

Clive Whitehand
Senior Consultant
GL Noble Denton

01st October 2012

Dear Clive

Re: Allocation of Unidentified Gas: Consumption Analysis and Theft Interim Report

Total Gas & Power (TGP) would like to take this opportunity to comment on the interim AUGÉ report for 2013/2014.

TGP have 2 key concerns, the first is the change in methodology, the second the assumptions relating to theft of Gas . The impact of these proposals seems likely to significantly increase the costs attributed to the LSP sector which ultimately paid by customers in this sector.

Methodology

Unallocated Gas volumes are likely to remain similar from one year to the next and not exhibit the volatility that the AUGÉ's two methodologies have indicated. This volatility is extremely difficult for suppliers to manage and very difficult to explain to end-consumers, and especially that it is the change in methodology which has caused this and not something tangible that would be easier for customers to understand. TGP are extremely uncomfortable that the two methodologies could produce such different outcomes, which casts doubt over the credibility of the process that is being carried out and some of the underlying assumptions that the AUGÉ has based the new methodology upon.

Theft

While we welcome the fixing of the split of theft across the SSP and LSP sectors and the removal of the disincentive on suppliers to identify theft we have a major concern regarding the assumptions made regarding the split. The concept that theft occurs in proportion to throughput and that this should be the basis of theft split between sectors is fundamentally flawed. It disregards the fact that the LSP sector contains a large volume of Gas supplied to the public sector and larger industrial and commercial users, it is difficult to envisage the personnel employed by such

organisations being motivated to carry out theft of gas. Furthermore, a large proportion of the LSP sector has monthly meter reads which attract greater scrutiny from meter readers and networks through must read processes. The proposed treatment of theft also fails to take account of changes within the industry such as the roll out of



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Automated Meter Reading (AMR) in the LSP sector with more and more LSP sites having such data loggers installed. This requires a site visit to carry out meter-work and thus further opportunity to detect theft. The presence of AMR allows suppliers to more closely monitor consumption and thus the ability to detect theft and tampers.

Therefore we believe that the assumption that theft should be split based on throughput therefore assigning 23% to the LSP sector hugely over inflates the volume of theft attributed to the LSP sector and TGP would ask the AUGÉ to revisit this assumption and methodology.

TGP note the AUGÉ's acknowledgement of potential abuse of the AUGÉ results by certain parties, for example, by concentrating theft detection in particular market sectors and welcome the AUGÉ's attempts to prevent this from impacting the process.

We believe that using the output a single LDZ should at this stage be treated with caution. It may not be representative of the whole market and therefore the suitability of this revised methodology should not be endorsed until all the data has been analysed across all LDZs. We also believe that there is not enough detailed information being made available to support the revised methodology so the industry is not in a position to carry out the analysis to gain confidence in and verify the data. There was also an occasion where incorrect data was presented to the industry where volumes were overstated by a factor of 1000 which undermines confidence in some of the back ground data that is being used that is not visible to the industry. This incorrect information may also have been used to incorrectly validate other assumptions or data outputs but this is something that Suppliers are unable to validate.

TGP also is concerned about the very large volume of data that will need to be provided by Xoserve to the AUGÉ and the impact on timelines and next iterations of the report. Suppliers must be given sufficient time to investigate and validate the next and final statements.

As a general point, there should be a sense check or reasonable test applied to the results that AUGÉ's statistical approach out-turns. For example the report implies that around 3% of all gas in the UK is attributed to theft, which intuitively seems high.

TGP are happy to contribute to the AUGÉ process and we hope you find the above comments useful at this stage.

Yours sincerely

This letter is sent electronically and therefore not signed

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