in the same sector and product class. This would lead to the creation of:

- A single weighting factor for EUC1 Domestic (EUC1ND & EUC1PD) for each product class
- A single weighting factor for EUC2 Domestic (EUC2ND & EUC2PD) for each product class
- A single weighting factor for EUC1 Non-Domestic (EUC1NI & EUC1PI) for each product class
- A single weighting factor for EUC2 Non-Domestic (EUC2NI & EUC2PI) for each product class

For the avoidance of doubt, the change will not lead to any redistribution of UIG across sectors within the AUG Statement. However, it is acknowledged that the resulting factors may lead to a minimal increase or decrease in actual UIG allocation to Shippers depending on relative EUC sizes at an LDZ level and observed levels of UIG.

2 Governance

Justification for Urgency

Ofgem’s guidance for the circumstances under which a Modification Proposal would be considered for Urgent procedures, specifies that it should be linked to an imminent or current issue that if not urgently addressed may cause a significant commercial impact on parties, Consumers or other stakeholders. It is proposed that this Modification follows an Urgent timetable as it relates to an imminent and current issue, that if not urgently addressed will have a significant commercial impact on Consumers.

There are significant concerns about the number of Consumers who are struggling with their energy bills amid the ongoing cost-of-living crisis. For some Consumers prepayment meters are an option that can help them to budget, and help mitigate the risk of going into, or exacerbating existing, debt. The current and proposed differential in the weighting factors between domestic Consumers creates an increasing penalty on Consumers with a prepayment meter compared to those using a non-prepayment meter.

Based on the proposed weighting factors in the latest draft AUG Statement, this issue will become even more pronounced with domestic prepayment Consumers being allocated almost 6 times more UIG than domestic non-prepayment Consumers.

Granting of Urgency will allow the revised equalised factors proposed by this Modification to be discussed in the UNC AUG Sub-Committee meeting and the new factors to be captured in the publication of the final AUG Statement – currently scheduled for 31st March 2023 (if the Modification is approved by the Authority).

The AUG Table will then follow its usual "approval" process at the April UNCC meeting, concluding the AUG process within its usual annual cycle. UNC TPD Section E by Paragraph 9.4.4 makes clear that once the AUG Statement is approved, no further revisions are permitted.

Therefore, this Modification is recommended to follow Urgent Procedures as it is likely to have a material impact on domestic Consumers and if not approved ahead of publication of the AUG Statement, the equalised factors will not be able to take affect until the 2024/25 Gas Year.

Related Modification 0838 was withdrawn due to incompatibilities between the solution text and the legal text. This Modification clearly sets out the process to equalise the allocation factors for the listed pairs of Categories of System Exit Points after the existing process has been completed.

Requested Next Steps

This Modification should be treated as Urgent and should proceed as such under a timetable agreed with the Authority.

This is a targeted Modification proposal that is seeking to remove an existing and material consumer detriment and which does not affect the allocation of UIG across market sectors. Therefore, the proposal should be issued directly to consultation without workgroup assessment.

3 Why Change?

In an efficient market the costs faced by Consumers should reflect the costs they impose on the system. Shippers and suppliers will pass through the costs of UIG based on expected AUG weighting factors. However, having different factors for prepayment and non-prepayment EUCs in the same sector and product class creates an unnecessary level of risk and unpredictability. This damages effective competition and will ultimately lead to higher costs for Consumers.

We also believe the change will significantly reduce existing consumer detriment for domestic prepayment Consumers. Since the AUG Table was updated to permit different weightings between prepayment and non-prepayment, the weighting factors for domestic prepayment Consumers have been considerably higher than domestic non-prepayment Consumers – from 3 times higher in 2021/22 to 4 times higher in the current year factors and almost 6 times higher in the latest proposed draft factors for gas year 2023/24.

We do not believe it is fair and equitable to allocate almost 6 times more UIG to small domestic prepayment Consumers compared to non-prepayment Consumers. We do not believe that applying the "Polluter Pays" approach at a meter type level is fair because in the case of gas theft, by definition, the polluter is *not* paying:

the approach places the cost of theft increasingly on those who are *not* stealing gas simply because theft detection rates have been higher for Consumers with similar meter types.

We previously expressed concern in our response to UNC 0711, which updated the AUG Table to allow separate allocations to prepayment and non-prepayment Consumers:

“It is expected that the change will shift UIG costs further towards residential and particularly pre-payment customers. The consideration of this impact has been explicitly removed from the remit of the AUG Expert, however it is relevant to the consideration of the UNC Panel and Ofgem.”

Since the AUG Table was updated, the weighting factors for domestic prepayment Consumers have been considerably higher than domestic non-prepayment Consumers and we do not believe that this impact has been subject to an appropriate governance process. Ultimately it should be for the Authority to decide whether this differential treatment of prepayment Consumers is justified and in line with policy goals.

This Modification proposal would equalise the weighting factors for prepayment and non-prepayment EUCs in the same sector and product class. This would ensure that any future proposal to differentiate between prepayment and non-prepayment EUCs would need to go through an appropriate governance procedure.

4 Code Specific Matters

Reference Documents

Code Subsidiary document - Framework for the Appointment of an Allocation of Unidentified Gas Expert.

Knowledge/Skills

None

5 Solution

Update the UNC TPD Section E Paragraph 9.4 to mandate that the AUG allocation factors for prepayment and non-prepayment EUCs in the same sector and product class are equal.

This will be achieved by implementing an additional process to equalise the allocation factors for the listed pairs of Categories of System Exit Points after the existing process has been completed:

- EUC1ND & EUC1PD
- EUC2ND & EUC2PD
- EUC1NI & EUC1PI
- EUC2NI & EUC2PI

The details of how this is done will be decided by the AUGE.

For the avoidance of doubt, the change will not lead to any redistribution of UIG across sectors within the AUG Statement. However, it is acknowledged that the resulting factors may lead to a minimal increase or decrease in actual UIG allocation to Shippers depending on relative EUC sizes at an LDZ level and observed levels of UIG.

6 Impacts & Other Considerations

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No.

Consumer Impacts

The Draft AUG Statement for 2023/24 estimates that the UIG percentage allocated to domestic prepayment meters (EUC1PD) will be 2.9% and 9.5% for product class 3 & 4 respectively. For non-prepayment Consumers (EUC1ND) these values are 1.0% and 1.7% respectively. Under this proposal it is estimated that all EUC1 Domestic Consumers will receive UIG allocations of 1.1% for product class 3 and 2.1% for product class 4. No impacts are anticipated to the AUG weighting factors of any other customer groups as the current factors and latest proposed draft factors are aligned between prepayment and non-prepayment (where there are Consumers currently in those matrix positions).

Below is a visualisation of the impacts of this Mod on estimated UIG as a percentage of throughput across the Categories of System Exit Points provided by the AUGE. For comparison is the same output from the Draft AUG Statement (p108). Although these outputs may change in the final version of AUG Statement they show the intention to equalise prepayment and non-prepayment factors without impacting other Categories of System Exit Points.

2023-2024 UIG as % of throughput

Draft AUG Statement

	CLASS				
	2023-2024	1	2	3	4
EUC BAND	1ND	0.0%	0.0%	1.0%	1.7%
	1PD	0.0%	0.0%	2.9%	9.5%
	1NI	0.1%	17.5%	3.2%	12.7%
	1PI	0.0%	0.0%	3.2%	12.7%
	2ND	0.0%	0.0%	1.3%	2.5%
	2PD	0.0%	0.0%	1.3%	2.5%
	2NI	0.0%	5.9%	1.7%	5.9%
	2PI	0.0%	0.0%	1.7%	5.9%
	3	0.1%	1.1%	0.9%	1.1%
	4	0.1%	1.1%	1.1%	1.2%
	5	0.1%	1.3%	1.1%	1.2%
	6	0.1%	1.4%	1.1%	1.3%
	7	0.1%	1.4%	1.1%	1.4%
	8	0.1%	1.2%	1.1%	1.2%
	9	0.1%	0.7%	0.5%	0.6%

2023-2024 UIG as % of throughput

AUGE analysis after prepayment equalisation

	CLASS				
		1	2	3	4
EUC BAND	1ND	0.0%	0.0%	1.1%	2.1%
	1PD	0.0%	0.0%	1.1%	2.1%
	1NI	0.1%	17.5%	3.2%	12.7%
	1PI	0.0%	0.0%	3.2%	12.7%
	2ND	0.0%	0.0%	1.3%	2.5%
	2PD	0.0%	0.0%	1.3%	2.5%
	2NI	0.0%	5.9%	1.7%	5.9%
	2PI	0.0%	0.0%	1.7%	5.9%
	3	0.1%	1.1%	0.9%	1.1%
	4	0.1%	1.1%	1.1%	1.2%
	5	0.1%	1.3%	1.1%	1.2%
	6	0.1%	1.4%	1.1%	1.3%
	7	0.1%	1.4%	1.1%	1.4%
	8	0.1%	1.2%	1.1%	1.2%
	9	0.1%	0.7%	0.5%	0.6%

What is the current consumer experience and what would the new consumer experience be?

Since the AUG Table was updated to permit different weightings between prepayment and non-prepayment, the weighting factors for domestic prepayment Consumers have been considerably higher than domestic non-prepayment Consumers – from 3 times higher in 2021/22 to 4 times higher in the current year factors and almost 6 times higher in the latest proposed draft factors for gas year 2023/24.

Under the proposed approach in this Modification there will be no differentiation in AUG weighting factors for prepayment and non-prepayment EUCs in the same sector and product class. This will result in a small increase in UIG allocation for domestic non-prepayment Consumers, and a material decrease in the UIG allocation for domestic prepayment Consumers.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability	None
<p>Lower bills than would otherwise be the case</p> <p>UIG allocations will be reduced for domestic prepayment Consumers. This will reduce the cost to serve these Consumers and will lead to lower bills. As the allocation of UIG is passed through in the wholesale allowance within Ofgem’s prepayment price cap there will be a substantial direct reduction in customer bills for those Consumers covered by it.</p> <p>UIG allocations will be increased for domestic non-prepayment Consumers. This will increase the cost to serve these Consumers and will lead to higher bills. As the allocation of UIG is passed through in the wholesale allowance within Ofgem’s price cap there will be a small direct increase in customer bills for those Consumers covered by it.</p> <p>No impacts anticipated to any other customer groups as the current factors and latest proposed draft factors are aligned between prepayment and non-prepayment (where there are Consumers currently in those matrix positions).</p> <p>Removing the differential between prepayment and non-prepayment significantly reduces the uncertainty around UIG allocations each year. This will facilitate more effective competition between suppliers and could lead to lower overall bills.</p>	Positive & Negative
Reduced environmental damage	None
Improved quality of service	None
<p>Benefits for society as a whole</p> <p>For some Consumers prepayment meters are an option that can help them to budget, and help mitigate the risk of going into, or exacerbating existing, debt. The differential in the weighting factors between domestic Consumers creates an increasing penalty on Consumers with a prepayment meter.</p>	Positive

Cross-Code Impacts

None.

EU Code Impacts

None.

Central Systems Impacts

There are no anticipated system impacts as a result of this Modification proposal. Providing that the CDSP have the approved weighting factors to load in the system by the 1st September 2023, this will go live as of 1st October 2023.

From a contractual perspective, the CDSP will need to ensure the AUGÉ can deliver the change proposed within the Modification this year and on an enduring basis. They will also need to ensure obligated milestones, are met and specifically for this year, obtain approval of the proposed AUG Statement and factors in April 2023 UNCC.

Based on early discussions with the AUGÉ, the proposed changes are believed to be relatively simple to deliver but the CDSP will need to ensure this is captured as a requirement on an enduring basis.

7 Relevant Objectives

Impact of the Modification on the Transporters' Relevant Objectives:

Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	None
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

Relevant objective (d) is better facilitated. In an efficient market the costs faced by Consumers should reflect the costs they impose on the system. Shippers and suppliers will pass through the costs of unidentified gas based on expected AUG weighting factors. However, having different factors for prepayment and non-prepayment EUCs in the same sector and product class creates an unnecessary level of risk and unpredictability. This damages effective competition and will ultimately lead to higher costs for Consumers.

8 Implementation

It is proposed that this Modification follows an Urgent timetable approved by the Authority, as it relates to an imminent and current issue that if not urgently addressed will have a significant commercial impact on some Consumers.

Implementation should be as soon as reasonably practicable following Authority direction to implement the Modification.

9 Legal Text

Text

Legal Text has been provided by Wales & West Utilities and is published alongside this report.

10 Consultation

Representations were invited from interested parties on 07 March 2023. All representations are encompassed within the Appended Representations section.

The following table provides a high-level summary of the representations. Of the 7 representations received 3 supported implementation, and 4 were not in support.

Representations were received from the following parties:

Organisation	Response	Relevant Objectives
Centrica	Support	d) positive
EDF Energy	Support	d) none
E.ON Group	Oppose	d) negative
ICoSS	Oppose	d) negative
Opus Energy	Oppose	c) negative d) negative f) negative
Scottish Power	Support	d) positive
SEFE Energy	Oppose	d) negative

Please note that late submitted representations may not be included or referred to in this Final Modification Report. However, all representations received in response to this consultation (including late submissions) are published in full alongside this Report and will be taken into account when the UNC Modification Panel makes its assessment and recommendation.

11 Panel Discussions

Discussion

Consideration of the Relevant Objectives

Determinations

12 Recommendations

Panel Recommendation

Panel Members recommended that Modification 0840 **[should [not]** be implemented.

13 Appended Representations

Representation - Centrica

Representation - EDF Energy

Representation - E.ON Group

Representation - ICoSS

Representation - Opus Energy

Representation - Scottish Power

Representation - SEFE Energy

Representation - Draft Modification Report UNC 0840 (Urgent) Equalisation of prepayment and non-prepayment AUG factors

Responses invited by: **5pm on 13 March 2023**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	James Knight
Organisation:	Centrica
Date of Representation:	13/03/2023
Support or oppose implementation?	Support
Relevant Objective:	d) Positive

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We support this modification as we believe:

The Consumer impacts of a differential allocation of UIG between prepayment and non-prepayment meters have not been adequately assessed previously

We previously expressed concern in our response to UNC 0711, which updated the AUG table to allow separate allocations to prepayment and non-prepayment customers:

“It is expected that the change will shift UIG costs further towards residential and particularly pre-payment customers. The consideration of this impact has been explicitly removed from the remit of the AUG Expert, however it is relevant to the consideration of the UNC Panel and Ofgem.”

Since the AUG table was updated, the weighting factors for domestic prepayment customers have been considerably higher than domestic non-prepayment customers, from 3 times higher in 2021/22 to 4 times higher in the current factors and now more than 7 times higher in the final draft factors. The suitability of this differential has as yet not been considered by the UNC Panel and Ofgem and the large jump in differential in the proposed factors provides the need for this to be urgently addressed.

There is a potential bias in the theft data towards prepayment meters

In their “Theft Estimation Methodology” (TEM) report on behalf of RECCo from Jan 2023, Capgemini Invent states: *“there is a bias in investigations towards pre-payment meters and that the conversion rate to confirmed thefts is higher than with other meter types”*. We also believe that one of the reasons historical theft detection rates are higher for customers with a prepayment meter is because the extra layer of data (customers not vending) makes theft easier to detect. We feel that this recently confirmed potential skew in the data underpinning the latest AUG weighting factors has not been sufficiently explored and this information should be taken into consideration as part of the wider dataset.

Suppliers/Shippers will have difficulty in socialising the differential treatment of prepayment Consumers due to the UIG allowances being set within the price cap methodology

UIG uplifts based on the AUG Statement are built into the price cap allowances. Domestic Suppliers are unable to charge Consumers more than the price cap allows. To be clear, the costs of UIG allocations from one set of domestic Consumers cannot be met with increases to bills of another set of domestic Consumers when the majority of domestic Consumers are under a price cap.

This change has the potential to lower overall domestic customer bills

Removing the differential between prepayment and non-prepayment significantly reduces the uncertainty around UIG allocations each year. This will facilitate more effective competition between suppliers and could lead to lower overall bills.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We would like this Modification to be implemented in time for the revised equalised factors proposed by this Modification to be captured in the publication of the final AUG Statement – currently scheduled for 31st March 2023.

The AUG Table will then follow its usual "approval" process at the April UNCC meeting, concluding the AUG process within its usual annual cycle.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

None

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

No

Please provide below any additional analysis or information to support your representation

The AUG waiting factors for EUC1PD have increased in the Final Draft AUG Statement when compared to the Draft AUG Statement that the analysis in UNC 0840 is based on. The differential allocation between domestic and prepayment and non-prepayment will now be more than 7 times higher rather than almost 6 times as the Modification document states.

Representation - Draft Modification Report UNC 0840 (Urgent) Equalisation of prepayment and non-prepayment AUG factors

Responses invited by: **5pm on 13 March 2023**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Clare Manning
Organisation:	E.ON Group
Date of Representation:	10/03/2023
Support or oppose implementation?	Oppose
Relevant Objective:	d) Negative

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We recognise what the sponsor is trying to achieve with this modification and we support the intent of protecting vulnerable consumers but we do not believe the proposal is delivering that as the solution. Our reasons for this are as follows:

- 1) The issue is not the data, it is the outcome and how it 'could' be passed through to consumers. We believe the Suppliers (either as a single Shipper & Supplier or a separate Shipper and Supplier) can choose how they reflect the weightings in their pricing, there is no direct link between the UNC and the REC to regulate how these charges are being passed through so changing or softening the weighting doesn't stop that from occurring. For this protection a REC change would be required.
- 2) We do not want to degrade the view of the independent expert and make the methodology fit the answer. The data needs to be a true and accurate reflection which happens to be a larger single meter type proportion, this however could so easily switch next year.

The modification is silent on the details for the additional process to equalise the allocation factors and proposes to leave this to the AUG. This would be left open to challenge, risks the possibility of some UIG not being shared out and is not following either the data or methodology previously approved.

We do recommend the AUG continues to ensure they follow the weighting factor review process as contractually agreed and also ensure that no stone is left unturned.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We do not support the implementation but if approved it would require minimal time if the factors can be issued on the usual timeline, however, if later then we'd require a couple of weeks to update the new factors in the systems and processes.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

To implement the factors it would be standard IT costs, but the methodology impacts could be significant depending on our functions and proportions, we have been unable to complete a full assessment at this time due to the urgent nature of the modification.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comments.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

The "how" section and the Solution are not consistent with each other.

Please provide below any additional analysis or information to support your representation

No comments.

Representation - Draft Modification Report UNC 0840 (Urgent) Equalisation of prepayment and non-prepayment AUG factors

Responses invited by: **5pm on 13 March 2023**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Daniel Wilkinson
Organisation:	EDF Energy
Date of Representation:	13 th March 2023
Support or oppose implementation?	Support
Relevant Objective:	d) None

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

We support the equalising of the AUG weighting factors across prepayment and non-prepayments EUC's in the same sector and product class. This reduces the penalty on pre-payment users and spreads the apportionment between both metering types. We do however appreciate the independent nature of the AUG.

We do believe equalising of factors would flow through to customer bills through the SVT cap, based on historic data this would reduce the prepayment cap and increase slightly the non-prepayment cap, reducing the penalty for prepayment users.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

Oct'23 or Oct'24

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

Based on recent historic weightings this would reduce cost for prepayment users and increase cost for non-prepayment users based on suppliers passing this cost through to the respective users.

Implementation costs likely insignificant.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

N/A

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

N/A

Please provide below any additional analysis or information to support your representation

N/A

Representation - Draft Modification Report UNC 0840 (Urgent) Equalisation of prepayment and non-prepayment AUG factors

Responses invited by: **5pm on 13 March 2023**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Gareth Evans
Organisation:	ICoSS
Date of Representation:	13 March 2023
Support or oppose implementation?	Oppose
Relevant Objective:	d) Negative

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

The AUG process was implemented to ensure that the apportionment of Unidentified Gas was undertaken in an impartial and even-handed manner, based on the principle that Unidentified Gas costs are allocated to the market sector they originated from.

It should be noted that if the AUG believes it appropriate it can propose identical scaling factors for more than one EUC Band and/or Class. For example, the AUG table 21/22 & 22/23 did have the same scaling factors for both EUC Bands 1NI & 1PI, 2ND & 2NI and 2NI & PI. The fact it has not done for other EUC Bands & Classes indicates that the AUG believes that there is a case of having different scaling factors.

This modification removes the ability for the AUG to undertake its work in an independent manner and undermines the principle that the AUG will seek to undertake its assessment as freely as possible. This reduces the ability for the AUG to apportion costs in line with the principles of the AUG framework, so going against Relevant Objective (d).

Implementation: *What lead-time do you wish to see prior to implementation and why?*

We do not support the modification, but if it is implemented, our members will need time to incorporate the changes in scaling factors into its forecasts for Unidentified Gas.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

This modification redistributes Unidentified Gas between customers what would have been allocated to the correct market sector otherwise. This will require costs for those customers with higher Unidentified Gas costs to have their prices recalculated.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

We have not reviewed the legal text.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

We appreciate that this modification has been raised at short notice and been granted urgent status, but we have concerns over the lack of detailed analysis in this modification of the significant impact that this change will have. In particular we note that the issues identified by the proposer have been in place for a considerable time and it is disappointing that this proposal has been raised at the last minute.

Please provide below any additional analysis or information to support your representation

We note UNC Modifications 0831 & 0831A will introduce uniform scaling factors for all customers, or all Class 3&4 customers, resolving this issue without the need for the narrow intervention proposed in this change.

Representation - Draft Modification Report UNC 0840 (Urgent) Equalisation of prepayment and non-prepayment AUG factors

Responses invited by: **5pm on 13 March 2023**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Paul Bedford
Organisation:	Opus Energy Limited
Date of Representation:	09/03/23
Support or oppose implementation?	Oppose
Relevant Objective:	d) Negative

Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)

The Allocation of Unidentified Gas (AUG) weighting factors have been independently derived by experts. No quantitative evidence has been provided by the proposer to demonstrate that these weighting factors have been calculated incorrectly.

We disagree with the proposer's view that this proposal is positive for Relevant Objective d) Securing of effective competition. We agree with the current methodology used to calculate the weighting factors, under which experts independently apportion UIG based upon how much the banding contributes to UIG, and moving away from that would make market signals less clear.

We also believe that to move away from the current independent expert determination of weighting factors would be negative for:

Relevant Objectives:

- c) Efficient discharge of the licensee's obligations; and
- f) Promotion of efficiency in the implementation and administration of the Code.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

Although we do not support the proposal a lead time of 6 months would be preferred in order to fully analyse any potential impacts.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

Given the urgent status of this change this has not yet been fully determined.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comments at this time.

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

If this modification is to be considered, we would wish to see quantitative analysis and feedback from the independent experts that derive the AUG weighting factors in order to determine if they believe the current weighting factors/methodology to not be appropriate.

Please provide below any additional analysis or information to support your representation

None at this time.

Representation - Draft Modification Report UNC 0840 (Urgent) Equalisation of prepayment and non-prepayment AUG factors

Responses invited by: **5pm on 13 March 2023**

To: enquiries@gasgovernance.co.uk

Please note submission of your representation confirms your consent for publication/circulation.

Representative:	Claire Louise Roberts
Organisation:	ScottishPower
Date of Representation:	13 th March 2023
Support or oppose implementation?	Support
Relevant Objective:	d) Positive

Reason for Support: Please summarise (in one paragraph) the key reason(s)

We are very reluctant to deviate from the key principles of the AUGE, namely the polluter pays principle. However, we consider that in this case, given there are some areas of doubt relating to the allocation of UIG to prepayment customers *and* the impact on prepayment customers is significant, in this instance we agree with the proposer that the modification should be implemented.

For example, the AUGE within their final draft states that there was insufficient time to consider the output of RECCO's Theft Estimation Methodology in relation to the 2023-2024 weighting factors.

It would be helpful for the AUGE to be clear how it will equalise factors and we propose that it should smear domestic prepayment costs across domestic customers only and SME prepayment costs across SME customers only.

If this modification is implemented, it will significantly reduce the existing detriment for domestic prepayment Consumers. The main impact is likely to be relating to domestic customers.

Implementation: *What lead-time do you wish to see prior to implementation and why?*

If implemented minimal lead time would be required assuming information and timeframes are as existing.

Impacts and Costs: *What analysis, development and ongoing costs would you face?*

As this modification followed an urgent direction, we have not had sufficient time to fully impact access.

Legal Text: *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comment

Are there any errors or omissions in this Modification Report that you think should be taken into account? *Include details of any impacts/costs to your organisation that are directly related to this.*

There is lack of clarity on how the revised factors will be determined by the AUGÉ.

Please provide below any additional analysis or information to support your representation

N/A

SEFE Energy Representation Draft Modification Report

Modification 0840 - Equalisation of prepayment and non-prepayment AUG factors

1. **Consultation close out date:** 13th March 2023
2. **Respond to:** enquiries@gasgovernance.co.uk
3. **Organisation:**
SEFE Energy
5th Floor
8 First Street
Manchester
M15 4RP
4. **Representative:**
Steve Mulinganie
Regulation Manager
stevemulinganie@sefe-energy.com
0799 097 2568
5. **Date of Representation:** 13th March 2023
6. **Do you support or oppose Implementation:**
We **Do Not Support** implementation of the Modification
7. **Please summarise (in 1 paragraph) the key reason(s) for your position:**
The current Allocation of Unidentified Gas Expert (AUGE) process seeks to deliver an independent assessment of the distribution of unidentified gas fairly across the market to Shippers. The AUGE has already stated that they do not have the mandate to unilaterally change their impartial determination to address a current politically sensitive Supplier issue. Whilst we acknowledge the proposer's intent is to try to help a particular class of customer, we note there is no direct connection between the application of the factors to Shippers and the Suppliers billing arrangements with their customers. Furthermore we should not be making the current independently governed methodology fit this current political narrative. If we do, we fundamentally undermine the impartiality and validity of the current process.
8. **Are there any new or additional Issues for the Modification Report:**
No

9. Self-Governance Statement Do you agree with the status?
Not Applicable

10. Relevant Objectives:

How would implementation of this modification impact the relevant objectives?

We **disagree** with the proposer that this modification is positive in respect of Relevant Objective(d) as we believe that the current arrangements better facilitate competition by ensuring that, in line with the current arrangements applicable to all other customer segments, costs are targeted based upon an independent assessment by the AUGE.

11. Impacts & Costs:

What analysis, development and on-going costs would you face if this modification was implemented?

We **have not** identified any significant costs associated with the implementation of this modification

12. Implementation:

What lead times would you wish to see prior to this modification being implemented, and why?

We do not support implementation of this modification

13. Legal Text:

Are you satisfied that the legal text will deliver the intent of the modification?

We **have not** reviewed the Legal Text provided.

14. Is there anything further you wish to be taken into account?

Please provide any additional comments, supporting analysis, or other information that you believe should be taken into account or you wish to emphasise.

Yes

This matter was discussed at the AUGE meeting on the 17 February 2023

[Governance Workstream Minutes \(gasgovernance.co.uk\)](http://gasgovernance.co.uk)

At that meeting it was noted that: -

*“the reason behind the differential is related to the proportion of theft attribution to prepayment meters in the detected theft data. **More recorded theft is identified against prepayment sites.**”*

*“Dsp noted that it is within the Terms of Reference to work with the question, but **to eliminate the bias and the differential is not the role of the AUGE.** It is AUGE’s role to identify process and work with CDSP on data presented by Shippers.”*