

16<sup>th</sup> February 2024

# AUG Sub-Committee Meeting



**engage** 

ELECTRICITY | GAS | INDUSTRY EXPERTS

1. Welcome and recap on consultation process
2. Issues raised in consultation responses
  - a) Use of total theft number from Theft Estimation Methodology
  - b) Investigation of Unfound UIG
  - c) Consumption Forecast
  - d) Shrinkage
3. Next steps and future considerations

# 1. Consultation - Recap

# Consultation - Recap

The consultation for Gas Year 2024 – 2025 has now closed

- ▶ The draft AUG Statement was published on 29<sup>th</sup> December 2023
- ▶ We consulted on the Weighting Factors and methodology between 31<sup>st</sup> December 2023 to 31<sup>st</sup> January 2024
- ▶ We thank stakeholders for their responses which we have considered
- ▶ Our response to the matters raised during the consultation was published on 15<sup>th</sup> February: [AUG Statement 2024/25 | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/aug-statement-2024-25)

## 2. Issues raised in Consultation

- a) Use of total theft number from Theft Estimation Methodology
- b) Investigation of Unfound UIG
- c) Consumption Forecast
- d) Shrinkage

## We will not adopt the total theft number from Theft Estimation Methodology

- ▶ We remain unconvinced that adopting the total theft figure from the RECCo's Theft Estimation Methodology will result in a more equitable allocation of UIG
- ▶ The justification for adoption of the TEM number does not relate to improved data, relevant insights or increased plausibility
- ▶ However, we would be pleased to continue to support discussions of alignment of industry governance for theft estimation and how this might shape the AUGE's future focus areas

## Continued investigation into the Unfound contributor is supported

- ▶ Unfound looks to be growing in importance, and we agree it should remain a strong focus
- ▶ A perfect forecast of total UIG is not the ultimate goal, but the relative size of each contributor is important
- ▶ We have a strong sense of the components of Unfound, but have been unable to quantify or allocate those components
- ▶ Our working principles and thresholds for justifying a change may be a continued barrier
- ▶ Thinking also about our principles, Terms of Reference, governance and outcomes may be a way to move beyond the current status quo

There is potential for forecast AQs to be too low

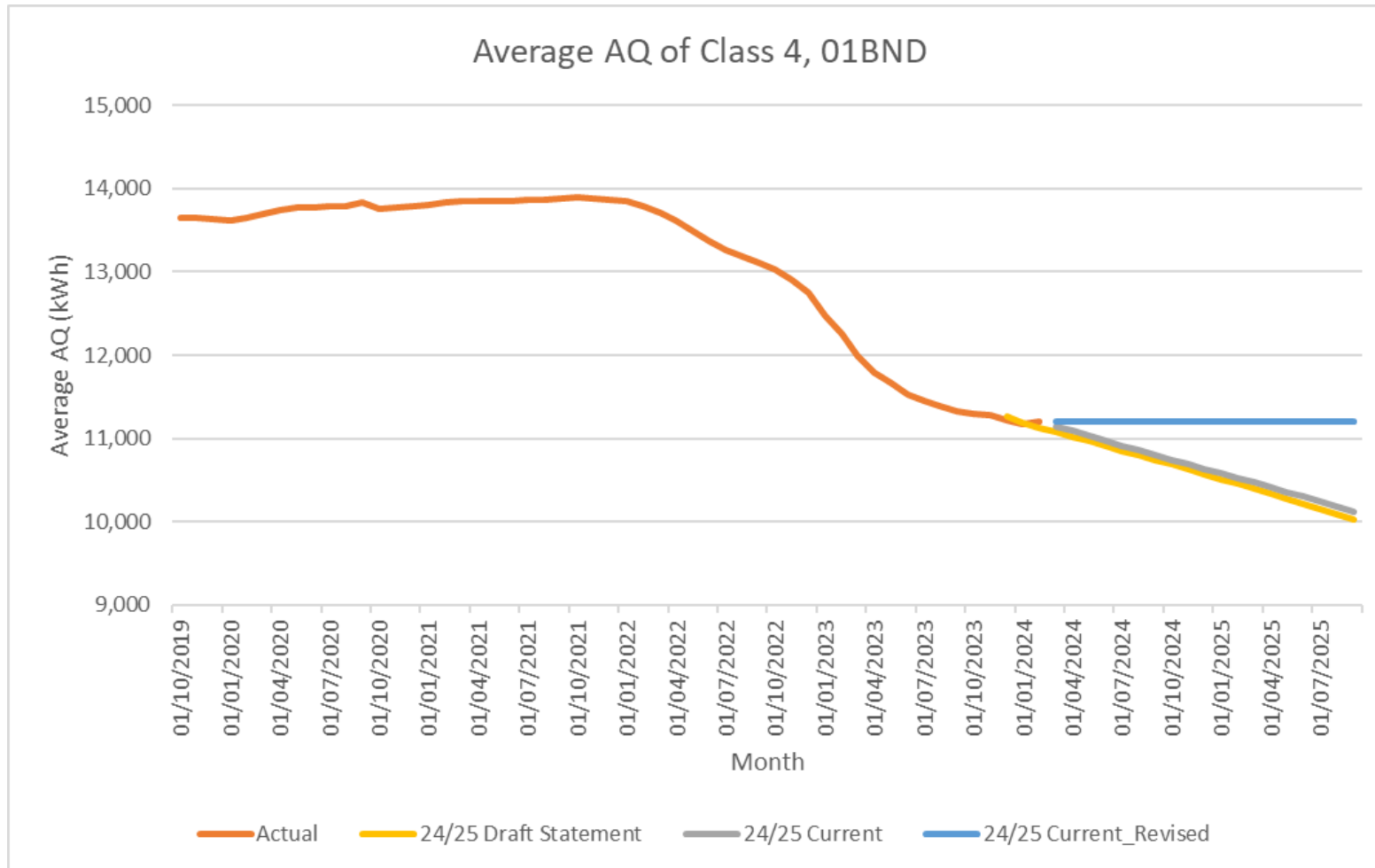
- ▶ The draft Statement details how the Consumption Forecast for each Matrix Position is based on the trends observed in the historical total AQ for that Matrix Position. This is appropriate for most Matrix Positions as it gives a sound historic basis for our forecast
- ▶ One Shipper observed that the forecast average AQ for some Matrix Positions is at risk of becoming unrealistically low by the target Gas Year if recent trends are projected forward
- ▶ If we believe that the current projected forward average AQ in the target year is too low, then we will need to adjust the approach to forecasting total AQ (at least for certain Matrix Positions)



We have re-analysed Average AQ armed with three months' additional data

- ▶ Recent actual average AQs, particularly since the draft Statement, have shown month-on-month reductions levelling off
- ▶ This supports the view that there is a natural floor in average AQs
- ▶ Looking at the projected future average AQ there is a need to reconsider the forecast in several Matrix Positions
- ▶ The updated approach retains our previously forecast number of sites but uses the latest average AQ to derive total AQ per Matrix Position, rather than following the shape of historic total AQ
- ▶ This results in a levelling off in total AQ, compared to the draft Statement forecast which showed a continued decline

## Example of updated approach in one Matrix Position



**Forecast Total AQ for target year 2024-25 (Class 4, 01BND)**

Draft Statement:  
**193,410 GWh**

Revised (proposed) approach for final Statement:  
**210,155 GWh\***

\*also incorporates slight adjustment owing to additional 3 months of actual data

## The methodology is unchanged for most Matrix Positions

- ▶ Four Matrix Positions are subject to a changed methodology:
  - ▶ Class 3, 01BND
  - ▶ Class 4, 01BND, 01BPD, 01BNI
- ▶ All other Matrix Positions retain the approach from the draft Statement

Note that:

- ▶ Class 3 01BNI does not show the same downward trend to unrealistic levels in our forecast
- ▶ Class 3 01BPD considers data going back to August 2023 only, due to the significant population change at that point so shows no significant forecast reduction given average AQ had already settled
- ▶ Class 3 & 4, 01BPI have very small population sizes that have no material impact on the Weighting Factors and the average AQs do not exhibit the same steep future reductions seen in other Matrix Positions

## Adjusted consumption forecasts have a small impact in some Matrix Positions

		CLASS			
		1	2	3	4
EUC BAND	<b>1ND</b>	0.0%	0.0%	0.0%	-0.1%
	<b>1PD</b>	0.0%	0.0%	0.0%	-0.1%
	<b>1NI</b>	0.0%	0.1%	0.1%	0.1%
	<b>1PI</b>	0.0%	0.0%	0.1%	0.1%
	<b>2ND</b>	0.0%	0.0%	0.0%	0.1%
	<b>2PD</b>	0.0%	0.0%	0.0%	0.1%
	<b>2NI</b>	0.0%	0.1%	0.1%	0.2%
	<b>2PI</b>	0.0%	0.0%	0.1%	0.2%
	<b>3</b>	0.0%	0.0%	0.0%	0.0%
	<b>4</b>	0.0%	0.0%	0.0%	0.0%
	<b>5</b>	0.0%	0.0%	0.0%	0.0%
	<b>6</b>	0.0%	0.0%	0.0%	0.0%
	<b>7</b>	0.0%	0.1%	0.0%	0.0%
	<b>8</b>	0.0%	0.0%	0.0%	0.0%
<b>9</b>	0.0%	0.0%	0.0%	0.0%	

- ▶ The table shows the change in how total UIG would have been apportioned in our draft Statement if we had used the updated consumption forecast approach
- ▶ Other changes are ignored, to best isolate the impact
- ▶ The proposed Final Statement will also incorporate:
  - ▶ the most recent three months' consumption data
  - ▶ the effect of updated Theft data and assumptions
  - ▶ other changes resulting from updated data

INA disagrees with the baseline and assumptions for the iGT Shrinkage estimate

- ▶ We will be pleased to discuss our analysis with INA in the coming year, adjusting assumptions where new information or insights are available.

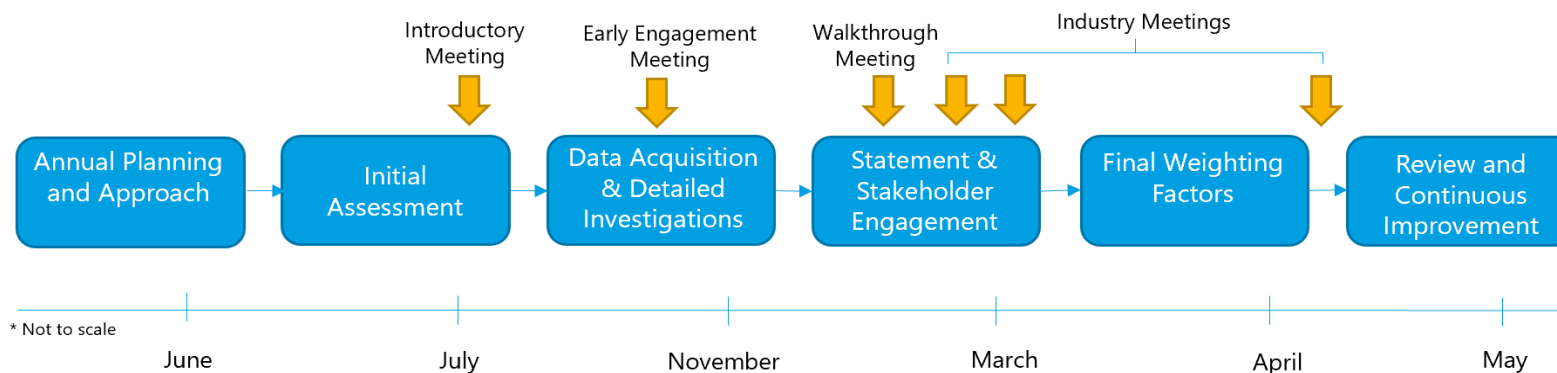
A Shipper agreed that positive UIG from Shrinkage Error is likely

- ▶ They suggested an updated study by Transporters
- ▶ We will support further industry discussions where we are able

# 3. Next steps and Future Considerations

# Next Steps

- ▶ The draft AUG Statement will be appropriately revised and provided to the AUG Sub-Committee by 1<sup>st</sup> March 2023. This will contain the proposed Final Weighting Factors
- ▶ The proposed Final AUG Statement will be presented at the AUG Sub-Committee Meeting on 15<sup>th</sup> March 2024, 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<sup>st</sup> March 2024 and presented at the 12<sup>th</sup> April AUG Sub-Committee Meeting, prior to consideration at the UNCC Meeting on 18<sup>th</sup> April 2024
- ▶ Engagement with stakeholders will continue throughout the process. We can also be contacted at [auge@engage-consulting.co.uk](mailto:auge@engage-consulting.co.uk)



# Future Considerations 2024

To be taken forward in preparing 2025/2026 Weighting Factors

AUGE Action	
<b>24/1</b>	Consider any iteration or updates to TEM
<b>24/2</b>	Consider the broader context of principles, ToR and desired outcomes that shapes AUGE delivery in the context of Unfound UIG
<b>24/3</b>	Discuss and consider iGT Shrinkage assumptions alongside INA
<b>24/4</b>	Consider continued use of average AQ approach to consumption forecast across all Matrix Positions



# AUGE key contacts



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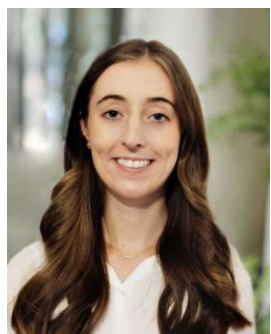
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