

Clive Whitehand,
Senior Consultant
GL Industrial Services
Holywell Park
Ashby Road
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30th June 2012

Letter regarding first draft of the AUGE Statement

Dear Clive

The Industrial and Commercial Shippers and Suppliers (ICoSS) group represents all the major non-domestic industrial and commercial (I&C) suppliers in the GB energy market, supplying 75% of the gas needs of the I&C sector; a number of our members also supply electricity to their customers¹.

We are writing to provide initial feedback on the proposed AUGS for 2013-2014. When Shell Gas Direct, with the support of ICoSS members and the wider industry developed the AUGE process it was in the knowledge that insufficient information existed in the central systems for Xoserve to ascertain the sources of Unidentified Gas in the market, and in particular which market sector it originated from. This made the appointment of a third party expert desirable over requiring Xoserve to undertake the task themselves.

The AUGE in its first year, operating to a tight timescale, created a workable framework to estimate the size and origin of Unidentified Gas. Whilst we continue to believe that the underlying methodology is sound, there is now sufficient opportunity for a more critical eye to be cast over the data that is available. Our concern is that the proposed AUGE statement for 2013-2014 places an over-reliance on what limited data exists. To take an example, it is proposed to radically alter the proposed split of undetected theft between the SSP and LSP sectors. As the Unidentified Gas process is an estimate of future gas losses, there is no reason to suppose that the proportions stolen this year were significantly different to those expected in 2012-2013. It is therefore surprising that such a material change is proposed based on a single reported theft instance being included in the dataset.

¹ Current Membership: Corona Energy, DONG Energy, ENI, First Utility (associate), Gazprom Energy, GDF Suez Energy UK, Statoil UK, Total Gas & Power, Wingas UK.

Whilst any analysis must necessarily take into account the data which is available, for the AUGE process to be credible, it must be critical regarding the data that is available and look beyond it where it is clearly creating anomalous results (as the proposed theft changes demonstrate). We do not expect any significant changes in the values proposed for 2012-2013 and hope that any such changes that are proposed are a result of thorough and rigorous analysis undertaken by the AUGE and discussed with the industry.

I would be happy to discuss this with you further if you wish.

Yours Sincerely,

A handwritten signature in black ink, appearing to read 'G. Evans'.

Gareth Evans
Chair, ICoSS Group