

**UNCC (AUG) Sub-Committee**  
**Friday 12 February 2021**  
**via teleconference**

<b>Attendees</b>		
Alan Raper (Chair)	(AR)	Joint Office
Karen Visgarda (Secretary)	(KV)	Joint Office
Andy Gordon	(AG)	DNV-GL (Observer)
Carl Whitehouse	(CW)	Shell Energy
Chandima Dutton	(CD)	Waters Wye Associates
Christian Hill	(CH)	Engage Consulting (AUGE)
Dan Fittock	(DF)	Corona Energy
Fiona Cottam	(FC)	Xoserve
Gareth Evans	(GE)	Waters Wye Associates
George MacGregor	(GMG)	Utilita
Jason Salmon	(JS)	Utility Warehouse
John Welch	(JWe)	Gemserv (PAFA)
Jonathan Kiddle	(JK)	Engage Consulting (AUGE)
Louise Hellyer	(LH)	Total Gas & Power
Naomi Anderson	(NA)	Utility Warehouse
Mark Bellman	(MB)	ScottishPower
Mark Jones	(MJ)	SSE
Mark Rixon	(MR)	Independent Consultant
Neil Cole	(NC)	Xoserve
Robert Johnstone	(RJ)	Utilita
Ryan Stephenson	(RS)	Utility Warehouse
Rhys Kealley	(RK)	British Gas
Sallyann Blackett	(SaBI)	E.ON
Sophie Dooley	(SD)	Engage Consulting (AUGE)
Steve Blackler	(SBI)	EGas and Electricity
Steve Mulinganie	(SM)	Gazprom
Tony Perchard	(TP)	DNV-GL (Observer)

Copies of all papers are available at: <https://www.gasgovernance.co.uk/aug/120221>

## 1.0 Introduction and Status Review

Alan Raper (AR) welcomed everyone to the meeting and explained the main emphasis of the meeting was to discuss the consultation responses.

### 1.1. Approval of Minutes (15 January 2021)

The minutes from the previous meeting were approved.

### 1.2. Approval of Late Papers

AR noted there was one late paper from Engage which was the presentation and it was agreed this should be accepted.

### 1.3. Review of Outstanding Actions

**Action 0704: Advisory Service** - Engage to put signpost to Joint Office on the Engage website.

**Update:** CH advised that Engage were still liaising with their 3rd party that manages their website and that he would provide the appropriate link in due course, hopefully in March 2021. He added that the material was already published on the Joint Office website in the first instance. This action was carried forward. **Carried Forward.**

**Action 1102:** Engage (JK) and Gazprom (SM) to liaise in relation to obtaining data for next year from SPAA and REC v1.1. consultation.

**Update:** JK said that this area would be discussed in relation to the data for 2022 and that he would be speaking with Gazprom in due course and Steve Mulinganie (SMu) said that he would be happy to assist with any issues. This action was closed. **Closed.**

**Action 0101:** Engage (CH) to examine and review the language, in the Draft AUG Statement relating to the compliance with parties' obligations.

**Update:** CH confirmed the wording had now been amended and so this action could be closed. **Closed**

**Action 0102:** Engage (JK) to provide a view on the effect of COVID-19 on demand and the subsequent effect on AQs.

**Update:** JK confirmed this action would be carried forward, although an initial assessment had been carried out, and detailed on page 5 below / Slide 9 of the Engage presentation. <https://www.gasgovernance.co.uk/aug/120221> **Carried forward.**

**Action 0103:** Engage (JK) to provide the data and the methodology that was used to determine the range of Retail theft data of between 1.1% and 1.62%.

**Update:** JK confirmed this action would be carried forward, although an initial assessment had been carried out, and detailed on page 6 below / Slide 11 of the Engage presentation. <https://www.gasgovernance.co.uk/aug/120221> **Carried forward.**

**Action 0104:** Engage (JK) to provide more detail and clarity on the assumptions and judgements used to determine how the figure of 1.5% (total network theft).

**Update:** JK confirmed this action would be carried forward, although an initial assessment had been carried out, and detailed on page 5 below / Slide 9 of the Engage presentation. <https://www.gasgovernance.co.uk/aug/120221> **Carried forward.**

**Action 0105:** Engage (JK) to investigate if it is possible to provide the categories of theft split into EUC bands as part of the summary.

**Update:** Fiona Cottam (FC) said that the information regarding the theft split was available as detailed below, via the link:

The split of Energy UK Thefts is now published on the UKLink Documents Secure website:

<https://xoserve.sharepoint.com/sites/XEUKLINKDev/>

Folder 16. MOD473 AUGS Data Provision

Sub-Folder 01 AUGS Calculations

Sub-Sub-Folder 2021-22

Document "[Summary of EUK data for thefts](#)"

This action was then closed. **Closed**

**Action 0106:** Engage (JK) to explain how smart meter theft and traditional meter theft assumptions impact the final AUG table and Engage to provide a more detailed explanation of the calculation.

**Update:** Fiona Cottam (FC) said that the information regarding the theft split was available as detailed below, via the link:

The split of Energy UK Thefts is now published on the UKLink Documents Secure website:

<https://xoserve.sharepoint.com/sites/XEUKLINKDev/>

Folder 16. MOD473 AUGS Data Provision  
Sub-Folder 01 AUGS Calculations  
Sub-Sub-Folder 2021-22  
Document "[Theft](#) Workings"

Supporting info for the Graph of Original v latest UIG that Jon put up:  
published on the UKLink Documents Secure website:

<https://xoserve.sharepoint.com/sites/XEUKLINKDev/>

Folder 18. NDM Profiling and Capacity Estimation Algorithms

Sub-folder UIG

Document: "[UIG\\_OrigVsLatestByMonth\\_202012](#)"

This action was then closed. **Closed.**

**Action 0107:** Engage (JK) to provide information on the use of the Energy UK Theft data and consider providing an anonymised summary of the data and, with due consideration to the statement production timeline, consider if further, similar information should be requested from ICoSS.

**Update:** JK confirmed this action would be carried forward, although an initial assessment had been carried out, and detailed on page 8 below / Slide 16 of the Engage presentation. <https://www.gasgovernance.co.uk/aug/120221> **Carried forward.**

**Action 0108:** Engage (JK) to provide further information regarding the 10.98% in relation to the organised crime theft.

**Update:** JK confirmed the 10.98% figure had now been amended to 6.7% and so his action could be closed. **Closed**

**Action 0109:** Engage (JK) to provide further information on how AMR meters are treated throughout this report.

**Update:** JK confirmed this action would be carried forward, although an initial assessment had been carried out, and detailed on page 8 below / Slide 16 of the Engage presentation. <https://www.gasgovernance.co.uk/aug/120221> **Carried forward.**

**Action 0110:** Engage (JK) to provide information and rationale relating to the narrowing of the differences between the factors for Class 3 and Class 4.

**Update:** JK confirmed this action would be carried forward, although an initial assessment had been carried out, and detailed on page 6 below / Slide 10 of the Engage presentation. <https://www.gasgovernance.co.uk/aug/120221> **Carried forward.**

**Action 0111:** Xoserve (FC) to provide anonymised backstory and narrative in relation to EUC Band 9 from a registered and un-registered perspective.

**Update:** FC confirmed that Xoserve were presently working with the Transporter regarding the back billing scenarios and that this site was now a confirmed site, however it had been unconfirmed for a 12-month period. Steve Blacker (SBI) said that this had been a substantial theft of gas with no remedial action. FC said that it was not theft as it was in the un-registered category and the first read was not a zero reading. She added that this was not the norm and was unusual. Both SBI and Gareth Evans (GE) enquired if this was likely to happen again in the future and SMu said that more detailed information was required in relation to the backstory. This action was then carried forward. **Carried forward.**

**Action 0112:** All to provide comments to Engage (CH) regarding the Identified Innovation proposal prior to the February meeting.

**Update:** CH confirmed that only one response had been received and so this action would be carried forward. **Carried forward.**

## 2.0 AUG 2021/2022 Timeline

The current Indicative AUG Timeline for Analysis Year 2020/21 can be found here: [www.gasgovernance.co.uk/augenex2122](http://www.gasgovernance.co.uk/augenex2122).

### Summary of the Timeline and its progress is as follows:

10 July 2020	Introduction meeting
11 September 2020	Early engagement meeting
11 November 2020	Extraordinary Meeting requested by Engage.
01 January 2021	Publication of the first draft AUG Statement
15 January 2021	Walkthrough of the draft AUGS
22 January 2021	Deadline for Industry feedback
12 February 2021	AUG Sub-Committee meet to discuss Industry feedback.
5 March 2021	Publication of modified AUGS
12 March 2021	AUG Sub-Committee meet to discuss modified AUGS.
1 April 2021	Publication of revised AUGS (if required)
06 April 2021	AUG Sub-Committee meet to discuss final AUGS.
15 April 2021	Final AUGS is presented to UNCC.
01 October 2021	Final AUGS effective date

## 3.0 AUG Approach and Considerations for 2021/2022

### 3.1. Introduction

Christian Hill (CH), Jonathan Kiddle (JK) and Sophie Dooley (SD) introduced themselves and explained their approach. CH then provided a high-level overview of the agenda which encompassed the following areas:

- Methodology Principles
- Consumption Forecast Update
- Investigation Responses and Updates
- Other Contributors Responses and Updates
- Benchmarking Process Update
- Next Steps
- Innovation Service
- Industry Issues

The presentation covered the following main topics. Where there was specific interaction regarding particular slides with the Committee members, this has been captured within the minutes for each section of the presentation, and full details can be found on the published presentation here: <https://www.gasgovernance.co.uk/aug/120221>

### **Consultation Introduction (Slide 5)**

CH provided an overview of the consultation process as detailed below:

- *The AUG Statement Consultation was published on 30 December 2020. Comments were requested in relation to:*
  - *The Engage overall methodology,*
  - *The four contributors that received a detailed investigation (Theft, Consumption Meter Errors, LDZ Meter Errors, No Read at the Line in the Sand),*

- *The six contributors that did not receive a detailed investigation (Average Pressure Assumption, Average Temperature Assumption, Incorrect Correction Factors, Unregistered Sites, Shipperless Sites, IGT Shrinkage),*
- *Any other issues that respondents believe materially affect the Weighting Factors contained within the draft AUG Statement,*
- *Eight responses were received one of which was anonymous. We thank all stakeholders for their responses.*
- *Engage have reviewed these carefully, considering the arguments made and the rationale presented, along with any evidence provided.*

*The Engage response was published by the Joint Office on 05 February 2021 along with the feedback received and can be viewed via: <https://www.gasgovernance.co.uk/augenex2122>*

GE said that he had some questions in relation to the anonymous consultation response – this matter was discussed in detail within the Any Other Business section on page 12 below.

### **Delivery Timeline (Slide 6)**

AR provided an overview of the schematic timetable, as detailed on Slide 6 of the presentation that can be viewed at: <https://www.gasgovernance.co.uk/aug/120221>

### **Methodology Principles (Slide 7)**

JK provided an overview of the Methodology Principles as detailed below:

- *Bottom-up calculation of the forecasted energy associated with each UIG contributor,*
- *This forecast is the amount of UIG that will exist at the Line in the Sand,*
- *The forecast UIG is allocated to the Matrix Position that creates the UIG i.e., Polluter Pays,*
- *Most respondents agreed with our principles,*
- *Engage are not going to make any changes to these principles in the proposed final Statement.*

GE said that in theory the Methodology Principles were appropriate but that he questioned in practice, if this was in actual fact, the reality.

### **Consumption Forecast (Slide 8)**

JK explained that based on feedback received as part of the consultation, Engage had now revalidated the datasets used in the consumption forecast and he said that multi-metered sites were found to be duplicating some figures within the report. JK noted that in view of this, Engage had decided to look at the national values rather than the individual LDZ trends based on the fact a small number of supply meter points were creating a large impact.

JK said that moving forward, Engage were hopeful to be able to share a more detailed update as a late notice paper, adding that, if this was not possible, this would be provided to the industry at the earliest possible point.

He noted that there was a consultation comment on the potential inaccuracy of the sub-EUC bands. He said they had based their forecast on validated and definitive CDSP data and that he welcomed market participants' continued efforts to update CDSP data to reflect what they knew about the Supply Meter Points in their portfolios.

A brief general discussion took place regarding the multi-metered sites and GE and Chandima Dutton (CD) both requested more information and detail on how the consumption forecast percentages were reached. JK reiterated that he would supply the narrative and back up tables regarding this matter by the end of March 2021.

### **Other Methodology Comments (Slide 9)**

JK overviewed the other methodology comments which were:

- *Treatment of outliers in the data,*
- *Allocation to EUC Bands and complexity,*
- *COVID 19 assumptions,*
- *Impact of AUGS on market incentives,*
- *Validity of datasets used.*

In relation to the treatment of outliers, JK confirmed that they have been treated on a case-by-case and no changes had been made to the data set. GE said if that was the how they were assessed, on a case-by-case basis, how had this been identified? JK said, as detailed in the rules, these had been excluded from a fiscal theft perspective but there was no reason to exclude the AQ's in the EUC Bands. GE said that the previous process did include them. JK said that Engage had not requested line-by-line data and so it was impossible to have AQs as exact examples would be needed of how to treat these differently. GE said that there were 20 or 30 very large AQ sites with incorrect AQs, as these had been loaded incorrectly by Xoserve and so there were live sites with the incorrect AQs.

GE added that this was why this area had been addressed by the previous AUGE, to correct the too low or too high AQs, and that any too low had previously been removed. JK said he was more than happy to investigate the previous ones that were removed. A protracted discussion took place regarding what was classed as significant within the EUC Bands and how these were represented within the data set. JK again reiterated that he would be more than willing to re-look at the treatment of the specific outliers.

With regards to the COVID-19 assumptions JK said that Engage were relooking at the effects on demand from a UIG perspective with a high-level view of COVID-19 and the impact for 2021 and the longer-term implications.

### **Investigation Topics (Slide 10)**

JK reiterated the four topics that had been identified for detailed investigation this year as part of Engages' initial assessment were:

- Theft of Gas (Slides 11 – 18)
- Consumption Meter Errors (Slide – 19)
- LDZ Meter Errors (Slide – 20)
- No Meter Read at Line in the Sand (Slides 21 - 22)

JK explained that the following slides provided an overview summary of the consultation responses, the action Engage had taken and the likely result changes.

#### **010 - Theft of Gas (Slides 11 - 18)**

##### **Total Theft Amount (Slide 11)**

JK explained that Engage had received a number of comments about the total theft amount and that the full details of the sources that Engage had used had been provided within the consultation response document. He said that Engage had placed significantly more weight on the electricity data than the water data. He added that total theft amount would be updated based on the output from the consumption forecast but there has been no change to the 1.5% total theft estimate. JK reiterated that the value of 1.75% was appropriate for downstream theft. He explained the LDZ Shrinkage was out of scope and so the assumption was that the 0.2% figure was correct, as this could not be investigated.

GE said that he still had concerns in relation to the sources and the rationale behind these overall values, which made it hard to rationalise how the final numbers were reached and reiterated that he had now asked twice for further detail on this matter. JK said there was no definitive methodology regarding these derived values, and GE again said that he had concerns over the numbers and that the analysis he had undertaken had resulted in different assumptions and assertions. JK reiterated the data source and assumptions had been detailed on page 7 of the Engage consultation document. GE said that these assumptions needed testing and that more detail was still required. JK agreed to provide a step-by-step guide on how the figures were reached.

**New Action 0201:** Engage (JK) to provide a step-by-step guide to show workings, assumptions, sources used and discounted and the working approach of the total theft amount overall analysis showing how the 1.5% figure was reached.

SBI concurred that more detail was needed especially in relation to the values, specifically, the tolerance, range and the establishment of the mid-point.

Sallyann Blackett (SaBI) said that this area was difficult to quantify and thanked Engage for trying to conduct the analysis, and she said she appreciated there were time constraints for the data analysis for this year and that perhaps a post-appraisal could be undertaken to ensure a different approach for next year. AR concurred with the requirement for a post process assessment approach.

#### Total Theft Amount Comparison (Slide 12)

JK explained that Engage had received a comment suggesting that Engage should use the previous AUGÉ's method to calculate total theft. He said that their analysis of the previous Statement values showed that the top-down method would result in 35.33% higher than other bottom-up quantification; and 2.00% of throughput, (less shrinkage), rather than their proposed value of 1.48%.

GE said that he was very uncomfortable with any debates of how the previous AUGÉ had undertaken their analysis especially at they were observers within the meeting. CH said that there was no criticism at all, and that Engage had used a different approach and that it was just for comparison purposes. FC and Andy Gordon (AG) both said the approach adopted by the new and old AUGÉ differed and there was little to be gained from comparing this method with the previous approach by the old AUGÉ. AG added that DNV-GL had undertaken analysis of all meter reads of all the previous year and that he was under the impression that Engage had not done that. FC commented that a comparison to previous outcomes was a valid technique to verify process outputs, and that AUG Sub-Committee attendees had previously asked Engage to provide prior year comparators to aid understanding of the proposed AUG Statement. JK said that that Engage had not followed the same methodology as DNV GL and had just concentrated on the balancing factors. Both GE and SMu said in that case, the reference to the full methodology needed to be amended to provide clarity.

**New Action 0202:** Engage (JK) to amend the reference to the full methodology to state just the balancing methodology was used.

#### Advanced Theft (Slide 13)

JK explained that Engage had received two opposing comments relating to the total amount of advanced theft. He said that, typically, organised crime accounted for 13.34% of overall theft in the retail sector. He added that Engage had acknowledged the error in their draft Statement which had reported this at 21.97%. JK explained that Engage still believed it was reasonable to assume that the levels of advanced, and very difficult to detect theft, that existed across the gas sector was equivalent to at least half of the organised crime theft percentage. He said that based on their methodology their estimate of advanced theft was 6.67% which would be updated in the proposed final Statement. GE questioned the amount of 6.67% and asked what this was a percentage of. JK said it was of the organised crime within in the retail sector, i.e., 6.67% of the 1.5% was this type of advanced / organised crime.

CD asked if there was more than one type of sophisticated theft or was it principally through staff. She added she would like greater detail on this topic. JK agreed to investigate this matter further.

**New Action 0203:** Engage (JK) to provide greater clarity of the percentage number of staff or sophisticated theft within the retail sector.

#### Detected Theft Dataset (Slide 14)

JK provided an overview of Slide 14 of the detected theft dataset with no comments made.

#### Class 3 and 4 differences including smart and traditional meter theft (Slide 15)

JK explained the previous AUGÉ's method had split allocated theft to Class 3 sites based on a very small number of thefts associated with Class 3 Supply Meter Points. He added that a methodology was required for smart and traditional meters as these different meter types were in different matrix positions which were also changing year on year. JK said that Engage believed that it was fairer and a more equitable approach to base it on meter type by taking the undetected theft forecast for the target Gas Year and establishing what percentage of it would be on smart meters and what proportion would be on traditional meters. JK said that by allocating the percentage of traditional meters across matrix positions, based on the volume proportions in their theft dataset and allocating the percentage on smart meters across matrix positions, based on the numbers of smart meters in their smart meter forecast.

A brief general discussion took place in relation to the outcome and why there was no difference in the outcome regarding the 10 years of detected theft and Naomi Anderson (NA) specifically asked for more detail on this area. JK said it was in relation to the significant split between EUC Bands and that the previous AUGÉ had undertaken a different process. SBI also asked for more information regarding the differences between Classes 3 and 4. SMu said it was important to consider the materiality and not just the type and the nature of usage. GE also noted the customers who have smart meters presently are active in the market and there should be some adjustment for the other less active customers in the future. JK said currently he was not able to comment on the behavioural aspects of customers. However, he was of the view that was an area that could be explored in the future, as to how engaged smart meter customers were in the market. He also added that no AMR data had been included, and that this would be included for 2022.

#### Other Comments (Slide 16)

JK said the other comments received covered a mix of different view regarding the following areas:

- *Impact of smart meters on undetected theft,*
- *Separate consideration of dataloggers and AMR,*
- *Impact of AUGS on market incentives,*
- *Theft at small businesses,*
- *Data provision and sharing,*
- *Other comments,*

JK confirmed that from an AMR perspective, if a site had AMR it would be operating in the same way as a site in Class 3 or 4.

Louise Hellyer (LH) said she had concerns regarding the small business theft figure of 14% of gas in that area as that seemed to be extremely high for the percentage of gas stolen by small businesses. JK said this percentage value was correct and that this was a combined figure of TROS and TRAS obtained from the Xoserve system. LH said that as the industry as a whole was 3%, she needed more information to explain the 14% figure and JK said he would provide the required information.



**New Action 0204:** Engage (JK) to provide clarity/evidence regarding the small business 14% theft of gas figure.

GE concurred with LH and agreed that more detailed evidence was required in relation to this matter and he said that it would be helpful to know what other areas had been investigated.

JK then provided a high-level overview of Slides 17 – 20 which encompassed the following areas, with no further discussion.

Combination of prepay and credit populations (Slide 17)

Summary (Slide 18)

Consultation Responses (Slides 19 - 20)

- **090 – No Meter Read at Line in the Sand (Slides 21 – 22)**

Consultation Responses

JK noted that Engage had received three comments as part of the consultation and these are listed below:

- *The analysis fails to account for a peak of read submissions occurring as the Line in the Sand approaches,*
- *The data contained within the report may be incorrect,*
- *The reconciliation rate method is incorrect.*

JK confirmed that Engage had made changes based on the input report corrections and that these would be included in the proposed final Statement. He added that there was no evidence of the reconciliation rates changing significantly between recent reports and historical figures. He confirmed the Engage reconciliation rate for Class 4 sites was based on reconciliation percentages, not on the no-read report, as suggested by the respondent. As such, the respondent's suggestion was not valid, and the method used would remain as described in the draft Statement. JK stated the results would be updated based on the updated no read reports.

GE said he wanted to know more about the data used and requested a more granular level of explanation to encompass reconciliation and line in the sand data.

**New Action 0205:** Engage (JK) to provide detail regarding the line in the sand data to include what data was used in relation to reconciliation.

JK then provided a high-level overview of Slides 22 - 24 which encompassed the following areas, with no further discussion.

Calculation Methodology Update (Slide 22)

Key Points (Slide 23)

Other Contributors (Slide 24)

- **020 – Unregistered Sites (Slide 25)**

Consultation Responses

JK noted that Engage had received two comments on this contributor as part of the consultation, which were in relation to the UIG being overstated due to overstated AQs and an unregistered mandatory DM site, which should be excluded from the calculation because it would not remain unregistered for long. JK confirmed that Engage had made no changes based on the feedback, as they did not consider that the historical site should be excluded as there were other potentially unregistered sites in EUC9 which could create UIG in the target Gas Year. JK said the overstated AQs aspect was likely to be immaterial, but that Engage would consider this for investigation next year, if further data was available. He confirmed the results would be the same in the proposed final Statement.

A brief general discussion took place regarding unregistered sites in EUC Band 9 and if there was the potential for the this to occur in future years. JK said that although none had been found previously, Engage had discovered this one as part of this year's evaluation.

JK then provided a high-level overview of Slides 26 - 31 (no specific discussions or general comments took place) regarding these slides which encompassed:

- **025 – Shipperless Sites (Slide 26)**
- **060 – IGT Shrinkage (Slide 27)**
- **070 – Average Pressure Assumption (Slide 28)**
- **080 – Average Temperature Assumption (Slide 29)**
- **100 – Incorrect Correction Factors (Slide 30)**
- **Other Contributors Key Points (Slide 31)**
- **Results Validation Slide 32)**

Benchmarking against observed UIG

FC provided a link to the UK Link Document website to provide further information in relation to the two graphs: <https://xoserve.sharepoint.com/sites/XEUKLINKDev/>

Folder 18. NDM Profiling and Capacity Estimation Algorithms

Sub-folder UIG

Document: "[UIG\\_OrigVsLatestByMonth\\_202012](#)"

### **Other Comments Slide 33**

Future Contributor Topics

JK noted that Consumption Adjustment Errors and Meter Bypass Arrangements had been added to the Engage list for initial assessment for 2022 and both SMu and GE said care was needed to avoid the potential for double counting, (with theft), in relation to Meter Bypass Arrangements.

### **Next Steps (Slide 34)**

CH then provided an overview of the next steps as detailed below:

- *Any revision of the draft AUG Statement following our assessment of responses received will be provided to the AUG Sub Committee by 05 March 2021,*
- *An updated explanation of the Weighting Factors methodology, including sources of data and quantification of any changes to the draft AUG Statement (if required) will be presented at the 12 March 2021 AUG Sub-Committee Meeting,*
- *The proposed final AUG Statement will be provided to the AUG Sub Committee by 31 March 2021 and April 2021 AUG Sub Committee Meeting, prior to consideration at the UNCC Meeting on 15 April 2021,*
- *Engagement with stakeholders will continue throughout the process. We can be contacted [auge@engage-consulting.co.uk](mailto:auge@engage-consulting.co.uk).*

**Summary of the Timeline is as follows:**

10 July 2020 — Introduction meeting

11 September 2020 — Early engagement meeting

11 November 2020 — Extraordinary Meeting requested by Engage.

01 January 2021 — Publication of the first draft AUG Statement

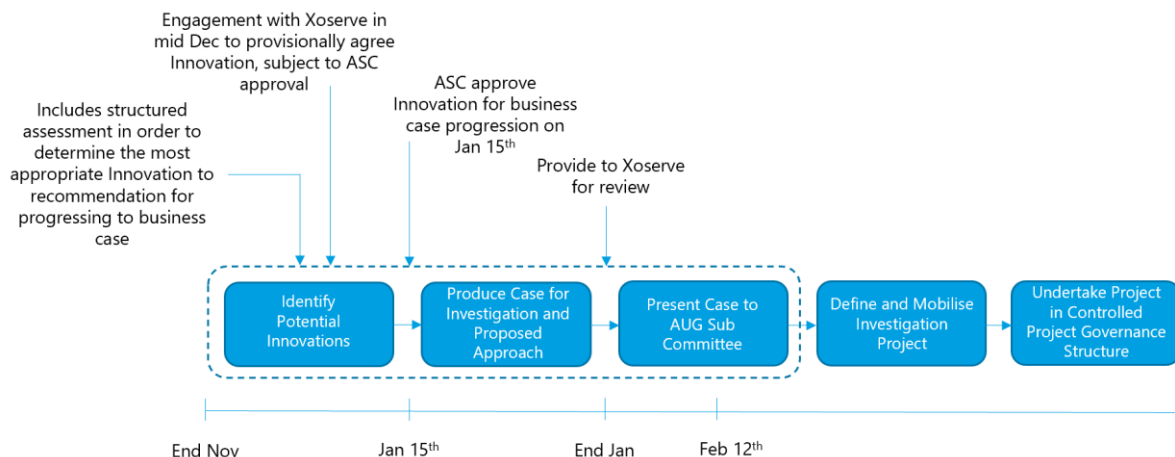
15 January 2021 — Walkthrough of the draft AUGS

22 January 2021 — Deadline for Industry feedback

- ~~12 February 2021~~ ~~AUG Sub-Committee meet to discuss Industry feedback.~~
- 5 March 2021 Publication of modified AUGS
- 12 March 2021 AUG Sub-Committee meet to discuss modified AUGS.
- 1 April 2021 Publication of revised AUGS (if required)
- 06 April 2021 AUG Sub-Committee meet to discuss final AUGS.
- 15 April 2021 Final AUGS is presented to UNCC.
- 01 October 2021 Final AUGS effective date

**Innovation and Advisory Service (Slide 36)**

CH overviewed the proposed timeline for the Engage Innovation Service is detailed below:



**Identified Innovations (Slide 37)**

CH provided a brief overview of the identified innovations and as was agreed previously with the Committee members, who would provide comments on the proposed innovations as detailed below:

- Investigation into the Temperature of Gas in the Meter
- Audit of the Correction Factors
- LDZ-Specific Weighting Factors

A brief general discussion took place regarding the area of polluter pays concept, and the differential of who created the UIG and who was responsible for paying for it in line with the smearing process. CH said where it could be established that a certain market sector created the UIG, it could be allocated in a granular way to a matrix position; that is the polluter pays concept. SaBI added that none of it was against a specific customer or individual as it was allocated at an aggregate level. She added this depended on each suppliers’ policy as to how the costs were passed on.

**Industry Feedback Slide 38**

CH said to date, only 1 comment from one stakeholder had been received. AR suggested the innovations area was the next cycle of the AUG process when the industry had more time. SMu agreed with this suggestion and said that the industry was presently involved in too many other priority areas, and that it was best to get the arrangements for the year current year confirmed first. CH agreed and said that if possible, he would like some comments for the March meeting, as he would then subsequently present an Innovation Business Case.

#### 4.0 Any Other Business

##### Discussions around the AUG Framework Document

GE said that he had some questions in relation to the anonymous consultation response that that had been accepted and published, as in his view the AUG Framework Document established that there should be total transparency and, as such, anonymous consultation responses should not be accepted. He said that it was his understanding that Engage had not observed the requirements of the AUG Framework Document criteria, as that this could result in a number of commercial consequences.

CH said that Engage had received a request for the consultation to be treated in an anonymous manner and had discussed this matter with Xoserve before agreeing to the request. SMu raised a counterpoint that Engage did not have the authority to grant this request. SaBI said she knew in previous years that anonymous consultations had been accepted before and that E.ON themselves had submitted one.

FC said she would like to review the relevant section of the AUG Framework Document and that she was not aware that anonymous submissions were not permitted, and she added that in relation to this consultation response, the party was a Shipper licenced party.

##### Post-Meeting Note

GE cited Paragraph 6.6 of the AUG Framework Document as not allowing any anonymous responses to the AUGS consultation. Having reviewed 6.6 this relates to data requests issued by the AUGE needing to specify who the request is made to. 6.6 requires the responses to data request not to be anonymised. The consultation process is not a data request.

The more relevant section is 6.2, relating to issues raised during the consultation process, and allows for information marked as confidential not to be published. Section 7, Step 7 is silent on whether responses can be anonymous. The previous AUGE established a precedent of accepting anonymous responses, so the current AUGE's actions are consistent with that.

##### 'Without Prejudice'

SMu said that on the topic of the AUG Framework Document, his challenge was to ensure the AUGE had been compliant with the procedures set out and wanted to know what could happen next if he had concerns and how these could be discussed in the context of the CDSP and the letting of the AUGE Contract. He said the AUG Framework Document was in the public domain and set out the specific adherence requirements. AR agreed but noted that the role of the subcommittee was to work to the framework document, and while stages of the documented process could be discussed, it could not change the framework.

SMu said he believed that process had not been followed and wanted to understand the options with regards to compliance and they could be put into effect: He stated that he believed the matter involved the CDSP, as AUGE contract managers, and may need to involve Ofgem. He wanted to know where and how his various concerns should be raised.

AR said there were 3 elements; the AUG Framework Document, the associated part of the Uniform Network Code (UNC)<sup>1</sup>, and the active contract with Xoserve. He said this area needed to be established off-line from a governance aspect, and that more information was needed regarding this how each aspect of governance should interplay, namely from a CDSP, Ofgem and UNCC perspective. AR said for the purposes of responding to SMu's query, it should be managed separately, and it was unlikely a way forward would be agreed at today's meeting and his concerns should be collated outside of the subcommittee and presented to the most appropriate forum.

Rhys Kealley (RK) said that it seemed to him that the discussion resembled a pre-Modification debate, and further added that to him it seemed that fundamental issue was not the process but that certain parties did not like the outcome. He said the process did not include an appeal element but should one be developed it would have to be through the UNCC or, ultimately, via Ofgem. He added that there was not the option to simply reuse a previous version of the table.

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<sup>1</sup> For reference this is UNC TPD Section E9

Chris Hill (CH) stated that he was not sure if this was the appropriate forum for this discussion and added that Engage had undertaken all the actions with due diligence, and there had been no performance issues raised by Xoserve, and that no issues had been raised with the analysis or the approach being taken prior to the initial publication of the draft AUG Statement and Weighting Factors.

SMu said that he was perfectly able to raise a compliance issue regarding adherence to the Framework Document at any time during the process but raised the matter to establish options for taking the matter forward. He said a Modification could be raised, and that Ofgem could be written to, and these options were in line with the governance regime that existed.

GE said the process had to be robust to challenge, even if people did not like the answer, but where appropriate it could, and should be overturned. GE said that he was involved in writing the original process, and while that had proved challenging, remarked that it had been written in a way that would allow parties to 'crawl all over' the output. He said that while most questions raised had written answers, he still thought that not all parties have had their questions answered, and these need to be provided to withstand the challenge to the process.

AR agreed that the AUGE was in a position of deep responsibility to allocate the gas around the market in a fair manner and that the AUGE had an important role to play in determining the apportionment. AR said until now he was not aware of any causes for concern and said that the AUGE appeared to be delivering outputs to time. AR said regarding SMu's point on the compliance issue, that he proposed that SMu contacted the Joint Office of Gas Transporters and sent his documented areas of concern, (and include Xoserve in these communications), in relation to adherence to the AUG Framework Document. SMu said he may also contact the Trade Associations to advise them of the proposed actions.

AR suggested there were potentially two forums that could be approached regarding this matter, first the UNCC as they had oversight of the AUG Framework Document and matters of UNC implementation, and secondly the DSC Contract Management Committee as they had oversight of how the CDSP obligations are delivered, both of which have an interest in the outcome of the AUG Statement process. SMu said it would be to contact the UNCC and the CDSP in the first instance. AR confirmed that substantive detail relating to SMu's concerns would be required by these committees.

RK said that he appreciated that this was not the correct forum for these discussions to be played out in. He said that the industry did have an AUGE that was competent and that they had adhered to the process and had been appointed through a rigorous procurement process. He added that he felt that level of discussion at this stage was inappropriate, and that more research needed to be carried out.

SMu said that he was perfectly at liberty to challenge and that the procurement exercise was irrelevant to his current concerns and that he would be progressing the matter. He said that he did not want the debate being undermined and he would be targeting the relevant parties for them to deal with as they saw fit.

AR said that this was extremely awkward for the AUGE as they are present in the meeting and that he did not want this discussion expanded at this stage, especially given the limited notice everyone had received for contributing to a discussion of this nature.

CH said that clearly a certain group of representatives felt that there was a compliance issue, and that he wanted to see the detail where ICoSS felt that the AUGE had not adhered to the process, rather than vague, unsubstantiated allegations of non-compliance. CH said that he would like the right of reply to the points raised once these were detailed: SMu duly agreed.

GE said that he had raised the points he mentioned previously, including in the consultation too and that the process should be open and transparent. He expressed his view that the AUGE had not adhered to the process.

SMu asked if Engage were happy for them to be copied in on any communications between the Joint Office, CDSP and the UNCC. CH said he would respond in due course.

RK said as point of process for next year, he proposed the AUGGE should be able to undertake their task without the element of legal action hanging over them. CH said that the AUGGE would not be swayed into making changes to the AUG Statement and Table by conjecture of legal action or taking to a higher authority and that any revisions that have been and will be made to the AUG Statement and Table result solely from their consideration of the responses to the AUG Statement consultation, and their further examination of the data and their methodologies as a result of those.

AR said that the next step should be for SMu to document his concerns so the affected parties could appraise the issue and to assess how best to take them forward. GE said that the concerns were to do with how the AUGGE had apportioned the UIG and discharged the obligations set out in AUG Framework Document.

At this point the debate drew to a close with an understanding that further documentation would be submitted to the Joint Office in due course.

## 5.0 Diary Planning

Further details of planned meetings are available at: <https://www.gasgovernance.co.uk/events-calendar/month>

Time/Date	Venue	AUG Sub-Committee Agenda
10:00 Friday 12 March 2021	Via Microsoft Teams	Discuss modified AUG Statement

### Action Table (as at 12 February 2021)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0704	10/07/20	4.0	Advisory Service - Engage to put signpost to Joint Office on the Engage website.	Engage (CH)	Carried Forward
1102	11/11/20	3.0	Engage (JK) and Gazprom (SM) to liaise in relation to obtaining data for next year from SPAA and REC v1.1. consultation.	Engage (JK)	Closed
0101	15/01/21	3.1	Engage (CH) to examine and review the language, in the Draft AUG Statement relating to the compliance with parties' obligations.	Engage (CH)	Closed
0102	15/01/21	3.1	Engage (JK) to provide a view on the effect of COVID-19 on demand and the subsequent effect on AQs.	Engage (JK)	Carried forward
0103	15/01/21	3.1	Engage (JK) to provide the data and the methodology that was used to determine the range of Retail theft data of between 1.1% and 1.62%.	Engage (JK)	Carried forward
0104	15/01/21	3.1	Engage (JK) to provide more detail and clarity on the assumptions and judgements used to determine how the figure of 1.5% (total network theft).	Engage (JK)	Carried forward
0105	15/01/21	3.1	Engage (JK) to investigate if it is possible to provide the categories of theft split into EUC bands as part of the summary.	Engage (JK)	Closed

**Action Table (as at 12 February 2021)**

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0106	15/01/21	3.1	Engage (JK) to explain how smart meter theft and traditional meter theft assumptions impact the final AUG table and Engage to provide a more detailed explanation of the calculation.	Engage (JK)	<b>Closed</b>
0107	15/01/21	3.1	Engage (JK) to provide information on the use of the Energy UK Theft data and consider providing an anonymised summary of the data and, with due consideration to the statement production timeline, consider if further, similar information should be requested from ICoSS.	Engage (JK)	<b>Carried forward</b>
0108	15/01/21	3.1	Engage (JK) to provide further information regarding the 10.98% in relation to the organised crime theft.	Engage (JK)	<b>Closed</b>
0109	15/01/21	3.1	Engage (JK) to provide further information on how AMR meters are treated throughout this report.	Engage (JK)	<b>Carried forward</b>
0110	15/01/21	3.1	Engage (JK) to provide information and rationale relating to the narrowing of the differences between the factors for Class 3 and Class 4.	Engage (JK)	<b>Carried forward</b>
0111	15/01/21	3.1	Xoserve (FC) to provide anonymised backstory and narrative in relation to EUC Band 9 from a registered and un-registered perspective.	Xoserve (FC)	<b>Carried forward</b>
0112	15/01/21	3.1	All to provide comments to Engage (CH) regarding the Identified Innovation proposal prior to the February meeting.	ALL	<b>Carried forward</b>
0201	12/02/21	3.1	Engage (JK) to provide a step-by-step guide to show workings, assumptions, sources used and discounted and the working approach of the total theft amount overall analysis showing how the 1.5% figure was reached.	Engage (JK)	<b>Pending</b>
0202	12/02/21	3.1	Engage (JK) to amend the reference to the full methodology to state just the balancing methodology was used.	Engage (JK)	<b>Pending</b>
0203	12/02/21	3.1	Engage (JK) to provide greater clarity of the percentage number of staff or sophisticated theft within the retail sector.	Engage (JK)	<b>Pending</b>
0204	12/02/21	3.1	Engage (JK) to provide clarity/evidence regarding the small business 14% theft of gas figure.	Engage (JK)	<b>Pending</b>
0205	12/02/21	3.1	Engage (JK) to provide detail regarding the line in the sand data to include what data was used in relation to reconciliation.	Engage (JK)	<b>Pending</b>