

AUGE Year review report for 2011/12

A report to the UNCC, on behalf of the Gas Transporters, in accordance with section 6.1 of the Guidelines for the Appointment of an Allocation of Unidentified Gas Expert and the provision of the Allocation of Unidentified Gas Statement

1. Introduction

At the end of each AUGÉ year (31st March) the Gas Transporters are required to conduct a review of the activities and performance of the AUGÉ and relevant industry parties, for the creation of the AUGS.

This report details the approach to the review, the review feedback and recommendations implemented or with the opportunity to be implemented for the current and forthcoming AUGÉ years.

2. Approach to the review

Xoserve contacted the AUGÉ, Shippers, Gas Transporters, Ofgem and the Joint Office to request feedback for the AUGÉ year 2011/12 and any suggestions for improvements. Areas to consider for feedback on include:

- the AUGS Guidelines
- the AUGÉ for such areas as; communication, industry engagement, query responses etc
- Xoserve e.g. for the provision of information
- Any other relevant area

In addition Xoserve has conducted its own internal review for this report.

Feedback was received from the AUGÉ and four shipper organisations and ICOSS on behalf of a number of shippers in the industrial and commercial sector of the market. The feedback is contained in appendix 1.

3. Feedback summary

Responses were generally positive and a number of matters were raised as areas for improvement.

One respondent raised a number of technical points regarding the AUGS itself. Xoserve is not qualified to respond to these points, these are being addressed by the AUGÉ directly. Xoserve has, however, attempted to draw out the underlying issues the respondent has with the AUGS process.

3.1 AUGÉ Guidelines

One respondent considered that whilst the Guidelines worked as intended there are some inconsistencies in activity dates, and it would be appropriate to review the Guidelines following their first full year of operation.

One respondent commented that:

- The AUGÉ has not been subject to peer review.
- The AUGÉ's use of, and interpretation of, industry data has not been validated by Xoserve.

- The AUGE has failed to comply with the high level objectives of the MOD.

3.2 AUGE Industry Engagement

3.2.1 Consultation meetings

Four consultation meetings were held, an AUGE introductory meeting with the industry and three AUGS consultation meetings.

The Guidelines only require two AUGS consultation meetings, but following the issue of the second AUGS to both assist the industry in its understanding of the AUGS and to minimise the number of queries submitted on the AUGS, the AUGE held an additional meeting. This meeting was held at short notice and a number of industry participants had difficulty attending. Two respondents considered that additional access to the AUGE via industry meeting would be beneficial. For the 2012/13 AUGE year, AUGS consultation meeting are to be scheduled mid-way through the consultation periods.

One respondent raised a number of points suggesting the AUGE had not responded sufficiently through the engagement and consultation process.

3.2.2 Access to AUGE and further meetings

One respondent was concerned that one shipper appeared to have sought a direct meeting with the AUGE and has suggested the Guidelines should be amended to specifically prohibit 1:1 arrangements. Xoserve can confirm that the AUGE did not and would not hold any 1:1 meetings with Shippers (this was made clear to the industry at the AUGE introductory meeting).

3.3 Xoserve provision of data

One respondent raised a concern that the data provided to the AUGE is provided to the industry through the UK Link Document service and the AUGS, meetings notes, queries and query responses are published on the Joint Office website. This sometimes led to confusion as to where a document may be found.

Two respondents raised concerned that the provision of data from Xoserve was not a smooth as was hoped. One of these two respondents was quite firm in their view that the AUGE has repeatedly claimed that Xoserve have failed to provide data in a timely fashion or in the correct format – this has led to a methodology that does not use meter reads to calculate the total UG and the total assigned to each sector. The respondent believed this has resulted in a material error within the AUGS.

3.4 Other response areas

One respondent raised a number of matters regarding the processes that could be improved to reduce the amount of unidentified gas, including:

- Asset and meter data inconsistencies
- Poor Meter reading Performance
- Non Calculating AQ's (particularly LSP)
- Late or none reconciliation of CSEP I&C sites

4. Feedback from the AUGÉ

The AUGÉ has provided feedback on the years events. The AUGÉ considered that the following aspects went well:

- the methodology was approved
- the relationship with Xoserve was good
- the wider industry relations were cordial and professional
- there was a good match between the work expected to be undertaken as described in the tender process and the work actually undertaken, the necessary skills and expertise were in place

The AUGÉ considered that there were some matters arising regarding the provision of data from Xoserve. These included; some delays in data provision, some data source contents that were unclear, there were some data quality issues and there were some issues in converting the data reported on by Xoserve into useable data for the AUGS. Progress has been made to improve this for 2012/13.

The AUGÉ considered that Guidelines could be refined. The timescales for the publication of the first draft of the AUGS didn't allow sufficient time to explore the various issues and obtain sufficient data to develop the methodology such that the bulk of the methodology ended up in the second draft.

The consultation meetings with the industry did not align with the consultation period.

There could also be better alignment of the Guideline dates and data processing timelines within the industry (e.g. it would be very useful to obtain the recalculated AQs from October for use within that years methodology, but this would be after publication of the final draft).

5. Xoserve observations on review comments

5.1 Xoserve response to the review comments

Xoserve is pleased with the quantity of review comments and many of the comments raised have or are being addressed. In some cases Xoserve is unable to respond to the comments as these are general opinions on the AUGS results, which Xoserve cannot comment on.

Xoserve will review the Guidelines document to give effect to the review comments received and present any proposed changes to the UNCC for review.

5.2 Provision of data

In order to develop the AUGS, the AUGÉ needed to assess what data it considered was required and to identify what data was available. There were several iterations between the AUGÉ and Xoserve to identify and understanding what data was available, particularly historic information for trend purposes. Xoserve can only work with the data it has, there were one or two minor delays in the provision of some information, but these delays were associated with ensuring a complete dataset, or re-working the data following further requirements from the AUGÉ. Any delays in the provision of data did not affect the AUGÉ approach to the development of the AUGS.

Prior to the appointment of the AUGE, Xoserve provided snapshot statistics for a number of processes / activities e.g. unconfirmed sites. The management information from these snapshots was retained, but there was not a requirement to retain the base data so it was deleted. Subsequent to the appointment of the AUGE procedures have been implemented to provide regular updates of base data to enable the AUGE to retain a usable history of information.

A large amount of the data held by Xoserve had to be processed to remove confidential references e.g. shipper name. Some of this processing did lead to one or two minor data errors, these were identified and were corrected and the matters have not reappeared.

The data is confidential to the industry and is published on the secure UK Link Document area. It would not be appropriate to put this data in the public domain on the Joint Office website. Unfortunately two locations of publication of information are required, hopefully the industry now know what is held where.

5.3 Access to the AUGE

Xoserve convened an introductory meeting in March 2011 at which a number of ground rules were outlined. Xoserve was pleased with the way the AUGE was accessible to the industry and has noted the concerns regarding the timings of consultation meetings. The timing of the consultation meetings have been changed for the 2012/13 year in line with the 2011/12 experience and feedback received.

5.4 AUGE Guidelines

Regarding the responses around peer review, interpretation and validation of data by Xoserve and meeting the high level objectives of the modification. These are not requirements of the current Guidelines. If the respondent wishes to take these matters forward the change process for the Guidelines can be used.

5.5 Other response areas

The response provided regarding improving the processes to reduce the sources of unidentified gas is welcomed but needs to be progressed under the relevant UNC workgroup.

6. Conclusions

Overall the first year of operation has been successful, areas for improvement have been highlighted and some already implemented. There are no significant areas for concern in the activities and performance of the AUGE and relevant industry parties, for the creation of the AUGS

Respondent 1

AUGS Guidelines

Overall the guidelines worked as intended, providing the necessary focus for the AUGE in developing the report and providing the detailed information and explanation to support it. The guidelines statement is however inconsistent in certain areas (for example the timeline for the process in the appendix does not reflect the dates present in the body of the document) and the so document could benefit from a review. There also seems to be a need to identify where adjustments are needed to reflect actual practice now that the industry has had experience of the process, for example in the timing and frequency of meetings.

AUGE industry engagement

We were pleased with the industry engagement that the AUGE undertook and believe that they were effective in setting out the rationale of the work they undertook. As we communicated at the time, we were nervous around individual meetings with industry players, even if such meetings are public, as this creates a negative perception that some parties are attempting to seek to sway the AUGE's thinking. The process would benefit if the AUGE guideline document explicitly prohibited such activities.

Xoserve involvements

Xoserve provided the necessary support that we expected to make the process operate. We hope this continues in the same vein, and also that data is again made available for shippers to verify the findings.

Other Comments

A comment I would raise in relation to the work undertaken by AUGE are the references to other avenues of enquiry which could be explored in determining. We believe that the AUGE process worked well particularly in light of the fact that it is a new and challenging process which had to operate to relatively short timescales. Though the draft AUGS shifted in methodology during its development we are comfortable that the current process represents a sound framework to estimate the current levels of Unidentified Gas in the market. We hope that this year the AUGE will look to improving the quality of the estimates provided by the current methodology, rather than rebuild the methodology from scratch.

Respondent 2

AUGE year 2011-12 shipper feedback

In general the AUGE process has worked well considering that it was the inaugural year.

The AUGE carried their role in accordance with the Guidelines and responded fully to issues raised.

The key areas for improvement relate to data availability and communication.

Data

We sensed that the AUGE did not have all the necessary data from Xoserve at the outset. We understand that Xoserve are taking steps remedy this.

Communication

The prescribed process within the Guidelines was followed, however our concern is that this process was overly formal largely being limited to the presentation of the AUGE Statement to the UNC Committee. We appreciate that given the authority and responsibility placed on the AUGE this is to a degree unavoidable. However we feel that it would be beneficial to create an opportunity for a more iterative and to a degree a more informal discussion process where the individual issues and areas of concern

could be debated and explored by User representatives with the appropriate knowledge and experience.

A meeting did take place with the AUGÉ at the request of British Gas, but this was 'ad hoc' and only provided limited involvement of other Users. And so whilst we favour the opportunity for more debate in a less formal environment, we believe that this should be planned and structured to allow the AUGÉ to explain the rationale for their methodology in an inclusive and interactive way.

We suggest that a UNC Workgroup or UNC Sub-group dedicated to AUGÉ issues be set up in a similar way to the RbD and Standards of Service sub-groups. This would incorporate User representation and the opportunity for additional User experts to be involved as appropriate.

Although we recognise that resource within the industry is currently very stretched the extent of (or lack of) the work of the two pre-mentioned groups could free up resource to be better employed. The AUGÉ concept has created an increased focus on UG and a better understanding of the sources of UG, this in turn should lead to its eventual reduction.

Respondent 3

Thank you for the opportunity to comment on the current AUGÉ process. xx does not have any issues with the process. The only improvement we would like to see implemented is a consistent repository for communications and data. Currently these seem to be split between the Joint Office and Xoserve websites which can cause confusion.

xx's queries have always been responded to efficiently.

Respondent 4

Thanks so much for allowing the late comments. yy appreciates the work carried out by the AUGÉ in the last year. In the previous AUG year, the stand out figure for us was "Theft & others" which accounted for 76% of the aggregated estimate of cost of unidentified gas. This area should become a focus, in an effort to further identify areas within the 'Theft and other' pot. We would like to suggest the following as a starting off point, ensuring that if materiality is found then a reapportionment should be assigned to the SSP Sector:

- Asset and meter data inconsistencies
- Poor Meter reading Performance
- Non Calculating AQ's (particularly LSP)

Another area we would like to highlight for further investigation is the IGT CSEP. Many LSP MPRNs have never received a reconciliation i.e. approx 50% and with the moving settlement window i.e. currently 4-5 years with proposals to reduce this to 2-3 years or 3-4 years (Mods 395/398) the volume of un-reconciled error is increasing. In addition, several thousand MPRNs are unregistered on Xoserve CSEP database and therefore the energy is being apportioned to SSP Shippers. This is an area which is clearly visible so should be highlighted quickly, if not resolved quickly.

Respondent 5

Thank you for the opportunity to contribute to the review of the activities of the AUGÉ and relevant industry parties. I have bulleted the high level areas of concern under your suggested headings. I have also included an attachment containing the detail behind some of our specific concerns regarding the AUGÉ's performance and

the accuracy of the AUGS. We highlight these issues now as we feel it is important that concerns are properly addressed at an early stage in the next AUGS.

- **The AUGS Guidelines**
 - The AUGE has not been subject to peer review.
 - The AUGE's use of, and interpretation of, industry data has not been validated by Xoserve.
 - The AUGE has failed to comply with the high level objectives of the MOD.
- **The AUGE for such areas as; communication, industry engagement, query responses etc**
 - The AUGE has introduced new concepts and data after the consultation process has closed and therefore these have not been subject to review.
 - The AUGE default has been to maintain the unfair status quo.
 - The AUGE has introduced opinion into the methodology.
 - The AUGE has not corrected for data bias.
 - The AUGE has not utilised all the available data to generate an accurate allocation of UG between the small and large supply point sectors.
- **Xoserve e.g. for the provision of information**
 - The AUGE has repeatedly claimed that Xoserve have failed to provide data in a timely fashion or in the correct format – this has lead to a methodology that does not use meter reads to calculate the total UG and the total assigned to each sector. We believe this has resulted in a material error within the AUGS.