Post-meeting note:

For class 2 there are three possible options, when taking into account that some form of interim value is required:

- Treat such sites as Class 1, i.e. negligible levels of Unidentified Gas
- Treat such sites as Class 3&4.
- Propose a third value based on some evidence.

In determining any form of transition from the current process for allocating Unidentified Gas and the proposed new regime, it is important that any new values are based on a sound assessment of information available and the impact of market changes in the near future.

It was stated at the last Modification workgroup that the characteristics of Class 2 customers will be indistinguishable from that of Classes 3 &4. This is not the case. Whilst it is true that there will not be the same minimum consumption arrangements as Class 1, in order for a customer to be eligible to be Class 2 it would have been necessary to install daily read equipment at the site. At the commencement of Project Nexus, the large majority of such sites will have had SMETS compliant meters installed which requires the replacement of the meter in-situ, with the remainder either having an AMR or ADM device installed, which will also require a site visit and meter work undertaken. It is therefore highly likely that any theft or other source of Unidentified Gas at such sites will be have been detected and resolved as part of this installation process. We are also mindful that at present the rollout of smart and AMR meters to such sites is being driven by customer demand, not regulatory obligation (with the limited exception of sites with consumptions >732MWh). It is highly unlikely that at a site where theft is occurring the customer will actively seek to upgrade their meter. Taken together these factors point to a significantly lower level of Unidentified Gas at such sites for the time limited period which Modification 0473 envisages for the interim values to be utilised.

In determining how much lower this share is, it is important to note that at present the AUGE believes that Unidentified Gas at DM sites is negligible. From examining the previous AUGE statements, the clear inference is that this is due to the presence of daily read equipment, considering that sites of relatively low consumption could choose to be DMV at the time the AUGE statement was compiled and so not be liable for Unidentified Gas. Had they remained as NDM sites they would have been treated as NDM sites and so attract a material share of Unidentified Gas.

In summary having considered the potential options for the transition table, we do not see there being a strong case for treating Class 2 sites as the equivalent of NDM sites (class 3 or 4), but we do see a strong case for them being treated as the equivalent as Daily Read and so attract zero Unidentified Gas. We can therefore confirm that the transition values proposed on 12 May 2014 for all Classes will remain unchanged. We have provided an updated guidelines document that makes a series of minor corrections to the document.