

UNCC AUG Sub-Committee Minutes
Friday 16 February 2024
via Microsoft Teams

Attendees

Eric Fowler (Chair)	(EF)	Joint Office
Niamh Holden (Secretary)	(NH)	Joint Office
Aidan Lo (Observer)	(AL)	Joint Office
David Morley	(DM)	OVO Energy
David Speake	(DS)	Engage Consulting (AUGE)
Fiona Cottam	(FC)	CDSP
James Hill	(JH)	Engage Consulting (AUGE)
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Mark Jones	(MJ)	SSE
Neil Cole	(NC)	CDSP
Sophie Dooley	(SD)	Engage Consulting (AUGE)
Sallyann Blackett	(SB)	EON Next
Stephen Mulinganie	(SM)	SEFE Energy

Please note these minutes do not replicate detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of papers are available at: <https://www.gasgovernance.co.uk/AUG/160224>

1. Introduction and Status Review

Eric Fowler (EF) welcomed everyone to the meeting.

1.1. Approval of Minutes (12 January 2024)

The minutes from the previous meeting were approved.

1.2. Approval of Late Papers

No objections to approving the presentation submitted and published late on the website.

1.3. Review of Outstanding Actions

No outstanding actions from the previous meeting.

2. Changes to the Framework for the Appointment of an Allocation of Unidentified Gas Expert

EF shared the Framework document for the appointment of an Allocation of Unidentified Gas Expert with the Committee.

Fiona Cottam (FC) explained that at the AUG Sub-Committee on 12 January 2024 there was general support for an extension to the consultation window on the Draft AUG Statement for Gas Year 2024/25. A Shipper suggested this because Ofgem is expected to publish a decision on UNC Modifications 0831 and 0831A on 23 January 2024.

It was recognised that both of these Modifications would remove the need for the role of the AUGE and committee members did not see a benefit in spending time on a detailed review and feedback when the decision the following day might remove the AUGE role and the need for UIG Weighting Factors.

FC advised that an updated version of the Framework document was taken to The UNC Committee on the 18 January 2024. FC noted that a Modification wasn't required to change the Framework and a simple majority was provided at the UNC Committee to approve the updated Framework document.

FC advised that Clause 7 and 8 had been amended to state that for Gas Year 2024 only, the consultation window was extended until the 31 January 2024 and the AUG Sub-Committee meeting had been moved from the 15 January 2024 to 16 February 2024.

FC noted that Committee Members should expect another Draft of the AUG Statement by the 5 March 2024.

Modification 0868

Steve Mulinganie (SM) provided a brief update to Committee Members in respect of Modification 0868. SM confirmed that the Modification had gone to Panel on 15 February 2024 and has been approved for development. SM suggested that it may be helpful for AUG Members to participate in discussions when the Modification goes to Workgroup.

Ofgem Decision – Modification 0831/0831A

EF asked the Committee whether they wanted to discuss the decision made by Ofgem on 6 February in relation to Modification 0831. EF noted that although the Modification had been rejected, the decision appeared to stress the importance of ensuring that the AUG process finds the best evidence and uses that evidence to allocate the UIG across different classes.

FC explained that the decision made by Ofgem shows that there is still a requirement for an AUGE as the Modifications were rejected and therefore a new table will be needed from the 1 October 2024.

David Speake (DS) noted that the decision pointed out the importance of finding and reducing UIG instead of focusing solely on allocation, DS added that this speaks to the importance of role of the Committee.

There was no further comment from the Committee.

3. Draft AUG Statement Update

3.1. Review of Consultation Responses

DS shared the presentation with the Committee and provided an overview of Consultation Responses received in respect of the Draft AUG Statement.

DS noted that there would be an update provided in relation to the changes made to the Draft AUG Statement and Committee Members would be provided with a proposed Final Statement for Members to review and discuss.

DS advised that there were 4 key issues highlighted in the responses received:

- Total Theft
- Unfound UIG
- Consumption Forecast
- Shrinkage

Total Theft

DS explained that a few shippers had suggested that they would support the use of the Theft Estimation Methodology to determine the Total Theft number.

DS advised that AUGE had discussed the justification for making this change on the basis of improved data but remain unconvinced that it will result in more equitable allocation of UIG, explaining that the justification for the change sat around governance and efficiency rather than the justifications looked for by AUGE. It was decided that any changes should be brought through an industry change.

Unfound UIG

DS advised the Committee that Unfound UIG is growing in importance and that continued investigation into the Unfound contributor is supported.

The current working principles and thresholds used for justifying a change may continue to act as a barrier for any necessary changes. DS explained that AUGE have wondered whether the overall priority should be treating Unfound UIG rather than working to the strict principles in place. DS clarified that these principles are in place to ensure that the allocations made are well justified and well evidenced, but if there is a belief that the treatment of Unfound is a more important outcome, DS suggested that it may be worth discussing an outcome-based delivery.

Consumption Forecast

James Hill (JH) explained that Consumption Forecast is an important input to the AUGE process. JH advised the Committee that the current process looks at a trend for a period of time, and in the last 18 months the AQ has continued to drop month on month. The algorithm uses this trend and will then forecast that continual drop.

Since the Draft statement was published, more evidence has been gathered which suggests that AQ figures are levelling off and therefore, using the current approach, the model gives a continual decline to unrealistic levels of AQ by the end of the target year.

The updated approach uses the latest average AQ which is then multiplied by the number of average sites forecast. JH shared an example of the updated approach in one Matrix Position and how this compares with the previous approach. By making this change, a more level AQ is achieved.

David Morley (DM) asked whether gas price could be overlaid with consumption, and queried whether the decrease in Consumption is correlated to increased gas prices, questioning whether a price gap could be used to determine the potential impact on AQ. JH agreed that this could be looked into as a way of enhancing the approach further.

Sallyanne Blackett (SB) advised that a significant amount of analysis is done on what EON believe their customers are doing and explained that cost of living and demand destruction impacts have been embedded into volume forecasts. SB argued that overlaying the gas pricing would be too simplistic and advised that they do not expect a return to the previous level of AQ even when gas prices are reduced. SB agreed that setting a floor for the AQ is sensible as customers cannot turn down any more.

DM queried whether climate change was another variable to be reviewed and whether temperature data could be overlaid with Consumption.

JH advised that all these variables happen at the same time, and it therefore difficult to isolate each one individually, which is why the approach used is quite simplistic in nature.

Shrinkage

Sophie Dooley (SD) explained that two responses have been received in relation to Shrinkage, noting that the first response had been received from INA and related to IGT Shrinkage. SD advised that INA had agreed with the methodology used by AUGE but disagreed with some of the assumptions made, which they argued could lead to overstating the amount of IGT Shrinkage.

SD noted that INA haven't shared any further details in their response, but that AUGE plan to liaise with them over the next year.

SD explained to that the second response stated that Shrinkage error is underestimated and urged AUG Committee Members to launch a full Shrinkage assessment, SD noted that this is covered in a lot of detail in the AUG statement.

SD advised the Committee that they will not be sizing Shrinkage error, but that it links back to the future thinking around the Unfound contributor.

DM queried what the grounds were for INA's disagreement with the assumptions. SD advised that no detail have been given within the response.

Please see the published [slides](#) for further information.

4. AUGE Approach and Considerations for 2024/2025

SD discussed the Future Considerations for AUGE for 2024 to be taken forward in preparing 2025/2026 Weighting Factors.

Please see the published [slides](#) for further information.

5. Next Steps

SD took the Committee through the next steps and advised that Committee Members can expect to see a proposed Final AUG statement on the 1 March, which will be discussed in the next AUG Meeting.

SD advised that there will be an update on the following factors:

- No reads
- Consumption Forecast
- Theft
- Consumption Meter Errors

SD noted that there shouldn't be any changes to any other contributors.

Publish final statement at the end of March, not expecting there to be any changes between proposed and final. Go on the 18 April

Please see the published [slides](#) for further information.

6. Any Other Business

No other business was raised.

7. Diary Planning

AUG Committee meetings are listed at: <https://www.gasgovernance.co.uk/AUG>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

Time/Date	Paper Publication Deadline	Venue	AUG Sub-Committee Agenda
10:00 Friday 15 March 2024	5pm Wednesday 06 March 2024	Microsoft Teams	Review Modified AUGS Meeting
10:00 Friday 12 April 2024	5pm Wednesday 03 April 2024	Microsoft Teams	Final AUGS Meeting