

UNCC AUG Sub-Committee Minutes
Friday 17 February 2023
via teleconference

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Vera Li (Secretary)	(VL)	Joint Office
David Speake	(DSp)	Engage Consulting (AUGE)
Deborah Sherlock	(DSh)	Xoserve
Fiona Cottam	(FC)	Correla on behalf of Xoserve
James Hill	(JH)	Engage Consulting (AUGE)
James Knight	(JK)	Centrica
Kirsty Dudley	(KD)	E.ON
Mark Jones	(MJ)	SSE
Michael Walls	(MW)	Ofgem
Neil Cole	(NC)	Correla on behalf of Xoserve
Rhys Kealley	(RK)	British Gas
Sallyann Blackett	(SB)	E.ON
Sophie Dooley	(SD)	Engage Consulting (AUGE)
Steve Mulinganie	(SM)	Gazprom Energy

Copies of all papers are available at: <https://www.gasgovernance.co.uk/aug/170223>

1. Introduction and Status Review

Bob Fletcher (BF) welcomed everyone to the meeting and explained the main emphasis of the meeting was to consider the draft AUG Statement consultation responses.

1.1. Approval of Minutes (13 January 2023)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

There were no late papers to consider.

1.3. Review of Outstanding Actions

No Outstanding Actions from previous meeting.

2. Draft AUG Statement Update

2.1. Review of Consultation response

David Speake (DSp) provided a brief recap on the Consultation process and an update on the Consultation responses.

DSp reminded the Committee that following today's meeting, Engage will move on to producing the Proposed Final AUG Statement which will include the outcome of discussions from this meeting, and the updated data received since Christmas, particularly the consumption data covered in today's presentation.

2 Responses have been received and the main issues raised in the Consultation process:

- Class 3 impacts on the Consumption Forecast
- Impact of Weighting Factors on prepayment Customers

Details of AUG's Response to the draft AUG Statement Consultation can be found: <https://www.gasgovernance.co.uk/augstatement2324>

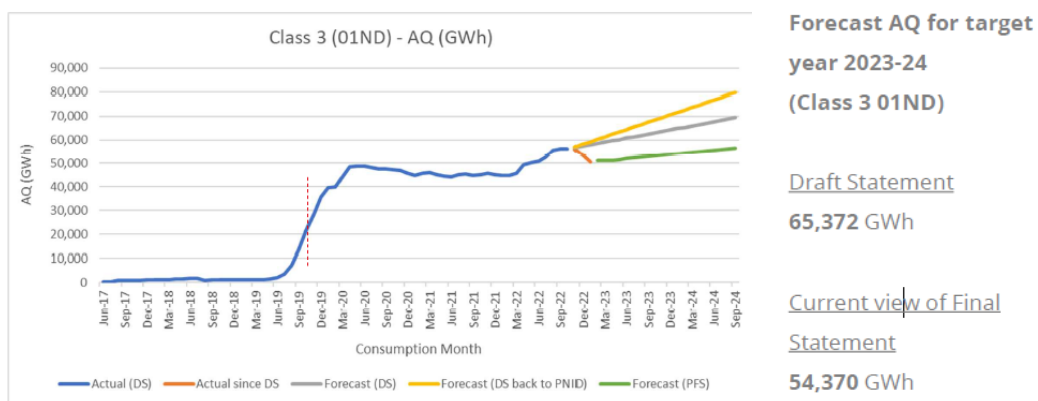
Class 3 impacts on the Consumption Forecast

James Hill (JH) provided an overview on the Consumption Forecast – Forecasting of Class 3.

JH explained the issue raised, being that the Consumption Forecast for Product Class 3 sites has bucked the trend of reducing of AQs. This is probably due to a continued predicted growth in this Class. However, whether this assumption is justifiable as further migrations are unlikely to take place in future.

JH reviewed how the forecasting for Class 3 (01ND) was determined with the help of the graph.

Class 3 Consumption Profile and Forecasting Options



Data used for the Class 3 forecast in the draft statement only went back to October 2019 (grey line) and not to Project Nexus Implementation Date (PNID) If the Forecast has been based on the trend going back to PNID, it would be much higher as presented in Yellow. The Orange line reflects the actual with the receipt of more recent consumption data.

The new data received has impacted on the Consumption Forecast for this Product Class which is shown as the Green line of which will be used for the Final Weighting Factors for the Draft Final AUG Statement.

JH concluded that they will carry out a full review of all the Matrix for next year's AUG as they now have full 5 years' data since PNID.

Impact of Weighting Factors on prepayment Customers

DSp provided an overview on the issue raised, being the concern about the impact of the differential of Weighting Factors between 01ND and 01PD Class 3 and Class 4 sites (with and without prepayment meters). It has been noted the differential is more pronounced in this year's Draft Weighting Factors, nearly 6 times higher for sites with prepayment meters and that Suppliers are unable to even this impact out for customers.

It has been suggested the Weighting Factors for prepayment and non-prepayment domestic customers should be equalised.

He noted 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.

Engage has discussed this with the respondent to look at ways to try and iron out the gap. The desired outcome is the complete elimination of the differential before the Draft Weighting Factors go live for the new Gas Year.

The Table below shows ways for the AUGE to address and assess what the AUGE could do to make the situation better in terms of the UIG differential.

AUGE action	Differential removed?	Fast enough?	Within AUGE ToR?
AUGE investigates ways to address potential bias in prepay theft data	Implausible	No	Yes
AUGE seeks alternative source(s) for Supply Meter Point populations in 1PD Sub-Band	No	Probably not	Yes
AUGE combines Matrix Positions as proposed	Yes	Yes	Possibly not

Option 1: Investigates ways to address potential bias in prepay theft data

DSP noted that there has been bias historically with the allocation of theft to prepayment meters. Further investigations to identify theft in this particular market may be able to address this bias however, this will take time and if the result could remove the differential and in time but not before the publication of Final AUG Statement in the next few weeks.

Committee Members commented the AUGE needs to be led by the evidence and whilst acknowledging the concerns arising in relation to the PPM bias could not allow themselves to be side tracked by broader political pressures.

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.

Option 2: Seeks alternative source(s) for Supply Meter Point populations in 1PD sub-band

DSP advised that this Option is to look at other inputs which causes the differential between credit and prepayment Weighting Factors. It was noted that this would not result in the removal of the differential the respondent is looking for.

Impacts of proposed Urgent Modification 0838 - Equalisation of prepayment and non-prepayment AUG factors

DSP noted that this Modification is proposing to remove the differential through the UNC governance route.

Committee Members were advised that Urgent procedures were proposed for Modification 0838 – Equalisation of prepayment and non-prepayment AUG factors although it was noted that Ofgem had not sought a Panel view on Urgency at this time and no decision on urgency had been received.

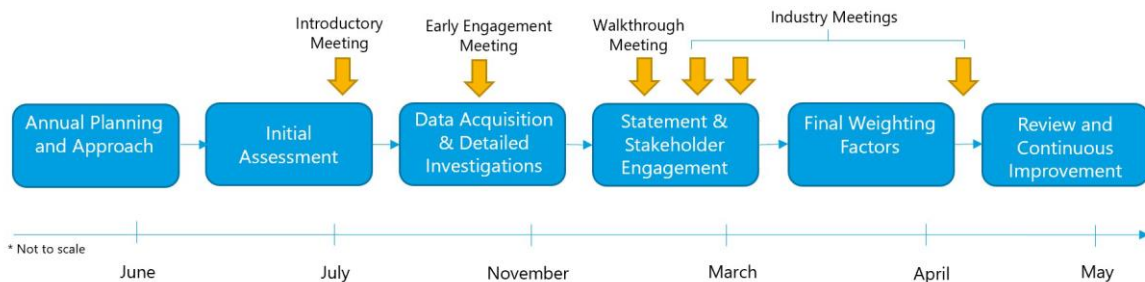
Committee Members queried the Urgency status noting that the AUG Table could be updated anytime prior to its application on 01 October.

BF suggested that the Modification has been raised as an Urgent Modification, because if this can be implemented by end March 2023, the AUGE can amend the process prior to the finalisation of AUG table for next Gas Year and prior to its submission to the UNCC in April.

3. Next Steps

DSP confirmed the timeline going forward:

- Draft AUG Statement will be revised and the next iteration provided to the AUG Sub-Committee by 4 March 2023. The report will contain the proposed Final Weighting Factors.
- The proposed Final AUG Statement will be presented to the AUG Sub-Committee on 10 March 2023, to explain the reason for changes made since the draft Statement.
- The Final AUG Statement will be provided to the AUG Sub-Committee by 31 March 2023 and presented at the 14 April meeting, prior to consideration at the UNCC Meeting on 20 April 2023
- Engagement with stakeholders will continue throughout the process. AUGE can be contacted at auge@engage-consulting.co.uk



4. Any Other Business

None.

5. Diary Planning

Further details of planned meetings are available at:

<https://www.gasgovernance.co.uk/events-calendar/month>

Time/Date	Paper Publication Deadline	Venue	AUG Sub-Committee Agenda
10:00 Friday 10 March 2023	10:00 Wednesday 01 March 2023	Microsoft Teams Meeting	Review Modified AUGS Meeting
10:00 Friday 14 April 2023	10:00 Wednesday 05 April 2023	Microsoft Teams Meeting	Review Final AUGS Meeting