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Reference: Query responses

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Dear Mike

Thank you the queries submitted on 18<sup>th</sup> November in response to the Interim 2013 AUGS for 2014/15.

We have considered each of the queries against the criteria set out in the AUGS Guidelines. The responses to the queries are provided within this communication and are published on the Joint Office of Transporters website. We will be reporting these at the UNCC on 19<sup>th</sup> December.

**Query 6**

This concerns the use of iGT CSEP data snapshots to estimate CSEP UG for training and forecast years. We understand that British Gas assumed that the data in grey text in the CSEP UG calculation spreadsheet was not being used, whereas in reality the difference in colour was actually being used to distinguish between two different cases. For Unregistered sites on known CSEPs we have two snapshots in time, one from 2011 and one from 2013. To estimate the UG in historic years, the snapshot from 2011 was used because it was closest in time to each historic year. This resulted in the quoted figure of 677.43 GWh. For the UG estimate for the forecast year, the 2013 data is the closest in time and hence this is the dataset used in this case. The grey font was only used to distinguish between these two scenarios rather than to indicate that the results based on the 2011 "Unregistered sites on known CSEPs" dataset was not being used. Going forward we will use a different colour scheme as it is acknowledged that the use of grey can be open to mis-interpretation.

We therefore classify this query under 8.4(a) as "Requiring no action"

**Query 7**

This query concerns the handling of Permanent and Temporary UG.

British Gas have noted that Temporary UG is recovered by backbilling and concluded that because this process has been completed on the training period there should no longer be any Temporary UG within it. They have therefore stated that Temporary UG should not be subtracted from the total UG calculated for the training years.

The key to this query is how the backbilling/reconciliation process affects the data used to calculate UG, and in particular whether it affects it at all. For the training years in the UG calculation, the total UG is calculated as

$$\text{Total UG} = \text{Sum of Allocations} - \text{Metered Consumption}$$

The allocations are always scaled using SF to sum to the total LDZ intake (minus DM load and shrinkage) and these are therefore unaffected by any backbilling process. Therefore the key issue is whether the meter reads received by the AUGS are affected by backbilling, i.e. when backbilling takes place, are the associated meter reads in the data set received by the AUGS updated or not? If they are, then Temporary UG has already been removed and the British Gas assertion is correct. If they are not, Temporary UG still exists in the calculations for the training years and must continue to be removed using the current process.

Note that we do not use RbD volumes in the current methodology and there is no RbD adjustment made to training periods. The UG and reconciliation processes are therefore entirely separate.

Xoserve have confirmed that meter reads are **not** updated as part of the backbilling process and hence Temporary UG still exists in the training period. This can best be illustrated by example.

A site that was Unregistered during 2009/10, for example, was not associated with a Shipper during this time by definition (in order to qualify as Unregistered). We will therefore have no meter reads for this site for the year in question, and it does not appear in the population used for calculating metered consumption: it is part of neither the dataset for which consumption can be successfully calculated, nor the "calculation failed" population whose consumption is estimated via the consumption replacement process. The gas consumed by the site is present in the LDZ intake figures and hence the allocations, however, but it is not present in the Metered Consumption: it is therefore in the calculated Total UG.

When the site becomes registered it goes through the various industry processes achieve this, and if the confirming Shipper is the same as the asset Shipper it is backbilled. Only at the point of registration do Xoserve start getting meter reads for such a site, because before this there was no Shipper to make such reads. Dummy reads are not created as part of the backbilling process, and so regardless of the future date on which meter read information is supplied to the AUGS, for the site's Unregistered period it does not appear in any dataset and hence its consumption falls into Total UG. Whilst consumption calculations for the LSP sector use recorded volumes rather than raw meter reads, the principle remains: no corrected volumes are created for the Unregistered period because there is no recorded volume to correct. Therefore in this example (where the confirming Shipper and the asset Shipper are the same), the UG consumed by the site is Temporary, regardless of whether the site is in the SSP or LSP market sector.

If the site in the example becomes registered sometime in 2011 and is backbilled for the 2009/10 period, the gas from it:

1. Is contained in the calculated Total UG figure for 2009/10
2. Has been recovered (i.e. backbilled) and so is Temporary and must be removed from the UG total

It can therefore be seen that Temporary UG from Unregistered sites does appear in the total UG figure for the training years and must be removed to leave the Permanent total.

Where Unregistered sites lie in CSEPs, we automatically get no meter read data for them. In addition, they do not appear in the CSEP composition data files, because these cover registered sites only. Therefore, once again these sites lie outside the consumption calculation but inside the LDZ intake figures and are therefore contained in the calculated Total UG figure. Where the UG that they consume is Temporary, it must be removed from the total to leave the Permanent figure.

The other source of Temporary UG in the training period is detected theft. In this case the meter reads for these sites *may* exist, but it remains the case that when the value of the theft is estimated and billed, individual meter reads and volumes are not changed as a result, as this process is carried out off-line. This once again has the effect of placing detected theft in the Total UG figure for the training years, and as it is Temporary in nature it must be removed in

order to leave the Permanent total. Therefore in this case as well, the UG total for the training years does contain Temporary UG that must be removed from the total.

We conclude that this area is correctly accounted for in the current methodology. Furthermore, the issue of Temporary UG was raised during consultation in 2011 and has been documented/discussed throughout the process. It is therefore not a new issue. However, we have taken the opportunity to explain why the treatment of temporary UG is correct as there are often misconceptions about the use of RbD and 'backbilling'.

We therefore classify this issue under 8.4(a) as "Requiring no action".

## Query 8

This query concerns the inclusion or otherwise of sites with very large AQs in the UG calculations for Unregistered sites. British Gas highlighted six sites in the "Unregistered <12 Months" category that have unusually large AQs and presented evidence that may be used to establish that these AQ values cannot be accurate. Whilst the principle was illustrated in their query using the "Unregistered <12 Months" category, it applies across all types of Unregistered and Shipperless sites.

The AUGÉ welcomes new evidence and techniques that can be used to improve the integrity of the data used in all UG calculations. A query was raised with Xoserve regarding data availability for establishing new rules that can be used to judge whether such very large AQ values in the snapshots are erroneous. These potential rules fall into two areas:

1. Whether a sufficiently large dataset exists for statistical significance to be achieved, and this dataset indicates that for all sites above a threshold AQ of N KWh, that AQ turned out to be wrong and when the site was confirmed it had a much lower AQ.
2. Whether a threshold exists in the network code that requires sites above a certain size to be connected directly to the NTS and hence be under much greater scrutiny. It should not be possible for such sites to be Unregistered, and therefore any site listed in the snapshot with an AQ over this value must be erroneous.

The AUGÉ has received the data requested from Xoserve, and analysis has shown that the potential exists for rules to be developed for the amendment of very large AQs under certain conditions. In particular, Section A of the UNC defines a VLDMC (Very Large Daily Metered Customer) as any Supply Point with an AQ above 1.465TWh. Xoserve have confirmed that such sites require advance approval, and Section J of the UNC specifies the Network Exit Provisions that such very large sites have to comply with. These restrictions mean that it is not possible for a VLDMC to be Unregistered, and therefore it can be concluded that if any Unregistered site has an AQ above this value, that AQ must be erroneous.

The AUGÉ therefore proposes that any AQs in the Shipperless/Unregistered data that lie above the VLDMC threshold should be amended to an average AQ for an LSP site. Based on current data this is 1,022,081KWh. For comparison purposes, the average confirmed AQ of previously Unregistered sites with a requested AQ above the VLDMC threshold (i.e. for sites that have been subsequently confirmed) is 1,269,041KWh.

It is proposed that this data change should be incorporated into the Shipperless/Unregistered datasets for the production of the final AUG table.

In addition to sites with requested AQs above the VLDMC threshold, data supplied by Xoserve suggests that a number of requested AQs that were very large but below this figure may also be overstated. The largest AQ in the supplied dataset that was confirmed at the same value was 0.85TWh. The supplied data suggests that sites with

requested AQs between the DM and VLDMC thresholds are more accurate than those above the VLDMC threshold in that they still have a tendency to be very large sites, but the confirmed AQs, whilst remaining very large, are on average somewhat lower than the requested AQs. This effect can be accounted for by the introduction of a new "Large AQ" scaling factor that applies separately to the existing Unregistered AQ scaling factors that are described in Section 6.5 of the 2013 AUGS for 2014/15. The introduction of such a factor does constitute a methodology change rather than a data change, however, and so it cannot be implemented at this time.

This query also raised the topic of DM sites that appear in the Unregistered snapshots and why the final UG figures are zero for DMs when such sites are present in various Unregistered categories. The answer to this is that the final UG figures are Permanent only. It is stated in Section 6.9 of the 2013 AUGS for 2014/15 that DM sites may be Unregistered, but the assumption has been made (and verified with Xoserve) that any Unregistered DM sites will be backbilled, and hence the UG from them is Temporary. Therefore they have no contribution to the final (Permanent) UG figures.

As described above, the issue of very large requested AQs has been split into two parts: AQs above the VLDMC threshold, and AQs between the DM and VLDMC thresholds.

We have classified the first of these issues under 8.5 "Material change that can be implemented for final gas volumes" – but does not require change to AUGS.

We have classified the second issue under 8.5 "Material change that can be implemented for final gas volumes" – this does require a change to AUGS.

As identified at the November 21<sup>st</sup> UNCC, changes to the AUGS will not be implemented by the GTs, since the AUGS once adopted cannot be changed in an AUG year. Therefore, whilst the second issue is classified under 8.5, in practice this change will not be implemented until the 2014 AUGS for 2015/16 is prepared.

## Query 9

This query concerns partially consuming sites in CSEPS (having previously clarified the position regarding sites with  $AQ > 1$  not consuming and  $AQ = 1$  that are consuming).

The situation for partially consuming sites in CSEPS is similar to that with sites with  $AQ > 1$  not consuming and  $AQ = 1$  that are consuming.

For meters in the wider population, failed meters that were active for only part of the year are assigned an average demand scaled based on the WAALPs for that year (section 6.1.3 p54 of the AUGS). In the case of CSEPs we do not have any information regarding which part of the year meters within a CSEP were active for. As noted in the previous query response regarding CSEPs we cannot rely on the EUC banding when choosing WAALPs, nor can we assume that the proportion of partially consuming meters in CSEPs will match the wider population.

As an example, in 2010 the percentage of partial consumers in the wider population for band 01B was 0.6% with remaining EUC bands ranging from 2%-8%. The 09B band varies widely given the small number of meters associated with it. In the wider population the sites that are partially consuming typically consume 50% of their EUC band average although this does vary from EUC band to EUC band.

If we assumed that the EUC banding was correct we estimate the impact of this issue on total UG (excluding 09B which is a special case) would be ~91GWh

In practice, some of the meters would be in lower EUC bands. If we look at the extreme case where everything is in EUC band 01B the impact on total UG would be ~55GWh. It can therefore be concluded that the actual impact lies somewhere between the two. We note that an issue regarding vacant sites discussed during consultation had a similar order of magnitude, and this was minuted at the 15<sup>th</sup> May UNCC as not being significant enough to warrant resolution.

In summary, the effect of partial sites in CSEPS cannot be properly estimated because of the incorrect EUC banding and we have insufficient information regarding the period of the year that the partial consumption occurs to correctly estimate the effect. The overall magnitude of the effect of meters in CSEPs that are partial consumers is relatively small.

We conclude this query is classified under 8.4(b) as "Requiring no action".

Therefore, in summary:

Query 6 requires no action

Query 7 requires no action

Query 8 part one requires an update to the AUG table, part two requires changes to the AUGS

Query 9 requires no action

Yours sincerely

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