

UNCC: Response to Andrew Margan, British Gas from Fiona Cottam, Xoserve re. AUG process for 2017/18

Good morning Andrew

Thank you for your email and summary of the AUG process for 2017/18.

Whilst I am not a legal expert on UNC and its interpretation, I can confirm that I have reviewed the steps undertaken by the current AUG (DNV GL) and whether they have complied with requirements of UNC and/or the AUG Framework Document.

In response to your specific questions my answers are as follows:

1. Is the Final AUG Table compliant with the rules? To be compliant with Code should the Statement and Final AUG Table align?

My assessment is that the Final AUG Table has been prepared in accordance with the rules. As you have highlighted, UNC states that the Table should be prepared "on the basis of the approved AUG Statement". There is no specific reference to it "aligning" to the Statement, as the Final Statement doesn't technically need to include a draft Table (whereas the Framework specifically requires the First Draft Statement to include a Draft Table).

The term Statement is somewhat confusing in this context, as the AUG Statement is intended to be a methodology document, rather than a table of numbers. Therefore the requirement is for the Table to be based upon (i.e. consistent with) the methodology. I note that the Final Statement stated that the "current best estimate of Shrinkage error" was 20% (6.7). In addition, the AUG produced a summary (at the request of the final AUGS Walkthrough Meeting) which summarised which elements of the AUG Table could be subject to further change in the light of new data: this highlighted that the Estimate of Shrinkage Error was one of the components which could change as a result of updated data or information. (Document: "Unidentified Gas Data Status Summary"

on <https://www.gasgovernance.co.uk/augenex/1718>). As the AUG explained in its covering letter, new information has become available since the Statement was published, including discussions at May UNCC.

2. Is the AUG carrying out additional analysis compliant with the rules?

The additional work was carried out in part in response to the majority views expressed at UNCC which were recorded in the public minutes, and to which the AUG's attention had been drawn. In particular Transporters were concerned that the AUG had not considered their responses to the study commissioned by Energy UK. That additional analysis indicated that a 20% figure for Shrinkage error was not justifiable. My assessment is that the report from the Shrinkage experts within DNV GL constitutes updated information, as anticipated in the AUG's Data Status Summary (see above). However it would require a change to the 2017/18 Methodology to include a detailed expert assessment of the Shrinkage error, which is not now possible, following its adoption at May UNCC. In the circumstances, as a figure of 20% was no longer robust, the AUG informed me that their view was that the only other option was to use an estimate of zero, rather than a new figure based on a detailed expert assessment (which would have constituted a change to the methodology).

3. Is the use of other unsolicited DNV experts late in the process compliant with the rules?

As the current AUG is DNV GL, a statutory company and part of an international group, rather than any one individual, we can expect them to bring a breadth and depth of technical knowledge to the assignment, depending on the issues that arise in any year. As noted above, the use of additional expertise from within DNV GL but outside of the core team was

partly in response to the views expressed at May UNCC. Regardless of timing, the use of expertise from within the wider company seems sensible and beneficial to the overall delivery of the service.

Please note that these are simply my own assessments and do not constitute a formal legal response on behalf of Xoserve Ltd or DNV GL.

I hope this is helpful background for you. I have already submitted some brief explanatory slides to Joint Office, and ultimately the decision on the suitability of the Table and whether any steps in the AUG Framework Document should be repeated will rest with UNC Committee next week.

Regards,

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