

**Clive Whitehand  
Senior Consultant  
GL Noble Denton**

**Holywell Park  
Ashby Road  
Loughborough  
Leicestershire  
LE11 3GR**

31<sup>st</sup> October 2011

## **Total Gas & Power (TGP) response to 2<sup>nd</sup> Draft AUGS statement**

Dear Clive,

Thank you for providing TGP with the opportunity to comment on the Allocation of Unidentified Gas Statement version 2, dated 30<sup>th</sup> September 2011 that was carried out by GL Noble Denton on behalf of the gas industry in the UK.

TGP is an executive committee member of The Industrial and Commercial Shippers and Suppliers (ICoSS) group which represents all the major non-domestic industrial and commercial (I&C) suppliers in the GB energy market, outside of the big six. TGP fully supports the response submitted by this trade association.

Forming part of the Total Group of companies, TGP is the UK market leader in the industrial and commercial (I&C) gas supply market. TGP is therefore directly and potentially significantly impacted by the findings of the AUGS report. Therefore TGP would like to offer individual feedback in order to assist the industry in reaching a conclusion to the investigation that is as accurate and fair as possible to both the domestic and I&C market sectors.

The 2<sup>nd</sup> Draft AUGS statement concluded that the total amount of unidentified gas equated to 6.66 TWh, of which the LSP sector accounted for 2.00 TWh per annum and that arising from the SSP sector was assigned 4.66 TWh per annum. The reasons that cause unallocated gas were concluded as Shipperless/Unregistered Sites, Theft, Meter Error and iGT CSEP's.

### **Shipperless / Unregistered Sites**

The AUGS report assigned approximately 80% of unallocated LSP gas to this issue so therefore TGP's response will focus predominantly on this. As identified at the UNCC industry meeting on 17<sup>th</sup> October, some of the assumptions that underpin the level of unidentified gas in this category are fundamentally flawed.

Unallocated gas within this category under established industry rules should in time be reconciled back to the opening meter read that relates to the meter connection date. This will ultimately assign the gas to the relevant supplier and market sector. The temporary nature of this unallocated gas is demonstrated by an example from



Postal Address: Bridge Gate, 55-57 High Street, Redhill, Surrey RH1 1RX Tel: 01737 275587 Fax: 01737 784914 [www.totalgp.com](http://www.totalgp.com)

Total Gas & Power Limited VAT Registration No.689638949 Registered in England No. 2172239

Registered Office: 10 Upper Bank Street, Canary Wharf, London E14 5BF



FS29568

the AUGÉ findings in the North West (NW) LDZ where one very significant site caused the entire NW LDZ to be around five times overstated at around 500GWh. This site was subsequently confirmed removing this gas from the unallocated total.

Therefore as this gas is eventually over time reconciled to a supplier and accounted for, it will reduce the overall amount of unallocated gas and should not be reallocated to another category within the existing overall volume currently estimated by the AUGÉ.

If this gas was not discounted from the investigation it would be effectively double counted and shippers, and therefore customers, would be paying twice.

TGP accepts that there are some issues with the processes relating to unregistered siteworks within the industry and these are being addressed under established workgroups. The current inefficiencies may cause the gas to sometimes remain unallocated for longer periods than it should be but generally the gas is reconciled and accounted for. Therefore unless current process issues can be remedied within the required timescales then this category of unidentified gas should be removed from the AUGÉ investigation.

Further to this, we understand that the AQ's associated with siteworks / new connections that were taken as provided to the AUGÉ and have received no validation by either the AUGÉ or Xoserve. It is well understood within the industry that AQ's are often erroneous and the eventual gas usage on some sites bears no resemblance to the initial AQ that was originally proposed. They often end up overstated and TGP is currently undertaking some analysis on this and will share any relevant findings with the AUGÉ.

The data provided to the AUGÉ by Xoserve contains many erroneously large AQ's which would have been evident had the data been analysed. For example, upon examining the Orphaned sites list provided by Xoserve there is a primary school with an AQ of 6 million therms. A typical AQ for a primary school would be within the range of 5,000 to 20,000 therms this is clearly incorrect. There are many other examples of very large and spurious AQ's which is distorting the perceived unallocated gas in this sector. TGP would recommend that at least the top 200 AQ's from the Shipperless / unallocated data are analysed and acted upon.

Whilst TGP understands that the AUGÉ is only acting on the information provided to it, Xoserve should assist further in explaining the data and industry processes to the AUGÉ so that the AUGÉ is in a position to validate the quality of the data rather than take it at face value.

A further point regarding the erroneously large AQ's is that these may be avoided by potential suppliers and therefore remain on the shipperless lists longer due to the high transportation costs associated with them.

## Theft

Theft of gas is the next highest reason identified by the AUGÉ and accounts for around 16% of the overall LSP total. The AUGÉ report concluded a 92:8 split for SSP:LSP which is broadly in line with TGP's estimates although TGP would expect an even lower ratio in the I&C sector. A vast majority of theft in the UK will remain with the ex-monopoly supplier (and therefore the SSP sector) as customers who steal are unlikely to change supplier and invite the prospect of an opening / closing read. Furthermore the credit checking



Postal Address: Bridge Gate, 55-57 High Street, Redhill, Surrey RH1 1RX Tel: 01737 275587 Fax: 01737 784914 [www.totalgp.com](http://www.totalgp.com)

Total Gas & Power Limited VAT Registration No.689638949 Registered in England No. 2172239

Registered Office: 10 Upper Bank Street, Canary Wharf, London E14 5BF



FS29568

## TOTAL GAS & POWER

processes that operate in the commercial market would act as a barrier to supplying these customers. Public sector sites are almost guaranteed not to be engaged in theft, as are large daily metered industrial sites which make up a large proportion of the I&C market. Most theft will take place at smaller, therefore predominantly domestic premises, where the person on site will benefit from the theft which is another contributory factor to a large majority of theft remaining in the SSP market.

### Conclusions

The overall level of gas in this sector contains erroneously large AQ's which incorrectly inflates the total amount attributed to Shipperless / Unregistered sites and therefore the overall total very significantly. This should be addressed.

A vast majority of what is left for Shipperless / Unregistered in the LSP sector should be eventually reconciled back to an opening read and therefore ceases to become unallocated gas. TGP believes, given the scale of the error impacting 80% of the overall unallocated gas figure in the LSP sector, and the fact that industry processes reconcile this gas over time, the gas associated with this category should be removed.

Should you wish to discuss any aspect of the above please do not hesitate to contact me,

Yours Sincerely

[sent by email therefore not signed]

Andrew Green  
Head of Regulation  
Total Gas & Power Ltd  
UK Energy Retail



Postal Address: Bridge Gate, 55-57 High Street, Redhill, Surrey RH1 1RX Tel: 01737 275587 Fax: 01737 784914 [www.totalgp.com](http://www.totalgp.com)

Total Gas & Power Limited VAT Registration No.689638949 Registered in England No. 2172239

Registered Office: 10 Upper Bank Street, Canary Wharf, London E14 5BF



FS29568

# TOTAL GAS & POWER



Postal Address: Bridge Gate, 55-57 High Street, Redhill, Surrey RH1 1RX Tel: 01737 275587 Fax: 01737 784914 [www.totalgp.com](http://www.totalgp.com)

Total Gas & Power Limited VAT Registration No.689638949 Registered in England No. 2172239

Registered Office: 10 Upper Bank Street, Canary Wharf, London E14 5BF



FS29568