



AUGE Response to the draft AUG Statement Consultation for Gas Year 2024-2025

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INTRODUCTION

The draft AUG Statement was published by the Joint Office of Gas Transporters on 29th December 2023. Alongside this, we provided a consultation document requesting stakeholder views on the Weighting Factors, our overarching methodology and any assumptions, methodology aspects, calculations and results for each UIG Contributor within the draft AUG Statement.

We thank stakeholders for their consideration of the draft AUG Statement. We received three written responses to the consultation which are available separately on the Joint Office website. Note that other stakeholders provided their views during January's AUG Sub-Committee meeting but did not respond in writing to the consultation. We have considered these views also.

We will present the views summarised in this document, and our response to them, at the AUG Sub-Committee on 16th February 2024. There will be an opportunity for discussion for any interested party, and we will welcome any further views at this meeting, whether or not they have already been shared as part of this consultation process.

WRITTEN CONSULTATION RESPONSES

RESPONDENT*	NO. OF PARTIES REPRESENTED
Eon	1
TotalEnergies	1
INA	All iGT members (6)

*Other respondents shared views at the January 2024 AUG Sub-Committee meeting but did not provide a written response.



STAKEHOLDER REPOSSES AND AUGÉ CONSIDERATIONS

Use of total theft number from Theft Estimation Methodology

Three shippers stated that they believe that the AUGÉ should use the Theft Estimation Methodology's (TEM) output as a baseline gas theft input.

Our response:

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. We sought evidence that inputs, assumptions, insights or output from the TEM work would be justifiably better than retaining the current approach but did not find it.

We do recognise that there is a clear justification for such an alignment, outside of the AUGÉ's activities. The efficiency and consistency of industry practices is a valid consideration for shippers. But for AUGÉ, this would not currently take priority over a well-reasoned or evidenced positive outcome for UIG allocation.

Notwithstanding this, we would be pleased to continue to support discussions of alignment of industry governance for theft estimation and how this might shape the AUGÉ's future focus areas. Whilst we have noted that a significant reduction of gas theft would necessarily result in the majority of estimated UIG being 'unfound', this was not a principal driver in our decision to maintain our existing total theft methodology.

Investigation of Unfound UIG

Shippers were pleased to have the Unfound UIG contributor brought under the spotlight and suggested that it should remain an area of focus going forward, with more needing to be done identify and incorporate the cause of unfound UIG.

One Shipper noted specifically the impact that not being able to allocate Unfound UIG has on those Matrix Positions in which the impact of the Theft allocation methodology is relatively large; and that this can lead to an undesirable level of volatility in charges for customers.

Our response:

We support the suggestion to retain a focus on Unfound UIG.

To reiterate, achieving an accurate estimate of likely total UIG for the target Gas Year is *not* the principal objective of our analysis. However, it is a necessary step in our methodology, given that it defines the relative importance of each contributor on the overall allocation of UIG (Weighting Factors). The larger the relative size of the unfound UIG contributor – assuming it is ignored in the allocation methodology – the greater the sense that the allocation of UIG is not reflective of reality. Put differently, identifying and allocating only a proportion of total UIG may be the best outcome currently possible, but at the same time suggests the potential to improve in the future.

Our recent thinking about unfound UIG leads us to a useful definition of the problem, and a strong sense of the potential components of unfound UIG, including specific industry processes for which we have been unable to quantify UIG in the past. But we have also realised that our working principles,



which demand a level of evidence and robustness in sizing and sharing UIG contributors, may in reality be a barrier to moving beyond the current status quo.

A broader consideration of our approach – thinking also about our principles, Terms of Reference, governance and outcomes – may be a way to address the growing issue of unfound UIG. This may also be a route to address year-on-year volatility, for example by prioritising ongoing stability as a consideration for allocation.

Consumption forecast

A shipper noted the potential risk that our consumption forecast, being based on recent actual consumer behaviours, overstates the AQ reduction for the target Gas Year.

Our response:

In response to these observations, and with an additional three months' consumption data, we have reconsidered our forecast consumption profiles across all Matrix Positions. We now think that the forecast for the target Gas Year was understated and have made some adjustments as described below.

Over the last 12-18 months due to the cost of living crisis there has been a significant month on month reduction in AQs across a number of the smaller EUC sub bands. There is however a floor for how low these AQs can fall, as consumption can only be cut by so much. Over the past six months the rate of reductions observed has certainly slowed. A levelling off is particularly noticeable in the three months of data since the draft Statement analysis. We agree with the respondent that it is unlikely that AQs will continue to fall in the way they have over the last 12-18 months.

Because of the sharp consumption reductions observed, our method of using history to predict total AQ has given an unrealistically low average AQ at the end of the target Gas Year for several Matrix Positions.

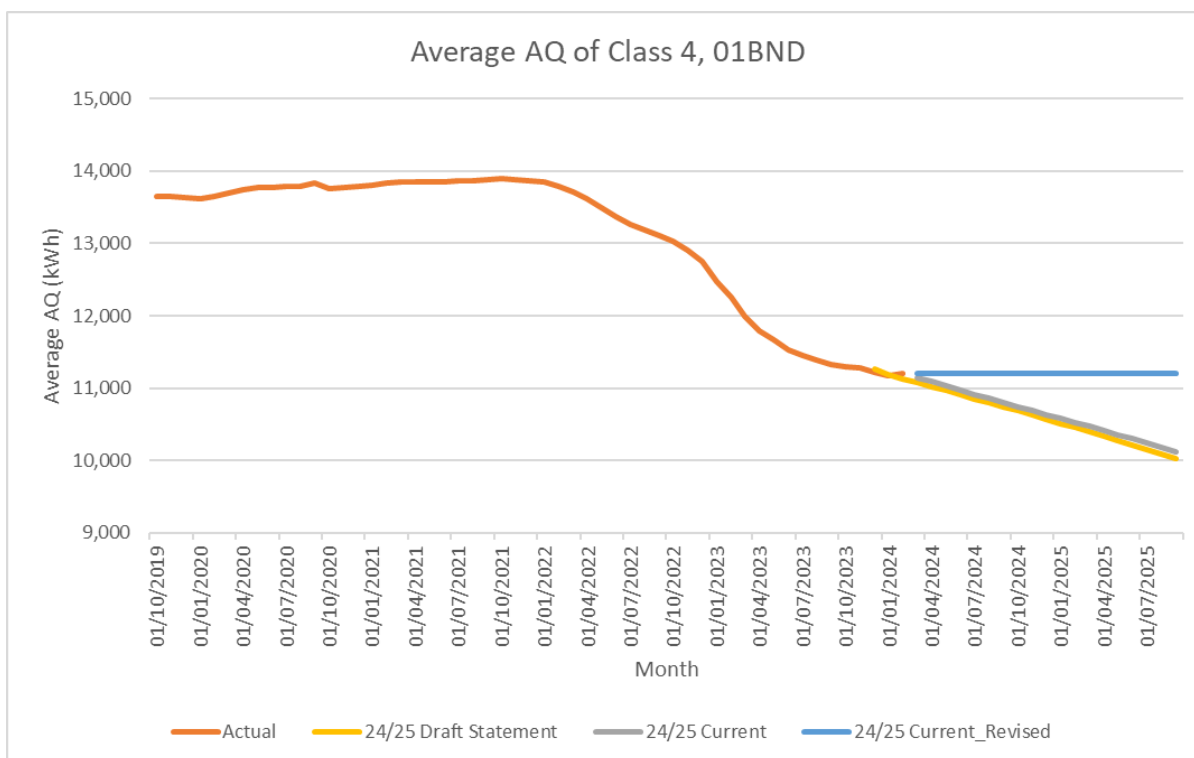
Instead, we have adopted a changed methodology for those Matrix Positions which uses the current *average* AQ projected forward to the end of the target Gas Year. We continue to forecast the number of sites per Matrix Position in the same way, but we use this in our consumption forecast by multiplying it by the latest average AQ.

The impacted Matrix Positions where this updated methodology is applied are Class 3, 01BND, and Class 4, 01BND, 01BNI and 01BPD.

All other Matrix Positions were considered but have *not* been subject to a change in forecast methodology, for various reasons. For example, Class 3 01BNI does not show the same downward trend to unrealistic levels in our forecast and Class 3, 01BPD was only looking at data going back to August 2023 anyway, due to the significant population change at that point in time, and so likewise doesn't show a significant drop in the future given the average AQ seems to already have 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 unrealistic reductions seen in the other Matrix Positions in the target Gas Year.

The graph below graph shows the example of Class 4, EUC 01BND with the proposed approach [24/25 Current_Revised] compared to our previous forecast in the draft Statement [24/25 Draft Statement] and that previous forecast updated only with recent consumption data [24/25 Current].





This

achieves the levelling off we think is appropriate to the market today, by moving away from driving our forecast off the shape of the historical total AQ for those affected Matrix Positions.

Impact on the weighting factors

This change has the impact of forecasting a higher volume of throughput across Class 3, 01BND, and Class 4, 01BND, 01BNI and 01BPD. The total volume of UIG also increases because most contributors are linked to the consumption forecast.

However, the change results in relatively more UIG for those Matrix Positions which have not been subject to a change in consumption forecast methodology, given they have not seen an increase in total consumption to offset the overall increase in UIG. The impact is relatively minor across the board and immaterial in most cases.

Shrinkage

The Independent Networks Association believes that the baseline and assumptions for the IGT shrinkage contributor result in an overstatement of estimated UIG. They have offered to engage with us in the coming year to refine our assumptions.

Our response:

We thank INA for their response. We look forward to discussing the assumptions behind this contributor with them to inform our analysis next year.

On (non-IGT) Shrinkage, one shipper agreed that Shrinkage Error is a likely contributor to UIG, and urged Transporters to commission an updated assessment of the issue.

Our response:

We note the ongoing work in this area, including the proposed use of additional sensing equipment to inform the Shrinkage and Leakage Model. As AUGÉ, although we are not in a position to size Shrinkage



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Error based on information currently available, we will be glad to continue to support further discussions where we are able.

NEXT STEPS

We will present our views described in this document at the AUG Sub-Committee meeting scheduled for 16th February 2024. This will be an opportunity for stakeholders to ask further questions and for us to add some more detail to the explanations we have given above.

A link to the documentation for that meeting can be found here: [AUG Sub-Committee 16 February 2024](#).

We will then consider feedback provided by stakeholders at that meeting and whether any further amendments to the AUG Statement for Gas Year 2024-2025, additional to those listed in this document, should be made.

Should you require clarification on the consultation, please do not hesitate to contact us at: auge@engage-consulting.co.uk.





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www.engage-consulting.co.uk



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