

British Gas Consultation Response to the 1st Draft 2013 Allocation of Unidentified Gas Statement for 2014/15

British Gas (BG) welcomes the opportunity to consult upon this, the 3rd iteration, of the consumption-based methodology to calculate the total quantum of Unidentified Gas (UG) and sector apportionment. As with previous iterations, BG reinforces the previously stated view that the consumption-based methodology is the most accurate method of calculating UG and addresses one of the critical failings of the RbD-bias method in that it measures initially assigned SSP UG. As mentioned in previous consultation processes the validity of the consumption-based method, particularly when compared to the RbD-bias method, is not in question and has been demonstrated to be statistically more accurate and significantly more likely to yield a correct outcome.

The allocation of the balancing number in line with throughput has again been shown to be the most accurate and ultimately the *fairest* method of cost allocation having been subject to rigorous challenge and review over the numerous consultation phases. It seems reasonable for this to be reviewed additionally only when compelling evidence to the contrary (should this exist) is presented. Additionally any potential new data streams which may provide insight into this area would need to be assessed as to their maturity and representative nature prior to consideration.

BG recognises the rationale behind the AUGE adopting a 'seasonal normal adjustment' approach to forecasting; but would request that the AUGE perform some sensitivity analysis to ensure that the assumptions surrounding this hold true. For example, that theft consumption is behaviourally the same as non-theft consumption in relation to seasonal fluctuations. It may be that by averaging several years of data that the AUGE is, by default, adopting a seasonal adjustment that reflects actually experience weather conditions.

BG recognises that the AUGE has addressed the minor concerns raised during the previous consultation window as to the proper treatment of IGT Shrinkage and has now published a replicable formula to extrapolate LSP consumption as a proportion of total NDM consumption.

BG further recognises that the AUGE has also addressed the concerns raised by all industry participants over the course of several consultation periods and that this methodology is both well matured and well understood.

BG notes that the AUGE has demonstrated thus far in the 2013 process that it is keen to adhere to the stated timeline provided by the guidelines document and this is to be applauded. This should avoid any repeat of the unfortunate situation whereby a statistically more accurate method and a significant incremental advancement to the methodology was forfeited due to time expiry. The result of which was a detriment to the fair allocation of costs.

In summary, British Gas supports the latest iteration of the consumption-based methodology.