UNCC AUG Sub-Committee
Friday 15 February 2019
at Radcliffe House, Blenheim Court, Warwick Road, Solihull B91 2AA

Attendees

Chris Shanley (Chair)	(CS)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Andy Gordon	(AG)	DNV-GL
Carl Whitehouse*	(CW)	First Utility
Clive Whitehand	(CWh)	DNV-GL
Edward Fyfe*	(EF)	SGN
Fiona Cottam	(FC)	Xoserve
Gareth Evans*	(GE)	Waters Wye Associates
Kirsty Dudley*	(KD)	E.ON ((until 12:30 pm)
Mark Bellman	(MB)	ScottishPower
Mark Palmer*	(MP)	Orsted
Neil Cole	(NC)	Xoserve
Rhys Keally*	(RK)	British Gas
Sallyann Blackett	(SBl)	E.ON
Steve Mullinganie	(SM)	Gazprom
Tony Perchard	(TP)	DNV-GL

** via teleconference*

Copies of all papers are available at: http://www.gasgovernance.co.uk/uncc/150219

1.0 Introduction

CS welcomed everyone to the meeting.

1.1. Approval of Minutes (11 January 2019)

The minutes of the previous meeting were approved.

Steve Mulinganie provided feedback on the monthly updates on progress with the development of the AUGS, stating that the updates were very helpful and promoted on-going engagement with industry.

2.0 Consideration of Consultation Responses and Feedback

Tony Perchard (TP), Clive Whitehand (CWh) and Andy Gordon (AG) provided a detailed walkthrough of the presentation provided for the meeting titled *Proposed AUGS Consultation Responses*.

TP confirmed that 4 responses had been received from British Gas, Scottish Power, ICOSS and one anonymous Shipper (referred to as Shipper 1) to the consultation on the proposed methodology. He explained that more information would be provided on the issues raised through consultation during the presentation and that more clarification would be sought to achieve understanding of some of the issues raised.

He reminded the AUG Committee that Code Parties are able to submit relevant topic areas for consideration by the AUG Expert (AUGE) during the consultation process. The AUGE will

review the AUG Statement and Table in light of any comments and will adjust the AUG Statement and Table where appropriate and an updated version will be published on the Joint Office website.

TP stated that the issues raised by respondents have been summarised into a table by topic area and a reference has been allocated to each. The table also shows the number of issues and comments received by each topic area (see slide 7), TP mentioned that following this meeting the AUGE responses will be added to the consultation responses. The key topic raised by respondents to the consultation was volume conversion, followed by the issue of permanent versus temporary UIG and the Theft of Gas.

In terms of the AUG Statement and overall methodology, TP confirmed that the diagrams in the Statement would be updated to reflect UIG terminology following comments from Shipper1 that the language being used was no longer current.

In addition, there was positive feedback from ICOSS in support for the overall approach as being fit for purpose.

Permanent verus Temporary UIG (slide 9)

Workgroup discussed in detail the comments received from Shipper 1 on 2 separate issues. The first comment was in relation to Product Class 1 and 2 consumption adjustments where the Shipper considers that there has been a long running issue in relation to consumption adjustments and that the suggestion that Class 1 and 2 are reconciled correctly and they require no further adjustments is incorrect. A brief discussion was had by the Committee to try to understand the issue further.

a. Mark Bellman (MB) indicated that incorrect consumption has been undetected for years, quoting Heysham (for electricity) and Aberdeen (for gas) as examples. Participants felt that the issue in the response was not clear and whether the respondent is saying that UIG is unresolved by the 'line in the sand' position.
b. Sallyann Blackett (SBl) suggested that there were issues caused by Nexus go-live and questioned whether the length of time taken to resolve these consumption issues might be the problem.
c. Participants considered that there was a low risk that problems may be going undetected but more evidence-based information was needed so that the AUGE could investigate further.
d. Fiona Cottam (FC) mentioned the LDZ input metering issue at Aberdeen. It was suggested that more investigation was needed on whether close-out was based on actual or estimated data and whether there were any corrections for consumption adjustments. MB suggested that only close-outs on estimates need investigating, particularly close outs after 3.5 years. It was suggested that the AUGE look at the number of sites that have closed out based on an estimate. This information should then be reviewed to consider how relevant the data is in the context of the all the market changes that have taken place.

The second issue raised by the respondent was in relation to smaller impacting items with the Shipper suggesting that by adding up small items there could be the need for an adjustment. A brief discussion was held on standard correction factors. FC stated that it is a Shipper obligation to update correction factors but Meter Asset Managers (MAMs) have offered to support the process. She added that this is also an issue being considered by the Performance Assurance Committee (PAC) and that E.ON are proposing to take forward a UNC Modification in response to the UIG task force findings (12.2 standard conversion factors).

SBl indicated that the proposed modification would apply to the existing rules clarifying that a change to the rules is not being planned. As a result, there would be a correction applied to make some smaller sites with a site-specific conversion factor change to the standard

conversion factor. Steve Mulinganie (SM) challenged this position suggesting he might raise an alternative Modification to allow site specific correction factors to be used where they are available.

TP stated that the correction factor includes 3 parts which were atmospheric pressure (altitude), metering pressure and temperature. He added that using a fixed correction factor would remove known altitude information. Data has been requested from the CDSP to assess how many conversion factors have been fixed so far and how many are still to be fixed.

Volume Conversion (slide 10)

Committee participants discussed responses from British Gas and Shipper 1 in relation to volume converters.

Shipper 1 sought confirmation that all class 1 sites have correctors to ensure accuracy in the assumption used in the methodology.

TP informed the Committee that there is an on-going exercise to obtain reliable data and that Neil Cole (NC) is manually checking data for individual sites. NC reported that the original data did not include all volume converters. In checking that the assumption that all Class 1 sites have correctors, they have identified one site which did not have a volume converter. FC suggested that the CDSP would follow up with the relevant Shipper and provide an update following their investigation.

SM implied that Class 1 and 2 are subject to annual check reads for drift and this check should identify any convertor issues. He also said there is an annual fee charged for these assets. FC suggested that it would be worthwhile looking at overdue annual check reads to validate where an annual check read has been done and if there is a volume converter in place.

New Action 0201: Xoserve (FC/NC) to investigate any sites where there are no volume converters in place and to contact the relevant Shipper for more information if required. A list of sites where there is no volume converter to be provided to the AUGE by 22 February 2019.

A response was also provided by Shipper 1 suggesting disagreement with the altitude assumptions made within the draft methodology due to the large regional differences and therefore saying that it is an incorrect assumption to say it nets off across the country. TP indicated that the AUGE have undertaken quite a lot of analysis on Ordnance Survey (OS) data and have obtained actual altitudes for 98 per cent of meters. The effect for each meter has been calculated on a LDZ by LDZ basis and considered nationally. The overall effect was 0.07 per cent.

TP stated that whilst the assumptions of standard altitude are correct there could be geographical variations. MB asked if there is a case to introduce factors by LDZ to which FC responded by saying this would require a code change.

In response to a question from MB on the ranges observed between LDZs, TP said that for WM it was minus 0.6 per cent and North Thames was 0.35 per cent but most of the others were close to zero. MB questioned if UIG calculated by LDZ wold be more accurate and if there is a case for using altitude by LDZ. AG indicated that all the AUGE calculations are performed on a LDZ basis and that the AUGE would be willing to work with anyone wishing to explore this issue further.

Gas Meter Temperature (slides 11-20)

TP explained that the recommendation was to use Season Normal Demand (SND) and Temperature. In response to a question from SBl, he confirmed that the information on SND is provided by the CDSP. Clarification was provided on the 1.4TWh/degC and that this would be the impact of a degree change in temperature.

TP provided an overview of gas temperature illustrating that the amount of heat transfer depends on gas flow rate and temperature difference. He highlighted that in New Zealand the regulations suggest that ground temperature is not used where a meter is exposed to full sun. He added that it is complex physics to calculate the temperature of gas, as gas is not flowing continuously it could be in a gas pipe inside/outside the house and therefore exposed to different temperatures.

In relation to external meters (slide 13) he stated that ground temperature is on average 0.9 degree warmer than air temperature according to a British Geographical Survey paper. In addition, air temperature is highly variable over short distances and can vary by 6 degrees C within an 8 mile distance.

He used slide 14 to illustrate that volume conversion and UIG are affected by daily fluctuations adding that a seasonal normal temperature should be used, and ground temperature is a reasonable estimate.

The discussion concluded with a brief discussion on whether a model similar to shrinkage with an adjustment of seasonal normal could be used instead of the existing model based on 12.2 degree C. SBl suggested a calculation for each LDZ followed by a reconciliation process. There was some caution of this approach as not everyone has tariffs. FC clarified that any change to move to an LDZ level approach would require a UNC modification and also added that the UIG task force recommended a review group look at this issue.

TP reiterated that evidence is needed in order to amend the 12.2 degree C temperature figure and that the AUGE have undertaken their analysis based on available data and to take this further data is needed from a 'live' study. The Committee were in broad agreement that the next stage of work needs to be scoped out.

In relation to the size of the balancing factor, AUGE recognises this is dominating aspect of the weighting factor. TP confirmed that the AUGE are continuing to look review this and a reduction in the 12.2 degree C figure would lower the balancing factor and an increase would increase the balancing factor.

Theft of Gas (slides 25-28)

AG reported that ICOSS have provided support for adoption of the new methodology for theft data, which uses actual industry data to a far greater degree. He added that some data is not available in relation to ETTOS leads, TRAS outliers and also TRAS data for I&C sites.

Kirsty Dudley (KD) stated that she would have like to explore if this information could be provided to the AUGE but it will not be possible within the timescales remaining. She also indicated that she was not comfortable sponsoring the acquisition ETTOS data because of her view that here is a bias in the way the leads have been identified but she would be comfortable to sponsor the data on TRAS outliers. AG indicated that both sets of data are preferable, but any additional data would be helpful. He indicated that there are 2 types of bias with the theft data provided and they can only remove one source of bias currently (Shipper own leads). The outliers and/or ETTOS data would allow for both sets of bias to be removed. SM suggested that he wouldt be able to sponsor a SPAA data request to help gain access to the information required by the AUGE.

The Committee then looked at the response from British Gas which highlighted that a large numbers of tampered pre-payment meters could result in no energy loss. The response suggests that domestic credit meters are more likely to be responsible for UIG than pre-payment meters. Rhys Keally (RK) suggested that it would be worthwhile looking at the results from the Gas Theft detection Incentive Scheme year one results as they provide a good indicator of theft activity. In terms of the TRAS data for I&C sites he suggested that the reason why outliers are not being identified is because of how the address data is stored. KD agreed with this view stating that there are issues matching company name and address information. AG suggested that the quality of the analysis is being impacted by the quality of the address matching process.

AG added that British Gas have provided an opportunity for the AUGE to meet with their Revenue Protection Unit to discuss factors influencing theft detection and revenue protection performance. The Committee supported this discussion as it would increase knowledge and understanding.

AG presented the results of the initial analysis using the new method stating that of the 9000 confirmed thefts since Nexus go-live, 8998 were from product class 4 and only 2 were from product class 3 and none from product classes 1 and 2. He explained that 78 per cent of all confirmed thefts were from Elapsed Time Meters (ETMs). Anecdotal evidence suggests that it is reasonably commonplace for someone caught stealing to be transferred from a credit meter to an ETM which is even easier to steal from.

KD provided some examples of what could be regarded as tampering and suggested that high churn premises could see a higher proportion of repeat offenders, but it may not necessarily be the same customer.

In relation, to Smart/AMR meters, AG confirmed that there were 307 confirmed thefts and all but 2 of which were in product class 4 despite having the technology to be in a different product class.

The Committee then looked at the balancing factor split between the old and new models (slide 27). AG explained that the 2 tables illustrate that even when the effects of targeting are removed, the theft arises almost entirely from product class 4 with 94.07 per cent from EUC 01B and 5.8 per cent from EUC 02B. MB asked if this is split evenly across the LDZs. In response, AG confirmed that the AUGE have not considered the number of thefts or number of meter points by LDZ. RK expressed concern that a lot of effort is being to reduce the theft of gas but the results appear to lead to an increase in the allocation of UIG and therefore this proactivity is being disincentivised. AG acknowledged the concerns raised by RK and reiterated that the approach taken has to be evidence-based and should not look to incentivise behaviours even if they are for the good of the industry.

AG then outlined the further improvements that the AUGE want to put in place which included linking theft closely to ETM so that theft patterns will follow changes in ETM population rather than changes in the overall population if these differ.

KD emphasised the need to put enhanced theft of gas reporting in place with the relevant permissions and suggested this needs to commence as soon as possible to meet the SPAA September timescales. She added that requests should be issued by the CDSP on behalf of the AUGE and sent to SPAA.

Overall the Committee were supportive of any attempts to remove bias from the theft data used in the future.

Smart/AMR Populations (slide 29)

In response, to the concern raised in the ICOSS response, TP reassured the Committee that that the method of extrapolating Smart/AMR populations to the forecast year does recognise the difference in installation rates between small and large suppliers. In addition, he clarified that the method uses BEIS data for large suppliers as the basis of working out the rates for smaller suppliers.

Product Class Populations (slide 30)

British Gas in their response raised concerns that lower UIG factors for product class 2 would result in a sharp increase in the population for this product class. TP explained that the AUGE approach must be data and evidence based on observed trends and not on anticipated trends. He suggested that the issue can be mitigated by getting new data prior to the final factor calculation.

Shrinkage (slide 31)

In response to the question in the British Gas response, TP confirmed that the AUGE did not make a formal response to the LDZ Shrinkage model annual consultation which closed on 20 December 2018 as their views had already been shared. He added that a flat shrinkage profile is an issue that could affect UIG and the AUGE would undertake further work to look at this. CS suggested that British Gas raise the issue at the next Shrinkage Forum meeting on the 27 March 2019.

Failed Suppliers (slide 32)

British Gas sought clarification through their response on the degree to which failed suppliers will distort the reconciliation process, for example by changing the market share calculations used in the UGR smearing calculation.

CS confirmed that the Supplier of Last Resort is not a Shipper process as such, but the UNC credit processes are working well. In addition, FC explained that in every case where a Shipper has failed, at the point of failure in terms of billing the meter point, is always assigned to a Supplier or another Shipper. The final protection is through the energy balancing regime.

MB added that a Deed of Undertaking is put in place which places an obligation on the Supplier to take on the Shippers liabilities.

Data Status (slide 34)

TP reported on a number of outstanding data issues. He highlighted that there are over 16m missing meter reads. FC added that some do not have an LDZ assigned and the CDSP are in discussion with the data warehouse in relation to the identified issues. More information will also be provided on meter asset information.

She also reported an issue with CSEP data for gas years 2013 and 2014 where some unusual data is impacting the AUG calculations. This data is being reviewed by NC. Following a suggestion from TP, the Committee agreed to disregard the 2013/14 data.

3.0 Consideration of AUG Expert Responses

Please refer to the discussions under item 2.0 above for more details. Please note the formal AUGE responses will be published following this meeting.

4.0 Issues Status

Please refer to the discussions under item 2.0 above for more details.

5.0 Recommendations

Please refer to the discussions under item 2.0 above for more details.

6.0 Review of Outstanding Actions

AUG0101: *Reference IGT CSEPs and SUIs* – Xoserve (FC) & AUGE (TP) to ensure that the UIG issues are considered and whether it reveals a new root cause that potentially impacts the UIG weighting.
Update: FC indicated that this action needs to be carried forward until these issues are considered more fully. **Carried Forward**

AUG0102: *Reference Modification & Industry Changes Listing* – AUGE (AG) to ensure that any equivalent IGT Modifications are included on the UNC Modifications list.
Update: AG confirmed that this has been done so this action was closed. **Closed**

7.0 Any Other Business

None raised.

8.0 Next Steps

TP confirmed that the AUGE will re-publish consultation responses to include any additional clarifications/feedback from this meeting and also provide their assessment of how each issue will be treated. In addition, the AUGE will prepare a modified AUGS and Table by 5 March 2019. Finally, the AUGE will work with Xoserve to issue a request to SPAA to progress the theft of gas data request for next year and work with CDSP to resolve any outstanding data provision issues.

9.0 Diary Planning

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

Workgroup meetings will take place as follows:

Time/Date	Venue	AUGS Statement
10:30 Friday 15 March 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA	Agenda items to be agreed.
10:30 Friday 12 April 2019	Radcliffe House, Blenheim Court, Warwick Road, Solihull, B91 2AA	Agenda items to be agreed.

Action Table (as at 15 February 2019)

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
0101	11/01/19	2.0	Reference IGT CSEPs and SUIs – Xoserve (FC) & AUGE (TP) to ensure that the UIG issues are considered and whether it reveals a new root cause that potentially impacts the UIG weighting.	Xoserve (FC) & AUGE (TP)	**Carried Forward**
0102	11/01/19	2.0	Reference Modification & Industry Changes Listing – AUGE (AG) to ensure that any equivalent IGT Modifications are included on the UNC Modifications list.	AUGE (AG)	**Closed**
0201	15/02/19	2.0	Xoserve (FC/NC) to investigate any sites where there are no volume converters in place and to contact the relevant Shipper for more information if required. A list of sites where there is no volume converter to be provided to the AUGE by 22 February 2019.	Xoserve (FC/NC)	**Pending**