Uniform Network Code Committee

Minutes of the 101st Meeting held on Wednesday 06 February 2013

at 31 Homer Road, Solihull, B91 3LT

Attendees

Voting Members:

Shipper Representatives	Transporter Representatives	Consumer Representative
A Green (AGr), Total	E Melen (EM), Scotia Gas Networks J Ferguson (JF), Northern Gas Networks	

Non-Voting Members:

Chairman	Ofgem Representative
T Davis (TD), Joint Office	J Dixon* (JD)

Also in Attendance:

A Gordon (AG), GL Noble Denton; A Love (AL), ScottishPower; C Baldwin (CB), E.ON UK; C Whitehand (CWh), GL Noble Denton; E Hunter (EH) RWEnpower; F Cottam (FC), Xoserve; G Evans (GE), WatersWye; G Wood (GW), British Gas; J Kiddle (JK), EDF Energy; L Lewin (LL), DONG Energy; M Jones (MJ), SSE; M Lingham (ML), GL Noble Denton; M Clark (MC), ScottishPower; M Bagnall (MB), British Gas; N Cole (NC), Xoserve; R Fletcher (RF), Secretary; S Mullinganie (SM), Gazprom; Tony Perchard (TP), GL Noble Denton

* by teleconference

101.1 <u>**Note of any alternates attending meeting**</u>

E Melen for A Gibson (Scotia Gas Networks)

101.2 <u>**Apologies for Absence**</u>

A Gibson and C Warner

101.3 <u>**AUGE Presentation of the Allocation of Unidentified Gas Statement (AUGS)**</u>

CWh introduced the AUGE presentation to the meeting, advising that this was a questions and answers session to seek feedback on the methodology.

AG explained that the presentation focused on the areas of greatest change to the methodology but this did not preclude other areas should participants wish to ask questions.

<u>**Consumption Analysis**</u>

AG explained the background to the consumption based methodology and how it was the preferred methodology when compared to the RbD methodology used previously. This is why the AUGE anticipates recommending moving to Consumption based analysis.

GE asked why there is such a difference in the outcome between the two methodologies. AG explained that there is a 7% downturn differential predicted year on year for the RbD methodology and this is not sustainable as a long term change profile – it is not likely that businesses are failing at same rate compared to previous years as there should be a degree of leveling out even during the recession.

SM asked if this is due to businesses reducing production due to the recession rather than failing. TP felt this was not due to economic factors driving the methodology but that the methodology was unsustainable going forward.

GE asked why the data sets create smooth profiles in this presentation but last year it was peakier? AG explained that they had asked for new data sets in addition to Mod081 data and this had smoothed the line. He advised that it was explained last year that the previous data set was the best available at the time and that consumption based data using meter reads was expected to be more accurate.

GE challenged the data set used for consumption data in that there is less scrutiny of the process for obtaining reads compared to the scrutiny against RbD and AQ reviews. TP advised that they are using appeal data for LSP sites, which were not used previously and that they have always used Mod081 data sets in their analysis.

GE challenged the data for LSP sites being corrected less frequently, their view is that with the roll out of AMR equipment, reads should be more frequent for this market. CWh advised that the allocation for LSP is lower than the consumption identified for meter reads when using consumption based data. However, there is a timing issue based on the data available compared to corrected volumes as these can be a number of years later. TP

advised that there are always inconsistencies in the data set and that corrections are made at later dates – but it does not impact the model sufficiently to reduce the volume of unidentified gas.

ML explained the process for identifying and isolating negative AQs or consumption volumes where these appear to be erroneous. AG felt that the data and methodology based on consumption is more accurate than RbD but is only as good as the data provided. The aim is get feedback to ensure that they have not misinterpreted data in the sample.

GE was concerned at the level of tolerance allowed for rejecting AQs – was 5 times appropriate for all types of site? TP advised the tolerance is only applied to LSP sites - it is not applied to SSPs.

Scaling and Sample Size

AG explained that if a site is rejected from the sample for an EUC band, it won't impact the overall estimate as there should be sufficient sites within the sample to ensure it is representative of the EUC band and that scaling factors are appropriate.

SM asked if information from the sample is the same across all LDZs – does it lead to a similar value for each. TP advised that they sampled across all LDZs and aggregated the results. AG asked parties to bear in mind that unidentified gas is a small number when compared to the values of consumption in the LSP and SSP markets and would therefore flex based on consumption in those markets.

GE was concerned that there appears to be more significant shifts in unidentified gas between markets compared to the previous methodology and these may be very susceptible to market consumption changes, which have not yet been recorded in the system.

CWh felt that this can be in part due to weather sensitivity and changes between consumption in each year, therefore large step changes positive or negative will bring about significant changes in unidentified gas. He gave a number of examples of consumption changes across gas years to illustrate this point.

SM asked if the view of the AUGE is that both methodologies are susceptible to consumption change risks for each individual year. AG agreed both are susceptible but that the RbD methodology could be seen as being more susceptible.

CB asked if the roll out of AMR will contribute to reducing meter read errors and therefore lead to fewer corrections, or would it actually lead to a significant increase in AQ corrections as the data is being provided more frequently. AG agreed both would be possible. GE felt that the data set was less complete than was actually being acknowledged.

GE asked if sites were scaled up by EUC band or average LSP values. AG advised they are scaled up by the average value for the EUC band they are in. GE was concerned that some EUC bands are quite wide and some missing sites could materially impact EUC bands if the site was missing due to the small sample size and that the site was significantly above average. CWh explained the number of failed sites compared to the sample size in each EUC band was not considered significant.

AG explained the process adopted for sites outside of the EUC sample, which may or may not be using gas.

SM challenged how aggregated meter points were treated: is there likely to be an overstatement of consumption if they are allocated against EUC bands individually. CWh agreed that this might be an issue and they will check how these sites have been treated in the methodology to ensure there is no overstatement.

TP explained how they approach modifications in progress and those that are implemented. They note in progress modifications but only consider the impacts once a modification is implemented.

AGr asked if there is a consideration of duplicate MPRNs, in particular for the largest unregistered sites. AG advised that they are not able to check all sites in this process but where it is apparent the site is a duplicate they will send it back for investigation by Xoserve. FC advised that it is not the level of duplication but the progress of unregistered to registered that is investigated by the industry and most processes look at these aspects.

SM was concerned that statistically there could be large duplicate sites included in the process creating significant overstatements. AG agreed that they would consider the issue with Xoserve.

Theft

The methodology is based on actual consumption identified at theft sites, which is assumed to be representative of consumption at unidentified theft sites.

MB asked if there is are missing meter readings or zero reads, is this likely to imply theft could be taking place, is it more likely to be happening. SM challenged this assumption; it could be down to access problems or a failure in the meter reading agent to access the site and no fault of the consumer. AG felt it could be considered a consumption value but this could be resolved by the provision of more reads.

ML advised that where there are failed meter reads, they use the AQ to provide the consumption value. SM asked how twin stream meters are considered. TP advised that no reading is likely to lead to an average consumption being applied and a read of zero means zero consumption.

AG advised that the throughput methodology uses a trend-based analysis to predict throughput for theft. Currently it predicts a higher value than consumption but in future years it will be less.

Throughput is recommended for theft, as it does not require consumption analysis sites where up to 50% have no meter reads. It is also less volatile compared to consumption in that it assumes all types of sites steal in a similar way to each other.

GE asked how theft that crosses bands is identified when considering the AQ override. CWh advised that this is based on the meter reads available and market sector, SSPs do not cross the 73,200kWh threshold and this methodology does not allow the consumption to be carried over into LSP. GE was still concerned that sites are being treated differently – how is the SSP volume identified and included in the calculation.

CWh explained that they aggregate the theft amount; they do not include the AQ in the LSP calculation.

EUC = SSP, AQ = SSP, theft consumption difference where greater than 73,200kWh = LSP

GE asked that now there is a licence condition for Suppliers to actively detect theft, is this likely to lead to an increase in the detection numbers included in the methodology. AG advised that this is likely once they can see an improvement identified and can re assess the trend at that time.

GE asked if vacant sites were being considered in more detail for the LSP market e.g. 1 in 5 high street shops are currently empty and this trend is not reducing. Should the methodology consider rates of business failure and occupancy rates provided by the CBI etc. Should these sites be excluded as it is outside the Suppliers controls as they won't have the right of access to get meter readings or confirm the site has stopped consuming gas.

 CWh felt this would not be possible as all markets have difficult sites and they could not say what is, or is not, appropriate for each market. SM wanted to know if the period of theft is similar for both SSP and LSP – their view is that LSP would likely to be identified earlier as the consumer is likely to have problems with their landlord who won't have the same problems evicting them as in the SSP sector. CWh agreed that there could be factors but the data is not clear enough to make this assumption at this time.

CWh agreed that they would consider any views provided by parties to help with their considerations of theft in future.

SM wanted the process to be simple and straightforward as they need to explain to their customers why this additional cost applies to them, particularly if they are a DM consumer. AG felt the throughput method would be the most appropriate for this purpose.

GE wanted to see common sense applied to the process so that theft is apportioned based on those customers who are likely to have theft in their market. CWh was concerned, as it's not within their gift to apply these rules.

GE felt that the throughput approach requires consideration of the issues in the business market, it is to simplistic to be considered suitable.

General Enhancements to UG Calculation

GE asked if there were any calculation considerations for Shrinkage for CSEP sites. JF advised that DNO's assess shrinkage for their own infrastructure: it should be down to each individual iGT network to consider their own shrinkage. However, most of the infrastructure on a CSEP is comparatively new and based on PE such that leakage would be low.

AG advised that they will consider the issue but are not sure what could be included as iGTs are not party to this agreement or currently within scope. SM was concerned that they were not considering CSEPs since, collectively, they transport gas for about 1 million customers.

Timescales

CWh requested that questions or issues should be raised by 01 March and he hoped to provide responses by 12 March. In accordance with the Guidelines, the next draft AUGS would be published by 01 May 2013, with a view to being adopted for AUG Year 2014/15.

SM asked if additional time could be provided to review the methodology and underlying data. CWh felt that sufficient time had been allowed for consideration of the methodology, with 42 days consultation being the longest period provided for in the Guidelines at any stage of AUGS development. He acknowledged, however, that consideration of any issues raised may require further consultation on the methodology.

GE asked if it is likely that responses to the issues would be provided by 12 March. If not, what time is being allowed for this. CWh advised that if the issues were significant, they are unlikely to be able to undertake the analysis at this time.

101.4 Any Other Business

SM asked what the financial impact is likely to be should the methodology be adopted. CWh advised that this wouldn't be available until the methodology is available and Transporters had declared their SAP price. Values discussed with the UNCC previously were high level, based on analysis of some LDZs and an assumed SAP price. They were for illustrative purposes only, provided in good faith (and with caveats) in response to specific questions. However, it should be possible for others to estimate likely exposure by comparing results with the previous year's value and applying their own assumptions about price levels.

101.5 Next Meeting

None planned.