

UNCC AUG Sub-Committee Minutes
Friday 12 January 2024
via Microsoft Teams

Attendees		
Eric Fowler (Chair)	(EF)	Joint Office
Nikita Bagga (Secretary)	(NB)	Joint Office
Ashley Newton	(AN)	Scottish Power
Charlotte Gilbert	(CG)	BBUK
David Speake	(DS)	Engage Consulting (AUGE)
Deborah Sherlock	(DSh)	CDSP
Fiona Cottam	(FC)	CDSP
James Hill	(JH)	Engage Consulting (AUGE)
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Mark Jones	(MJ)	SSE
Neil Cole	(NC)	CDSP
Sallyann Blackett	(SB)	EON Next
Sophie Dooley	(SD)	Engage Consulting (AUGE)
Steve Mulinganie	(SM)	SEFE Energy

Please note these minutes do not replicate detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of papers are available at: <https://www.gasgovernance.co.uk/AUG/120124>

1. Introduction and Status Review

Eric Fowler (EF) welcomed everyone to the meeting and proposed that item 4 be taken out of sequence. Participants were happy to do this.

1.1. Approval of Minutes (12 September 2023)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

No late papers to approve.

1.3. Review of Outstanding Actions

No outstanding actions from the previous meeting.

2. Draft AUG Statement

Please see agenda point 3 for further information and discussions.

3. AUGE Approach and Considerations for 2024/2025

David Speake (DS) provided an overview of the discussions from the presentation slides, advising that the purpose is to provide an overview of the draft and permit the sub-committee to ask questions.

Please refer to the presentation slides published for further information.

DS explained that there is a high bar to consider in terms of the principles currently in place and that all responses are intended to be on the back of well-informed judgements. AUGE is getting to a position where there is insufficient data or evidence to justify further changes being made.

James Hill (JH) provided an overview of slide 8 explaining that where the numbers are above 100, this suggests a greater contribution to UIG. JH advised that Modification 0840 had merged prepayment and credit. Additional theft data has been received so the numbers will be updated. JH informed the Committee that the consumption AQs are continuing to fall as consumers react to higher prices.

Steve Mulinganie (SM) questioned whether AUGE had identified anything of concern. JH confirmed nothing out of the ordinary and DS advised that there is still some data to be considered but this is not ready to present to the Committee yet.

JH explained that theft is a big contributor to the changes that can be seen from the data in slide 9 and that any changes in the theft data are likely to drive most of the change seen. Each year when considering the theft methodology, AUGE look at a 10-year rolling data set, so the data presented to the Committee is based on data relating to 2014 – 2023. Small changes will appear due to the consumption forecast. JH stated that the presentation may not be interactive enough/difficult to understand what the data means, he asked the Committee to put forward any ideas they may have in relation to presenting the data in a better way.

JH provided an overview of slide 11 in relation to the current UIG forecast, explaining that the prediction is less than the current gas year due to the decrease in the consumption forecast. Other contributors are not dependent on demand so have remained static.

JH provided an overview of slide 15, explaining that the focus for AUGE this year was to focus on new sources of UIG and areas of existing UIG and methodologies to consider improvements. JH explained that this year shrinkage, theft and unfound were available as considerations. AUGE were unable to propose any changes and provided an update to the Committee as to why these changes were not made.

Shrinkage – Slides 16 & 17

Sophie Dooley (SD) provided an overview on the present position of shrinkage.

SD advised that this involved looking at the LDZ shrinkage which is currently maintained by gas network operators and has been out of scope for AUGE. Energy UK led a review that concluded Shrinkage is under-reported. The AUG does not have sufficient data to validate this finding.

Two options have been considered, firstly shrinkage is given its own contributor or, it is to be considered more widely in relation to unfound contributors. The first option seemed to be the most appropriate.

SM questioned whether Shrinkage as a separate factor should be allocated to the Network rather than appearing as a Shipper cost. SD advised that in the last audit, it was not considered the correct forum to be raising questions regarding costs. DS outlined the limitations on the AUGE as their role extends only as far as identifying and raising points for discussion. FC provided further that the only tool in AUGE armoury is the weighting factors, so they are only able to show shares between Shippers and they don't have a remit to push costs out of the Shipper sphere.

SM pointed out that this is a problem that needs to be fixed because analysis produced under the Retail Energy Code has theft at around 1.2TWh but the UNC is billing around 6TWh. If this volume is not really a downstream issue, then it must be upstream and thus is probably LDZ shrinkage.

SD concluded that the AUGE cannot justify a larger volume as being a contributor. Shrinkage error will not be included in the calculation despite this being accepted and it will be an underestimation giving rise to a positive UIG.

Unfound – Slides 19 - 22

DS provided an overview of the current position. Unfound is one of the bigger, more nebulous contributors. It was raised as an issue to consider last year as it seems to be increasing.

DS identified that it is shared based on throughput but that doing so may be unfair on large consumers. Alternatively, it could be apportioned across all the other factors. Ideally, unfound should be allocated in a way that is reflective of where it came from. DS concluded that the focus had not been to get as close as possible to the real UIG number but to devise the best way of allocating whatever the UIG ends up being. The door has been left open for future debates.

There were no Committee questions.

Theft – Slides 23 - 25

DS discussed AUGE's intention to consider if new insights and inputs can be used to influence the global view of the total theft number. Alternative approaches are being considered such as scaling methodology, pegging and considering consumer behaviour at specific sites in relation to propensity to commit gas theft. DS concluded by advising the relevant slides contained a lot in relation to the estimation of thefts, however, in terms of the raw data, there is not much that AUGE can take from this. The methodology considered does use some additional geographical data however those elements are not relevant to the Committee in terms of the overall figure. Those who are most impacted by theft are allocated a lower weighting factor.

SM highlighted the enormous gravity theft holds within the industry. The organisation representing the retail market (REC) has advised that it is 1.2TWh but that the much higher value under the Code does not look credible. SM suggested that maybe AUGE should be provided with powers to allow them to deal with this given the significant sums of money involved. A response to Modification 0831/0831A may fix this however it is likely to just push back the issue rather than target it. If this is not considered within the Modification, then it is certainly something to be investigated and AUGE's role may need to be considered in terms of their capabilities. This will be included in SEFE's response.

Louise Hellyer (LH) observed that it's a shame that there is insufficient data or evidence to make an improvement but there is nothing that can be done, and it appears that the bounds of what is possible for the AUGE have been reached.

DS advised that AUGE have already considered this and that they have moved away from the process of looking into data analysis and methodologies.

SM raised that should AUGE continue to exist, post-decision on Modification 0831/0831A, consideration will need to be given to how to move forward to get the best value and to address the issue of credibility. SM advised that he would be putting into the consultation response that further consideration needs to be given to future AUGE to understand where it sits in terms of the discussions to be had. DS responded by advising that the Sub-Committee would be the assumed forum for specifying what is needed from AUGE going into the next period.

No-Reads – Slide 26 - 29

JH provided an overview, advising that the current methodology for calculating no-reads is disjointed and requires a review. The point is to be able to understand how to calculate why a no-read has occurred in the event it is not in relation to the AQ. The final reconciled position and rejected reads from portfolio sites can be considered, but there needs to be an understanding of why the reads are not going through. The reads might be satisfactory but there could be a block in the system which is not allowing for them to be entered.

An approach could be to consider the amount of AQ not reconciled at a particular point in time and then consider it for the previous year to see if the output is relatively similar.

JH advised that they attempted to review two areas however the data was not available at the right granularity and was not available from CDSP. Part of the data considered by AUGE was towards the end of the Covid-19 Pandemic where meter readings ground to a halt. Shipper Members may not have been able to submit readings due to not being able to obtain them or not being able to enter properties to obtain them, however, a drop in reads was noted around this period.

JH concluded that there was no reason to consider a change as AUGE has been unable to obtain data at the correct time to give enough confidence to justify a change. Hopefully, the position will change once further data has been obtained in the future.

There were no questions.

4. Interaction of consultation timetable with Ofgem decision on Modification 0831/0831A (expected 23/01/24) <https://www.gasgovernance.co.uk/AUG/120124>

EF recommended that the Committee discuss this agenda item first.

Fiona Cottam (FC) provided an overview of the consultation period due to end on 22 January advising that this is set out in the Framework. SM had asked whether it would be a good use of everyone's time to prepare consultation responses for 22 January as the Modification, if approved, may mean that the work conducted by AUGE may not be used for 1 October. SM suggested asking for an extension at the UNCC meeting on Thursday 18 January.

FC pointed out that changes to the AUG Framework document could be done as a one-off and marked with an asterisk. The Committee discussed an appropriate extension with the AUGE Committee advising that an additional week to allow everyone to consider the feedback and provide their thoughts, would not be an issue. It was therefore proposed that the AUG Sub Committee meeting be moved from 9 February to 16 February as an extension. This date has been provisionally set.

SM put forward the option of having until 30 January to respond as this would provide a clear week from the date of the Ofgem decision. Mark Jones (MJ) agreed that pushing back the date is a good idea, advising that previously, there appeared to be more "slack" at the end of the process. DS confirmed that the AUGE can accommodate the proposed changes.

FC advised that CDSP would provide an update on the extended date for the UNCC meeting on 18 January.

5. Next Steps

- FC/EF to notify the UNCC and arrange circulation of appropriate notifications
- DS is to provide a proposed final statement and to circulate to the industry for feedback;
- To confirm if the February Committee meeting will be pushed back by a week; and
- If the Ofgem decision comes down to not continuing with AUGE, there would be some value in a Committee meeting in February to give final instructions;

6. Any Other Business

No other business to discuss.

JH advised that the presentation slides discussed during the meeting were slightly different to those published on the Joint Office website. EF confirmed he would circulate the updated presentation slides along with the minutes.

7. 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 12 January 2024	5pm Wednesday 03 January 2024	Microsoft Teams	Walkthrough Meeting
10:00 Friday 16 February 2024	5pm Wednesday 31 January 2024	Microsoft Teams	Review Feedback Meeting
10:00 Friday 15 March 2024	5pm Wednesday 06 March 2024	Microsoft Teams	Review Modified AUGS Meeting
10:00 Friday 12 April 2024	5pm Wednesday 03 April 2024	Microsoft Teams	Final AUGS Meeting
10:00 Friday 28 June 2024	5pm Wednesday 19 June 2024	Microsoft Teams	