



Mr Clive Whitehand
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Re: AUGÉ process

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 in excess of 65% of the gas needs of the non-domestic sector; a number of our members also supply electricity to their customers¹.

I am writing with regard to the AUGÉ process, in particular the values proposed by the AUGÉ for year 2013/2014 and the steps for approving the next AUGÉ statement.

Through discussion with each member of ICoSS, representing the majority of the non-domestic sector, the unanimous view expressed is that we should follow the agreed process laid out in the AUGÉ guidelines, namely that the values proposed by the AUGÉ for 2013/2014 should be adopted for that year. They represent the application of an accepted methodology for determining values that are both contentious and difficult to substantiate. This methodology and these values have also been subject to industry consultation, which resulted in a significant change to their final materiality and the underlying methodology is clearly understood by both shippers and customers. It is not possible to say the same about the AUGÉ statement currently being prepared; it is not yet fit for purpose.

Unsubstantiated values have been referenced at both the UNCC and through other correspondence regarding what the next version of the AUGS will detail in terms of the scale of Unidentified Gas in the market. We are concerned that undue weight is being given to these values by both Panel Members and industry parties; the reality is we do not know what the statement will indicate (we note that the AUGÉ in providing these guideline figures gave a large error range of 1TWh for the LSP sector, ~£25m in value). Past experience with the AUGÉ process demonstrates that the Unidentified Gas values proposed initially are always adjusted after consultation, highlighting then need for a robust consultation period so other factors not initially present can be taken into account.

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

This was shown in the last statement where the value of Unidentified Gas proposed for the LSP sector in the draft AUGE statement was halved in the final statement when the impact of temporary Unidentified Gas was taken into account. It would be dangerous to believe that the values that will be proposed by the AUGE in the next statement will not be adjusted in light of customary industry scrutiny.

The AUGE process was designed to allow such scrutiny and also to allow shippers to adjust their prices to take into account the Unidentified Gas costs and benefits. The current proposals to the application of revised values in June 2013, and so shorten the process by 10 months, provides no time for the industry to examine, adjust and then incorporate the finalised and agreed Unidentified values into their pricing structures.

ICoSS has always been supportive of the AUGE process and believes that the current AUGE has made great progress in conjunction with the industry, using incomplete and sketchy information, in ascertaining the scale and causes of Unidentified Gas in the retail market.

We therefore expect that the AUGE and the industry will follow the binding requirements in the AUGE guidelines document, namely that the UNCC accepts the values proposed by the AUGE for 2013/14 and that the, next draft AUGE statement for 2014/2015 will be published by the 1st May with a finalised statement, taking into account industry opinions by the 1st August. Only by following the industry agreed timescales can we expect to maintain the integrity of this necessarily impartial process.

Please feel free to contact me if you wish to discuss this in any further detail.

Yours sincerely

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

Gareth Evans
Chair ICoSS