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Sent via email to: AUGE.software@dnvgl.com

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Dear Tony,

We are writing to you on behalf of our retail members regarding the Joint Office's proposed Allocation of Unidentified Gas (AUG) Statement and Table for 2020/2021. Effective management of Unidentified Gas (UIG) is essential for enabling shippers to maximise market opportunities, reduce costs and deliver value to customers.

Energy UK is the trade association for the energy industry with over 100 members spanning every aspect of the energy sector – from established FTSE 100 companies right through to new, growing suppliers and generators, which now make up over half of our membership.

We represent the diverse nature of the UK's energy industry with our members delivering almost all (90%) of both the UK's power generation and energy supply for over 27 million UK homes as well as businesses.

The energy industry invests over £13.1bn annually, delivers around £85.6bn in economic activity through its supply chain and interaction with other sectors, and supports over 764,000 jobs in every corner of the country.

Variation between the 2019/20 Table and the 2020/21 Table

Firstly, we would like to question the significant variation between this year's AUG Table and that of 2019/20. We would welcome further clarification outlining the variations based on the information published in the Statement, as the source of such variations is not clear to our members.

Secondly, we noted the considerable differences between last year's final AUG Table that was produced and the version that had been consulted on. For this reason, we would encourage the Allocation of Unidentified Gas Expert (AUGE) to carry out a second short consultation period of five days during March should a similar occurrence happen with the 2020/21 Table. It appears that there is space within the laid-out timetable for further consultation which would allow for industry to input on the official version of the AUG Table.

Assumptions made about Shipper-Responsible Theft

The calculation process for the UIG factors for the 2020/21 gas year contains the AUGE's method of estimating the split of undetected theft by End User Category (EUC) and Product Class. This is based on historic data for theft investigations and confirmed thefts. As detected theft patterns are heavily influenced by the investigation activity that each supplier chooses to carry out, Energy UK is concerned

that the potential under-reporting of theft by some suppliers and heavy reliance on the Theft Risk Assessment Service (TRAS) of Qualified Outliers could be skewing UIG calculations and, therefore, increasing costs allocated to Product Class 4.

The 2019/2020 AUG Table has assigned a 90.52% Balancing Factor contribution to UIG and it is assumed that the Balancing Factor is composed mainly of undetected theft. As underlined in the 2020/21 AUG Statement, using detected theft records to create a set of factors that can be used to split the Balancing Factor is risky as detected theft patterns are not necessarily consistent with wider undetected theft.

As a result we are requesting further transparency around the AUGE's assumptions made about theft and what feeds into its calculations of undetected theft. We would encourage the AUGE to request access to an anonymised breakdown of theft detection by shipper to be able to take into account outliers present in the data. The AUGE ought to adapt its methodology to ensure it is robust to potential under-reporting of theft by others.

Assumptions made about the propensity of Smart customers to steal

The AUG Statement highlights that theft levels from Smart Meters and traditional meters are different and therefore data for each of these populations must be extrapolated individually to the forecast year. We understand that the AUGE is using data from the Department for Business, Energy and Industrial Strategy (BEIS) to best estimate Smart Meter populations. However, Energy UK is seeking further clarity on the assumptions made about the propensity for Smart customers to steal.

We assume that customers with Smart Meters are less likely to thief because they are more likely to be engaged. We also know that Smart Meter installs are not representative of the entire population.

The AUG Statement asserts that, based on current data, there have been 523 confirmed thefts from Smart Meters out of a total of 12,644 confirmed thefts, however this was deemed non-statistically significant. Energy UK would like the AUGE to be explicit about when it would consider this data set to be statistically significant and included within the calculation. Energy UK would welcome additional transparency on how the AUGE extrapolated the figure for Smart Meter thefts that has been applied to derive the current AUGE table.

I trust you find our comments useful and we would welcome the opportunity to discuss any in further detail.

Yours sincerely,

Daniella Weduwer
Policy Executive
Energy UK