










UNC Final Modification Report	At what stage is this document in the process?
<p><b>UNC 0831 / 0831A:</b></p> <p><b>0831 - Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method</b></p> <p><b>0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method</b></p>	<div style="display: flex; flex-direction: column; gap: 5px;"> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 8px;">01</span> Modification         </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 8px;">02</span> Workgroup Report         </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 8px;">03</span> Draft Modification Report         </div> <div style="border: 1px solid #ccc; padding: 5px; display: flex; align-items: center; gap: 10px;"> <span style="border: 1px solid #ccc; border-radius: 50%; padding: 2px 8px;">04</span> Final Modification Report         </div> </div>
<p><b>Purpose of Modification:</b></p> <p><b>0831:</b> The purpose of this Modification is to change the method by which unidentified gas (UIG) is allocated to Shippers from the current AUGE table of weighting factors to a throughput or universal allocation model.</p> <p><b>0831A:</b> The purpose of this Modification is to remove the current AUGE process and create a permanent weighting table that encourages movement to Daily Metering, reduces levels of UIG and discourages risk premiums for customers.</p>	
<p><b>Next Steps:</b></p> <p>The Panel does not recommend implementation of Modification 0831.</p> <p>The Panel does not recommend implementation of Modification 0831A.</p>	
<p><b>Impacted Parties:</b></p> <p>High: Shippers, Suppliers</p> <p>Low: CDSP</p> <p>None: Transporters</p>	
<p><b>Impacted Codes:</b></p> <p>No Codes, other than the UNC, are expected to be impacted.</p>	

Contents		?	Any
1	Summary	3	questions?
2	Governance	5	Contact: Joint Office of Gas Transporters
3	Why Change?	6	 <a href="mailto:enquiries@gasgovernance.co.uk">enquiries@gasgovernance.co.uk</a>
4	Code Specific Matters	9	 0121 288 2107
5	Solution	10	0831 Proposer: Mark Jones SSE Energy Supply Limited
6	Impacts & Other Considerations	12	 <a href="mailto:mark.jones@sse.com">mark.jones@sse.com</a>
7	Relevant Objectives	16	 07467 646256
8	Implementation	17	0831A Proposer: Harry Hailwood Brook Green Trading
9	Legal Text	17	 <a href="mailto:h.hailwood@brookgreensupply.com">h.hailwood@brookgreensupply.com</a>
10	Consultation	18	 02045133774
11	Panel Discussions	19	Transporter: Guv Dosanjh, Cadent
12	Recommendations	27	 <a href="mailto:guv.dosanjh@cadentgas.com">guv.dosanjh@cadentgas.com</a>
13	Appendix 1 Quantitative Impact Simulation - UNC Modifications 0831/0831A	28	 07773 151 572
14	Appended Representations	28	Systems Provider: Xoserve
<b>Timetable</b>			 <a href="mailto:UKLink@xoserve.com">UKLink@xoserve.com</a>
<b>Modification timetable</b> (updated 21 September 2023):			
0831 Date Modification Raised		04 November 2022	
0831A Date Modification Raised		06 March 2023	
0831 New Modification to be considered by Panel		17 November 2022	
0831A New Modification to be considered by Panel		16 March 2023	
0831 First Workgroup Meeting		12 December 2022	
0831A First Workgroup Meeting		23 March 2023	
Workgroup Report to be presented to Panel		21 September 2023	
Draft Modification Report issued for consultation		21 September 2023	
Consultation Close-out for representations		19 October 2023	
Final Modification Report available for Panel		24 October 2023	
Modification Panel decision		22 November 2023	

## 1 Summary

### What

#### 0831

The allocation of UIG for each Local Distribution Zone (LDZ) has long been an issue in the gas industry. There were many discussions on this issue in the mid 2000's which resulted in UNC Modification 0229 - Mechanism for correct apportionment of unidentified gas that, in 2010, introduced the Allocation of Unidentified Gas Expert (AUGE) whose role was to allocate UIG to the different types of Shipper Users. To date, there have been two organisations appointed as the AUGE, with the initial AUGE's allocations being in place until the end of the gas year 2019/20 when its contract to provide the service ended.

For the gas year 20/21 a new AUGE was appointed, who has taken a very different view as to how UIG should be allocated. Both AUGEs created perceived winners and losers in the allocation of UIG to different EUC bands and Shipper User markets. It is widely recognised in the industry that the causes of UIG are very complex, impossible to allocate accurately, and due to the different methods employed by the two AUGEs, the resulting allocations have been very different. Any future AUGE may come up with another different allocation method to the current and previous AUGE. As the UIG allocations change annually, this is creating uncertainty for many shippers and suppliers in the pricing of contracts to customers and potentially results in increased risk premiums versus the proposed solution benefits.

#### 0831A

The allocation of UIG for each Local Distribution Zone (LDZ) has long been an issue in the gas industry. There were many discussions on this issue in the mid 2000's which resulted in UNC Modification 0229 - Mechanism for correct apportionment of unidentified gas, that, in 2010, introduced the Allocation of Unidentified Gas Expert (AUGE) whose role was to allocate UIG to the different types of Shipper Users. To date, there have been two organisations appointed as the AUGE, with the initial AUGE's allocations being in place until the end of the gas year 2019/20 when its contract to provide the service ended.

For the gas year 2020/21 a new AUGE was appointed, who has taken a different view as to how UIG should be allocated. Both AUGEs created perceived winners and losers in the allocation of UIG to different EUC bands and Shipper User markets. It is widely recognised in the industry that the causes of UIG are very complex, impossible to allocate accurately, and due to the different methods employed by the two AUGEs, the resulting allocations have been very different. Any future AUGE may come up with another different allocation method to the current and previous AUGE. As the UIG allocations change annually, this is creating uncertainty for many Shippers and Suppliers in the pricing of contracts to customers and potentially results in increased risk premiums versus the proposed solution benefits. In addition, the continued variation in 'sources' of UIG makes targeting the reduction of overall UIG levels near impossible.

Market-wide Half Hourly Settlement (MHHS) in electricity was introduced to support customers in "managing the way they use energy so that they can reduce their bills and help manage the grid." (Ofgem). This is a mandatory move. As it stands there is no equivalent in Gas however with the leaps forward in smart meter data it is becoming a more frequent topic of discussion. By utilising daily read data customers are more accurately billed, shippers can forecast more accurately and overall levels of UIG and allocation volatility is reduced.

## Why

### 0831

UNC Request 0781R– Review of the Unidentified Gas Process – was raised in order to look at ways of improving the UIG allocation process. The associated Workgroup looked at several possibilities to improve the UIG allocation, and the universal allocation or ‘vanilla smear’ option, where UIG is allocated flatly based on throughput, was determined to be the most favoured out of eight options discussed by the Workgroup.

It is very difficult to identify the sources of UIG, as whilst both the AUGE<sup>s</sup> employed to date have assumed that a large majority of UIG is due to theft (as they could not explain any other reason for it). However, the industry view is that theft is a smaller factor and more UIG is due to other factors, such as shrinkage calculations being too low, assumptions of average temperature and pressure at meters being incorrect, metering inaccuracies and significant amounts of gas being vented due to leakage from gas pipework.

These other reasons for UIG all further the argument for a throughput allocation of UIG as the losses cannot be blamed on any particular type or category of customer. Also, the current AUGE table is not produced for each LDZ which would be a requirement in order to even attempt to calculate UIG allocation accurately. If this Modification is not implemented, the allocation uncertainty will remain and any future AUGE may allocate UIG on a very different basis to the current AUGE.

### 0831A

UNC Request 0781R– Review of the Unidentified Gas Process, was raised in order to look at ways of improving the UIG allocation process. The associated Workgroup looked at several possibilities to improve the UIG allocation, and the universal allocation or ‘vanilla smear’ option, where UIG is allocated flatly based on throughput, while opinion was divided, the ‘vanilla smear’ option was favoured.

UNC 0831 looks to implement this change. While a ‘Vanilla Smear’ approach does eliminate volatile AUGE values and hence reduces risk premiums to customers, it does not tackle overall levels of UIG and arguably discourages movement to Daily Metered status which ultimately increases UIG on a like for like basis in future years.

It is very difficult to identify the sources of UIG, as whilst both the AUGE<sup>s</sup> employed to date have assumed that a large majority of UIG is due to theft, they do not agree on the volumes or sources of UIG. Ultimately this supports the conclusion that UIG is impossible to allocate accurately.

Instead, viewing UIG as ‘model error’ is a more effective way to tackle overall levels. Increasing meter read frequency ultimately reduces overall levels of UIG due to reducing propagation of model error from Non-Daily Metered (NDM) customers. Historically Class 2 has not seen widespread adoption due to the higher AUGE factors, and higher operational costs to migrate.

Viewing UIG as an additional cost that can be used to incentivise Shippers to provide Daily Meter Reads ultimately encourages the industry to move in the right direction for customers. Reducing UIG, providing more accurate billing and aligning more closely with the progress made in the electricity market to Mandatory Half Hourly Settlement. Demonstrating progress under a non-mandatory programme is a preferred option as it allows shippers to move customers to the new status at their own pace as opposed to mandating movement to Class 2 which would be in line with the current direction in electricity.

Given the recent review of Class 2 by the CDSP, it is clear that more work needs to be done to widen access to Class 2 before a mass migration can be catered for.

With that in mind it makes sense to maintain the concept that Daily Metered classes should not be allocated UIG volume in line with the original proposal of 0831A but the widening of access to Class 2 should be separated out into it’s own individual modification based on the outcome of a review group.

## How

### 0831

The proposed solution is that the UIG allocation table will be updated with a set of permanent and common allocation factors so that UIG is allocated to all LDZ customers equally on a throughput basis. The role of the AUGE will be removed.

### 0831A

The proposed solution in this Alternative Modification Proposal is that the UIG allocation table will be updated with a set of permanent and common allocation factors so that UIG is allocated to all NDM customers equally on a throughput basis. In addition, the cost of UIG from Classes 1 will be removed with an alternative workgroup raised to appropriately widen access to Class 2 to allow for a second modification to be raised to 0 out Class 2 values. The role of the AUGE will also be removed.

## 2 Governance

### Justification for Authority Direction

#### 0831

This Modification will require Authority direction given the potential financial impact it will have on Shippers and Suppliers as moving away from the AUGE table of factors for UIG allocation to the proposed throughput method will change how UIG is allocated to Shippers. The changes to UIG allocation would be materially significant for some customers when compared to their allocation based on the current UIG table and could therefore impact competition.

#### 0831A

This Modification will require Authority Direction given the potential financial impact it will have on Shippers and Suppliers as moving away from the AUGE table of factors for UIG allocation to the proposed throughput method will change how UIG is allocated to Shippers. The changes to UIG allocation would be materially significant for some customers when compared to their allocation based on the current UIG table and could therefore impact competition positively.

### Panel's view on Governance

At the Panel Meeting on 17 November 2022, Panel Members determined that Modification 0831 did not meet the Self-Governance criteria and should proceed under Authority Direction.

At the Panel Meeting on 16 March 2023, Panel Members determined that Modification 0831A did not meet the Self-Governance criteria and should proceed under Authority Direction.

### Workgroup view on Governance

The Workgroup agreed with Panel's view that these Modifications did not meet the Self-Governance criteria and should proceed under Authority Direction.

### Requested Next Steps

These Modifications should:

- be considered a material change and not subject to Self-Governance.
- proceed to Consultation.

### 3 Why Change?

#### History of Unidentified Gas

##### 0831

The allocation of UIG for each LDZ has long been an issue in the gas industry, as prior to the implementation of Project Nexus in June 2017, only I&C sites (excluding small ones) had their actual usage reconciled back to their settlement charges via meter readings entering the settlement systems. All domestic customers (with the exception of a small number of larger ones) and smaller I&C customers had their settlement charges based on their annual quantity (AQ) which was calculated based on their previous year's usage. The result of this was that I&C Shippers only paid for the gas their customers had used, whereas domestic Shippers paid the rest (including the unidentified gas) based on their percentage of AQ allocation via the 'reconciliation by difference' (RbD) process.

There were many discussions on this issue in the mid 2000's with domestic Shippers trying to get I&C Shippers to contribute to UIG and I&C Shippers trying to downplay the amount of UIG that existed and that should be allocated to them. The upshot of all of these discussions was UNC Modification 0229 - Mechanism for correct apportionment of unidentified gas that, in 2010, introduced the Allocation of Unidentified Gas Expert (AUGE). The independent expert's task was to allocate a fixed amount of gas from the domestic sector to the I&C sector based on detailed analysis from information provided to them by Xoserve.

The implementation of Project Nexus in 2017 saw the introduction of gas allocation at all meter points being in line with actual usage, with meter readings for all customers entering the settlement system. The result of this was that UIG for each LDZ became visible as it is the gap between gas entering the LDZ networks and that consumed by customers based on meter readings. This resulted in a different role for the AUGE, in that it had to allocate the UIG between different customer types and sizes via an annual UIG table, which is based on detailed information from Xoserve, including theft data. The initial AUGE allocated a higher percentage of UIG to domestic customers, largely based on the view that theft accounts for the majority of UIG and that most theft is undertaken by domestic customers. This AUGE's allocations were in place until the end of the gas year 2019/20 when its contract to provide the service ended. For the gas year 20/21 a new AUGE was appointed who has taken a very different view in terms of where theft is occurring by allocating a much higher proportion of UIG to I&C sites, especially smaller ones.

##### 0831A

The allocation of UIG for each LDZ has long been an issue in the gas industry, as prior to the implementation of Project Nexus in June 2017, only Large Supply Points had their actual usage reconciled back to their settlement charges via meter readings entering the settlement systems. All domestic customers (with the exception of a small number of larger ones) and smaller I&C customers had their settlement charges based on their annual quantity (AQ) which was calculated based on their previous year's usage. The result of this was that I&C Shippers only paid for the gas their customers had used, whereas domestic Shippers paid the rest (including the unidentified gas) based on their percentage of AQ allocation via the 'reconciliation by difference' (RbD) process.

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## **UNC 0781R – Review of the Unidentified Gas Process**

### **0831**

UNC Request 0781R – Review of the Unidentified Gas Process – was raised in order to look at ways of improving the UIG allocation process. The Workgroup looked at several possibilities to improve the UIG allocation, and the universal allocation or 'vanilla smear' option, where UIG is allocated flatly based on throughput, was determined to be the most favoured out of eight options discussed by the Workgroup. It is very difficult to identify the sources of UIG, as whilst both the AUGE's employed to date have assumed that a large majority of UIG is due to theft (as they could not explain any other reason for it), the industry view is that theft is a smaller factor and more is due to other factors, such as shrinkage calculations being too low, assumptions of average temperature and pressure at meters being incorrect, metering inaccuracies and significant amounts of gas being vented due to leakage from gas pipework. These other reasons for UIG all further the argument for a throughput allocation of UIG as the losses cannot be blamed on any particular type or category of customer.

#### Retail Energy Code Analysis

The Retail Energy Code has recently published a theft analysis report compiled by Cap Gemini, where the amount of theft has been determined by a different method. This report looks at theft in isolation, (rather than UIG in totality) and considers actual cases of theft rather than assuming that all unexplained UIG that is the subject of a non-technical loss is theft, as is the case with the AUGE. Unsurprisingly, the REC analysis proposes a much lower figure for theft that is approximately one seventh of the AUGE's theft figure. This further justifies the case for the throughput method of allocation as, in reality, the industry evidence since Project Nexus made UIG visible all points to the fact that there are significant unaccounted for losses on the network. It is also worth pointing out that the Cap Gemini analysis has been done at the supplier level, which is correct when it comes to theft. However, the AUGE is using supplier theft data to derive shipper allocation of UIG, which, it could be argued, is not correct as not all shippers are suppliers and some shippers ship gas for multiple suppliers. In addition to the various sources of UIG that have been mentioned, no reconciliation exercise has ever been done between the gas industry and the Land Registry in order to identify sites that may have had a gas meter installed and have been put on supply, but have never, for whatever reason, been registered in the central systems and so are contributing to UIG.

#### Incentives on Shippers

In workgroup discussions it has been argued that a modification of this nature disincentivises the reduction of UIG as any reduction would not be reflected in the sector in which the UIG was discovered. However, the discovery of UIG by a shipper is, by its very nature disincentivised as if a shipper discovers a source of UIG on its portfolio then it will likely lead to an increase of gas allocation to that shipper. Furthermore, any theft that is discovered by a shipper is used by the AUGE to allocate more UIG to that sector as the amount of unallocated theft (the balancing factor used by the current AUGE to explain all non-explainable UIG) is, largely, allocated

based on the amount of theft that has been detected in that sector. This is likely to be probably true in the future, where any source of UIG discovered by a sector will lead to a higher proportion of UIG being allocated to that sector, which may outweigh any reduction in actual UIG to that sector as a result of its discovery. This has been recognised by Ofgem in its decision letter on modification UNC 0840 (urgent) as the letter states the following:

“It is acknowledged by the AUGE and industry that the data which underpins the weighting factors of the AUG Table is biased towards PPMs. One of the factors which contribute towards this bias and was highlighted by a consultation respondent is that historical theft detection rates are higher for PPM consumers due to the additional layer of data, such as top-up histories, which makes theft easier to detect in consumers not vending. This does not validate that more theft occurs within the PPM market segment, only that more theft is detected, creating the identified bias. We agree and believe that this bias is reflected in the AUG weighting factors and inflicts detriment on PPM customers. Whilst we are aware that datasets are never completely unbiased, as the gas wholesale market conditions have changed, this bias has put an unfair weighting on these EUCs that not only is unsustainable but is unjustifiable. “

Whilst the Ofgem letter relates to PPM customers, there is an implication that allocating future UIG based on theft detected in a sector creates a bias to allocate more theft to that sector and is a clear deterrent to the investigation of theft.

With a straight throughput allocation of UIG there is more of an incentive for all shippers to work together (possibly with assistance) in order to identify and correct sources of UIG, as the savings to all will be in proportion to their gas usage, and no groups of shippers will be reluctant to identify sources of UIG in the sectors they have a majority of customers in, as it will not lead to more UIG being allocated to those sectors. An example of all shippers working together may be for the industry to do a reconciliation of gas customers between the CDSP's data and the Land Registry's data.

### **0831A**

UNC Request 0781R – Review of the Unidentified Gas Process – was raised in order to look at ways of improving the UIG allocation process. The Workgroup looked at several possibilities to improve the UIG allocation, and the universal allocation or ‘vanilla smear’ option, where UIG is allocated flatly based on throughput, was determined to be the most favoured out of eight options discussed by the Workgroup. This was mainly favoured due to the reduction in AUGE volatility however it was recognised that this would make Class 1 and 2 see a significant increase in allocated UIG. It is very difficult to identify the sources of UIG, as whilst both the AUGE's employed to date have assumed that a large majority of UIG is due to theft the industry view is that theft is a smaller factor and more is due to other factors, such as shrinkage calculations being too low, assumptions of average temperature and pressure at meters being incorrect, metering inaccuracies and significant amounts of gas being vented due to leakage from gas pipework.

## **Electricity Equivalent**

### **0831 and 0831A**

During one of the UNC 0781R Workgroup meetings, Elexon presented how the corresponding concept worked in electricity, which is by means of the correction factor, that is very similar to the proposed throughput UIG method, as it allocates unexplained electricity losses to customers based on their throughput. Elexon explained that this concept had been introduced at the start of competition and there has been very little discussion or change to it over the past few decades, which is totally different to gas, where there have been numerous meetings, discussions, modifications, etc., each year over the past twenty or so years and there is still no consensus in the industry, as any method tends to create perceived winners and losers. The allocation method based on throughput is seen by many as the only fair and equitable solution that won't need constant revisiting and discussion.



## Justification for the Modification

### 0831

Should the Modification not be implemented then the UIG uncertainty and risk to Shippers and Suppliers will continue, especially when there is a change of AUGE, as any future AUGE may choose a different allocation methodology, which could cause an even bigger swing in the UIG allocation factors than was experienced by the last change of AUGE. UIG is being allocated largely based on the views and opinions of a few people as to the best analytical method to be employed, and on the level of each cause of UIG, without any concrete evidence to back these views up.

Should the Modification not be implemented there will be numerous further gas industry meetings, discussions, etc., on the subject when the industry's time could be much better spent addressing other initiatives, such as the decarbonisation of the gas network.

The proposal doesn't intend to change the calculation of UIG but to create greater stability in the allocation on an ongoing basis.

### 0831A

UIG has been an ever-divisive topic for industry, ultimately there is no 'right answer' in UIG allocation. A change of mindset to view UIG as arising from 'model error' and a cost that can be useful to incentivise the right direction of travel for industry benefits Shippers, Suppliers and ultimately the customer. In that light, Daily Metered Customers should not be allocated UIG as they do not contribute to model error; any short-term estimate used for allocation for Daily Metered Customers is usually rapidly corrected. Incentivising movement of customers to Daily Metered (Class 2) also helps improve settlement accuracy so reducing UIG long-term.

Modification 0831 has the benefit of stabilising AUGE factors and reducing risk premiums associated with volatile AUGE factor but does not recognise the inherent difference between Daily Metered and Non-Daily Metered Customers when determining the level of contribution to UIG. This proposed alternative to 0831 furthers the added value by reducing overall levels of UIG (at D+5), with a view of incentivising movement to Class 2 in the future via a workgroup and additional modification while there is no mandating from the Regulator and minimising costs to customers through.

Should the Modification not be implemented then the UIG uncertainty and risk to Shippers and Suppliers will continue, especially when there is a change of AUGE, as any future AUGE may choose a different allocation methodology, which could cause an even bigger swing in the UIG allocation factors than was experienced by the last change of AUGE. UIG is being allocated largely based on the views and opinions of a few people as to the best analytical method to be employed, and on the level of each cause of UIG, without any concrete evidence to back these views up.

Should the Modification not be implemented there will be numerous further gas industry meetings, discussions, etc., on the subject when the industry's time could be much better spent addressing other initiatives, such as the decarbonisation of the gas network.

## 4 Code Specific Matters

### Reference Documents

#### 0831 and 0831A

A link to the output from Request 0781R Workgroup is here: [0781R - Review of the Unidentified Gas process | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](#)

A link to a presentation given by Elexon to the 0781R workgroup on the explanation of the electricity GSP group correction factors is included here: [Group Correction Factors \(GCFs\) \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk)

**0831A**

A link to the original UNC0831 Modification can be found here: <https://www.gasgovernance.co.uk/0831>.

**5 Solution**

**0831**

The solution is that the annual AUGE process and statement production will cease to exist and that a fixed UIG table will be permanently set with the same factor allocated to all EUCs and Class types. A link to the current table is here: [AUG Table for 2022\\_23\\_Final.pdf \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk)

UIG Table

The UIG table, with each combination of EUC and Class having a factor of 1, is shown below.

Supply Meter Point Classification	Class 1	Class 2	Class 3	Class 4
EUC 1ND	1	1	1	1
EUC 1PD	1	1	1	1
EUC 1NI	1	1	1	1
EUC 1PI	1	1	1	1
EUC 2ND	1	1	1	1
EUC 2PD	1	1	1	1
EUC 2NI	1	1	1	1
EUC 2PI	1	1	1	1
EUC Band 3	1	1	1	1
EUC Band 4	1	1	1	1
EUC Band 5	1	1	1	1
EUC Band 6	1	1	1	1
EUC Band 7	1	1	1	1
EUC Band 8	1	1	1	1
EUC Band 9	1	1	1	1

**0831A**

The solution is that the annual AUGE process and statement production will cease to exist and that a fixed UIG table will be permanently set with the same factor allocated to all EUCs and Class types, excluding Class 1. A link to the current table is here: [AUG Table for 2022\\_23\\_Final.pdf \(gasgovernance.co.uk\)](https://gasgovernance.co.uk/AUG%20Table%20for%202022%2023%20Final.pdf)

UIG Table

Supply Meter Point Classification	Class 1	Class 2	Class 3	Class 4
EUC 1ND	0	1	1	1
EUC 1PD	0	1	1	1
EUC 1NI	0	1	1	1
EUC 1PI	0	1	1	1
EUC 2ND	0	1	1	1
EUC 2PD	0	1	1	1
EUC 2NI	0	1	1	1
EUC 2PI	0	1	1	1
EUC Band 3	0	1	1	1
EUC Band 4	0	1	1	1
EUC Band 5	0	1	1	1
EUC Band 6	0	1	1	1
EUC Band 7	0	1	1	1
EUC Band 8	0	1	1	1
EUC Band 9	0	1	1	1

**Business Rules**

**0831**

1. For the avoidance of doubt the CDSP will deal with the consequential commercial arrangements arising from these changes.
2. The UIG table (above) will reside in the UNC. The annual AUG table will be replaced by the UIG table. All LDZ System Exit Points will have an allocation factor of one. This will apply across all combinations of EUCs and classes. This will mean that UIG is allocated based on throughput.

3. There is a requirement to keep a UIG table as there are references in paragraph 1 of TPD Section E and paragraph 1 of TPD Section C to a table that is used to adjust energy volumes (adjusted UDQOs) and Nomination Quantities which are subsequently used in other sections of the UNC.
4. Remove the AUG processes from the UNC.
5. The Framework for Appointment of the AUGGE is to be removed as a UNC Related Document.

#### **0831A**

1. For the avoidance of doubt the CDSP will deal with the consequential commercial arrangements arising from these changes
2. The UIG table (above) will reside in the UNC. The annual AUG table will be replaced by the UIG table. LDZ System Exit Points under classes 2, 3 and 4 will have an allocation factor of one, whilst LDZ System Exit Point under class 1 will have an allocation factor of 0. This will apply to all EUC bands meaning that UIG is allocated based on throughput for Classes 2, 3 and 4.
3. There is a requirement to keep a UIG table as there are references in paragraph 1 of TPD Section E and paragraph 1 of TPD Section C to a table that is used to adjust energy volumes (adjusted UDQOs) and Nomination Quantities which are subsequently used in other sections of the UNC.
4. Remove the AUG processes from UNC

The Framework for Appointment of the AUGGE is to be removed as a UNC Related Document.

## **6 Impacts & Other Considerations**

### **Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?**

#### **0831 and 0831A**

These Modifications do not impact an SCR or any other industry projects.

### **Consumer Impacts**

#### **0831**

The Modification is likely to reduce supplier risk premiums and make it easier for customers to understand how UIG is allocated. Also, some consumers are subject to a direct charge for what is currently a fluctuating UIG factor and this modification will reduce this uncertainty.

#### **0831A**

Shippers should have lower volatility so Suppliers have greater certainty on wholesale costs and so risk premiums will also be reduced, and it helps customers to understand how UIG is allocated. Also, some consumers are subject to a direct charge for what is currently a fluctuating UIG factor, and this Modification will reduce this uncertainty.

### **What is the current consumer experience and what would the new consumer experience be?**

#### **0831 and 0831A**

It is not anticipated that the current customer experience will change. However, the Modification will allocate UIG differently compared to the AUGGE.

Impact of the change on Consumer Benefit Areas:	
Area	Identified impact
Improved safety and reliability	None
<p>Lower bills than would otherwise be the case</p> <p><b>0831</b></p> <p>Potentially lower price premium from suppliers for UIG uncertainty and lower industry costs due to the lack of AUGE process and industry meetings on the UIG table.</p> <p><b>0831A</b></p> <p>Shippers should have lower volatility so Suppliers have greater certainty on wholesale costs and so risk premiums will also be reduced. In addition, lower industry costs due to the lack of AUGE process and industry meetings on the UIG table.</p>	Positive and Positive
<p>Reduced environmental damage</p> <p><b>0831 and 0831A</b></p> <p>Depending on the solution chosen for hydrogen gas, a throughput allocation for UIG may be easier to implement as without this Modification a separate UIG table for hydrogen customers may be required.</p>	Positive and Positive
Improved quality of service	None
Benefits for society as a whole	None

### Cross-Code Impacts

**0831 and 0831A**

The legal text solution chosen for both 0831 and 0831A will not impact the IGT UNC or any other code.

### EU Code Impacts

**0831 and 0831A**

None.

### Central Systems Impacts

**0831**

None, as it is anticipated that the Modification will only require an update to the factors in the UIG allocation table in the Central Data Service Provider's (CDSP's) systems. The Modification will require the factors to be set to the same value rather than them being updated annually to reflect the values in the final AUGE table for each gas year.

However, there may be an impact on the CDSP due to the requirement to terminate the AUGE arrangements and contract which might have a one-off cost impact.

#### **0831A**

As it is anticipated that the Modification will only require an update to the factors in the UIG allocation table in the Central Data Service Provider's (CDSP's) systems.

There may also be an impact on the CDSP due to the requirement to terminate the AUGE arrangements and contract which might have a one-off cost impact.

### **Rough Order of Magnitude (ROM) Assessment**

Indicative cost saving £300,000 - £400,000 for both 0831 and 0831A

22 June 2023

XRN 5658 The ROM notes that there is a lead time of around 6 weeks (prior to a 1<sup>st</sup> of the month implementation) in order to change the values in the table. A DSC Change Proposal XRN 5658 is progressing through DSC governance.

The Workgroup discussed the potential impacts of implementing the Modification on a date where a Bank Holiday coincides with 1<sup>st</sup> day of the Month such as January. The consensus was that implementation should still proceed as changing the day would be problematic for systems and settlement. However, a view should be taken from the appropriate DSC Committee and/or UNCC should a Bank Holiday implementation be identified.

### **Performance Assurance Considerations**

No specific settlement impacts were identified.

### **Initial Representations**

#### **0831**

##### **From M Field Sembcorp 20 December 2022:**

*"I note the post meeting note in the minutes from 29 November 2022, in particular 2.1.5 – Consider whether this Modification would reduce the amount of information available from AUGE which currently provides industry with an opportunity to drive actions to reduce UIG. Having now had an opportunity to review the Modification and how the AUG tables are used in more detail it would appear that the practical upshot of this proposal will simply be to push the majority of the UIG costs over to those in Class 1, within the higher EUC Bands. Off-takers in these categories will have highly accurate, daily read meters and as such are likely to contribute least to UIG. If this Modification is approved, would it not remove any output from the AUGE from the process to assess UIG and so remove any ability to drive actions to reduce UIG. Furthermore, if the vast majority of UIG is being paid by those who potentially contribute least, would this not also remove any financial incentive to improve the management of UIG overall?"*

##### **0831 Proposer view:**

##### **0831A Proposer view:**

##### **0831 and 0831A Workgroup view:**

It was noted that 0831 moves the percentage of UIG by comparison to volume to Class 1 but this would not be the majority of throughput.



It was noted that 0831A recognises the concern raised in the Initial Representation and addresses the issue by excluding Class 1 sites.

## Panel Questions

### Q1. Consider AUGE contractual interactions

Xoserve provided a presentation detailing the timetable for the next few years of the current AUGE process, including timings, contractual break points and the appointment process. It is envisaged that the notice period will be given as soon as possible following a decision to implement one of the modifications, and that the AUGE process would continue for the work included under its remit until the notice period took effect, albeit that any UIG table produced would not take effect but it would inform the new process. It was noted that some transitional rules may be required based on the scenario in terms of timing of implementation and termination conditions at that time.

### Q2. Consider effects of market flux (parties exiting etc.) and any need for reconciliation

As the proposal is to replace the current or a future AUG table with a fixed table of UIG factors, then implementation of this modification has the same effect as a new annual AUG table and so there is no impact on any changes in the market or any need for a reconciliation, as things would flow through in terms of the UIG allocation process as they currently do.

### Q3. Consider effect on IGT UNC of the proposed to Legal Text drafting

There is no impact on the IGT UNC as the reference from the IGT UNC to the UNC is at a higher level than UNC TPD Section E Paragraph 9 that would be largely removed as a result of the implementation of this Modification.

### Q4. Consider information coming as a result of this Modification and whether it would drive action to reduce UIG

The contributors to UIG identified in the AUG process are likely to remain the same and other industry groups have a remit to reduce contributors e.g. PAC for settlement risk and REC processes to identify theft.

### Q5. Consider any impact/interaction on Licences

There is no impact on Licences as the AUGE or the process is not referenced in the Licence. The AUG and UIG are commercial processes detailed within the UNC.

### Q6. Consider whether this Modification would reduce the amount of information available from AUGE which currently provides industry with an opportunity to drive actions to reduce UIG

As the AUG process would stop then there would be no information available from the AUGE, but it is questionable as to how much information the AUGE provides that can be used and is actually used by the industry to reduce UIG. However, given the money that would be saved by not having an annual AUGE process, that money could be used by the industry on an adhoc basis to pay various bodies to help identify the size of each cause of UIG and to help implement actions to drive down UIG. Examples of this could be a study into shrinkage and a reconciliation exercise between the CDSP's data and Land Registry's data. Given the REC's recent analysis provided by Cap Gemini on theft and its future plans on work in this area, there may be an opportunity to work with the REC to help reduce some of the sources of UIG which are outside of Shippers and Transporters control.

## 0831A

[Q1. Consider the inclusion/treatment of Product Class 3 daily read sites.](#)

### Workgroup view:

It was noted that Class 3 daily read sites have not been excluded from the scope of the Modification.

**Q2. Consider the impact of excluding daily metered sites from UIG.**

**Proposer view:**

Excluding Class 1 sites that can provide daily reads sets the correct precedent for industry as a whole to incentivise movement to the associated classes, reducing UIG and enabling more customer-centric opportunities as a result. That begins with Class 1 through this Modification and should include Class 2 once an appropriate review group has concluded and the relevant changes made to widen access to as much of the market as possible.

**Workgroup view:**

The proposers comments were noted.

**Workgroup Impact Assessment**

No adverse impacts were identified by the Workgroup.

**7 Relevant Objectives**

<b>Impact of the Modification on the Transporters' Relevant Objectives:</b>	
Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	None
b) Coordinated, efficient and economic operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters.	None
c) Efficient discharge of the licensee's obligations.	None
d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.	<b>0831 and 0831A</b> Positive
e) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers.	None
f) Promotion of efficiency in the implementation and administration of the Code.	<b>0831 and 0831A</b> Positive
g) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators.	None

**Relevant Objectives:**

### **0831 Proposer's view**

- d) A more stable and consistent UIG allocation will lower the UIG risk to Shipper Users and Suppliers and maintain cost stability which should support increased competition.
- f) The removal of the AUGGE and the whole annual industry process around the UIG table will lower industry costs and make the administration of the gas allocation process to Shipper Users more efficient.

### **Workgroup Assessment of Relevant Objectives**

It was noted that the table would be stable and consistent which would reduce the degree of volatility and risk arising from the application of factors vs throughput. This is likely to improve cost stability and support effective competition.

#### **0831A Proposer's View**

- d) A more stable and consistent UIG allocation will lower the UIG risk to Shipper Users and Suppliers and maintain cost stability which should support increased competition. Penalising Class 1 meters doesn't allocate UIG fairly given that they don't contribute to UIG error and volatility. Encouraging the industry to move towards daily settlement (comparing to MHHS in electricity)
- f) The removal of the AUGGE and the whole annual industry process around the UIG table will lower industry costs and make the administration of the gas allocation process to Shipper Users more efficient.

### **Workgroup Assessment of Relevant Objectives**

While noting that Class 1 sites are excluded. It was noted that the table would be stable and consistent which would reduce the degree of volatility and risk arising from the application of factors vs throughput. This is likely to improve cost stability and support effective competition.

## **8 Implementation**

### **0831 and 0831A**

It is not anticipated that there will be any significant implementation costs for any parties as the Modification is only updating the table of UIG factors.

The Modification should be implemented on the 1<sup>st</sup> of the next month that is at least six weeks after a decision to implement is issued, or on a date determined by the Authority.

## **9 Legal Text**

Legal Text was provided by Cadent, reviewed by the Workgroup and no issues were identified.

### **Text Commentary**

Legal Text Commentary is published alongside this Workgroup Report.

### **Text**

Legal Text is published alongside this Workgroup Report.

## 10 Consultation

Representations were invited from interested parties on 21 September 2023. All representations are encompassed within the Appended Representations section, including any initial representations.

The following table provides a high-level summary of the representations.

Of the 11 representations received 4 supported implementation, and 7 were not in support of Modification 0831.

Of the 11 representations received 3 supported implementation, and 8 were not in support of Modification 0831A.

Representations were received from the following parties				
Organisation	Response	Preference	0831 Relevant Objective	0831A Relevant Objectives
Brook Green Supply	0831 - Oppose 0831A - Support	0831A	d) negative f) positive	d) positive f) positive
Centrica	0831 - Support 0831A - Oppose	0831	d) positive f) positive	d) negative f) negative
E.ON	0831 – Oppose 0831A – Oppose	Neither	d) negative f) negative	d) negative f) negative
Gas Plus Supply Ltd (Utility Warehouse)	0831 – Oppose 0831A – Oppose	Neither	d) negative f) none	d) negative f) none
ICoSS	0831 - Support 0831A - Support	0831A	d) positive f) positive	d) positive f) positive
Opus Energy	0831- Oppose 0831A – Oppose	0831A	a) negative b) negative c) none d) negative e) none f) none g) none	a) negative b) negative c) none d) negative e) none f) none g) none
Scottish Power	0831 – Oppose 0831A – Oppose	Neither	d) negative f) negative	d) negative f) negative
SEFE Energy	0831- Oppose 0831A – Oppose	0831A	d) negative f) negative	d) negative f) negative
SSE Energy Supply Limited	0831 - Support 0831A - Support	0831	d) positive f) positive	d) positive f) positive
Utilita Energy Ltd	0831 – Oppose	Neither	d) negative	d) negative

	0831A – Oppose		f) negative	f) negative
Wales & West Utilities	0831 – Support	0831	d) positive	d) negative
	0831A – Oppose		f) positive	f) positive

Two late submitted representations are shown below:

Late Submitted Representations were received from the following parties				
Organisation	Response	Preference	0831 Relevant Objective	0831A Relevant Objectives
EDF Energy	0831 – Support	None	d) positive	d) positive
	0831A – Support		f) positive	f) positive
TotalEnergies Gas & Power	0831 – Comments	0831A	d) positive	d) positive
	0831A – Qualified Support		f) positive	f) positive

## 11 Panel Discussions

### Discussion

The Panel Chair summarised that Modification 0831 would change the method by which unidentified gas (UIG) is allocated to Shippers from the current AUGGE table of weighting factors to a throughput or universal allocation model.

The Panel Chair summarised that Modification 0831A would remove the current AUGGE process and create a permanent weighting table that encourages movement to Daily Metering, reduces levels of UIG and discourages risk premiums for customers.

Panel Members noted that one initial representation was submitted by Sembcorp and assessed by the Workgroup. Panel Members considered the initial representation and agreed that for Modification 0831, the Workgroup has responded with some clarification commentary and that [Modification 0831A addresses the issue by excluding Class 1 sites](#). Panel Members were satisfied that the issues raised in the initial representation have been adequately addressed and the points are addressed in the solution put forward in [Modification 0831A](#).

### Panel Questions

Panel Members reviewed the 5 Panel Questions set for Workgroup relating to Modification 0831:

**Q1.** Consider AUGGE contractual interactions.

*These can be managed commercially. There could be implementation date and cost implications. (see p. 15 above)*

**Q2.** Consider effects of market flux (parties exiting etc.) and any need for reconciliation.

*No impact and no need for a reconciliation. (see p. 15 above).*

**Q3.** Consider effect on IGT UNC of the proposed to Legal Text drafting.

*No impact. (see p. 15 above).*

**Q4.** Consider information coming as a result of this Modification and whether it would drive action to reduce UIG.

*Impact dealt with elsewhere (the contributors to UIG identified in the AUG process are likely to remain the same and other industry groups have a remit to reduce contributors e.g. PAC for settlement risk and REC processes to identify theft). (see p. 15 above)*

**Q5.** Consider any impact/interaction on Licences.

*No impact. (see p. 15 above).*

**Q6.** Consider whether this Modification would reduce the amount of information available from AUGGE which currently provides industry with an opportunity to drive actions to reduce UIG.

*Impact dealt with elsewhere (the contributors to UIG identified in the AUG process are likely to remain the same and other industry groups have a remit to reduce contributors e.g. PAC for settlement risk and REC processes to identify theft). (see p. 15 above).*

Panel Members were satisfied that these 5 questions relating to Modification 0831 have been adequately assessed by the Workgroup.

Panel Members reviewed the 2 Panel Questions set for Workgroup relating to Modification 0831A:

**Q1.** Consider the inclusion/treatment of Product Class 3 daily read sites.

*They are included not excluded.*

**Q2.** Consider the impact of excluding daily metered sites from UIG.

*This Modification 0831A does this for Class 1 and a further modification could do this for Class 2 in future.*

Panel Members were satisfied that all 7 Panel Questions have been adequately assessed by the Workgroup.

## Consultation responses

Panel Members considered the 11 representations submitted during the Consultation, noting:

	Modification 0831	Modification 0831A
Reps in support:	4	3
Reps opposing:	7	8



Panel Members also noted that 2 representations support both Modifications 0831/0831A and 7 representations opposed both Modifications 0831/0831A.

It was noted that two late representations were received on 20 October 2022. Of these, 1 offered qualified support to 0831A, 1 supported both 0831 and 0831A. Panel Members noted that these have been summarised at the bottom of page 19 above.

Some Panel Members agreed with respondents and the Proposer and supported Modification 0831 because:

- Modification 0831 offers a balanced step towards helping make UIG a little more understandable for end Customers, who are impacted by UIG even if the link is not clear. Higher consuming customers are often very aware of the effect of UIG.
- Socialising the cost of UIG evenly across the market is a fairer treatment.
- The costs of UIG can be seen as a 'cost to operate in the market', and as UIG is measured as a percentage of gas consumption, its allocation should be based on throughput.
- Modification 0831 allocating UIG evenly across the market is addressing an unfair advantage Class 1 have had over the past number of years.

Some Panel Members agreed with respondents and the Proposer and supported Modification 0831A because:

- Modification 0831A offers a balanced step towards helping make UIG a little more understandable for end Customers.
- The difference between profiled consumption and actual consumption is a significant contributor to UIG – this is NDM model error. It is not appropriate that Class 1 DM customers, who are settled on actual meter readings should carry the cost of errors from NDM customers and so on balance, UNC Modification 0831A is the most appropriate change.
- 0831A provides the market with the same stability of ending the AUGE process, but also ends the payment of UIG by Class 1 meters. Class 1 meters are settled on actual reads and are much less likely contribute to the majority of UIG.

Some Panel Members agreed with respondents and the Proposers and supported both Modification 0831 and Modification 0831A because:

- These modifications equalise the unidentified gas share across all user types. Aggregate or total value of UIG will not change as a result of either Modification.
- The removal of the AUGE will lower industry costs (£300,000 – £400,000<sup>1</sup>), promoting efficiency in the administration of the Code.
- Customers prefer a less volatile UIG which would provide decreased periodic changes to their bills.
- Allocating UIG based on detected theft is at odds with the REC theft analysis and does not address industry views that UIG is being used to mask under allocation of gas for shrinkage and other losses on the system.

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<sup>1</sup> This is taken from the ROM response page 11, published here on 10 July 2023:  
<https://www.gasgovernance.co.uk/0831>

- These Modifications reduce the uncertainty in UIG allocation year to year and so lower the risks to shippers and suppliers. This will allow shippers to reduce their costs in meeting longer term wholesale gas needs and so reduce costs for suppliers and customers.
- These Modifications offer a stable arrangement akin to that in place in the electricity market.
- Both Modifications would provide more certainty for customers by reducing UIG allocation volatility and provide better value for money by removing the cost of the AUGE and associated processes.

Some Panel Members agreed with respondents and the Proposer and opposed Modification 0831 because:

- Modification 0831 would skew costs onto very high-consuming consumers, whereas evidence points towards them contributing very little to UIG.
- Modification 0831 does not tackle overall levels of UIG and arguably discourages movement to Daily Metered status which ultimately increases UIG on a like-for-like basis in future years.
- Most end consumers do not know what UIG is, therefore it is of no consequence that Modification 0831 makes it more understandable.

Some Panel Members agreed with respondents and the Proposer and opposed Modification 0831A because:

- Certain customer types should not be excluded from the allocation of UIG because it creates an unjustified distortion in the allocation of UIG.
- Material errors in the settlement of large daily read meters mean that setting the allocation to 0 for Product Class 1 is inconsistent with these sites contributing to UIG.
- Class 1 and 2 sites all submit accurate daily readings – any of the metering advantages of Class 1 are also present in these two categories. The original version of Modification 0831A sought to exclude both Class 1 and Class 2. The core justification is equally applicable to these two classes. However this was changed following consideration of consequential impacts<sup>2</sup> on number of sites in systems and current capacity in UK Link.

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<sup>2</sup> The CDSP representative clarified for Panel Members: The agreed system capacity for each Class is set out in the UK Link Manual which is checked with the industry at a minimum on an annual basis to confirm it is fit for purpose. Currently, the maximum capacity for Class 2 is 50,000 sites and the existing live volume is less than 1000. If Class 2 sites were excluded from UIG allocation, the CDSP highlighted that there could be an influx into Class 2 beyond the current maximum sites. This maximum capacity is not fixed, as the industry can request this to be re-considered. However, this would require analysis to assess the new requirement for capacity. This analysis would require a lead time and likely system changes to increase the capacity and as a result meant implementation of a change to exclude Class 2 sites from UIG would need to align with this. Based on the want from the Proposer to implement as soon as possible, the Proposer took the decision to remove Class 2 and it was confirmed by Workgroup generally, a review of the current Class arrangements would be carried out.

Panel Members agreed with respondents and the Proposer and opposed both Modification 0831 and [Modification 0831A](#) because:

- Neither Modification removes the issues and neither result in a fully independently calculated and transparent cost which customers would prefer.
- The key principles of the AUGE ensures UIG is independently determined. Both Modifications would remove the AUGE.
- If we are going to knowingly implement one set of consumers subsidising another (through uniform allocation) we would prefer this was done for good reason (such as a social tariff) rather than as an unintended consequence of these modifications.
- Allocating UIG irrespective of a supplier's level of smart meter penetration removes a commercial incentive for suppliers to deliver the smart meter rollout.
- Both Modifications propose to distribute UIG to product classes on throughput alone, thus removing incentives from Shippers to fit smart meters, submit accurate reads into settlement and target known sources of UIG. In the long term, this will drive prices up for all customers, as Shippers are not rewarded for behaviours which benefit end consumers. Incentives are more important than ever for the Smart Metering Rollout, as the remaining 45% are harder to convert consumers which remain in the latter part of the programme.
- If the recent analysis by the Retail Energy Code is correct, then the levels of Theft which previously formed a large proportion of UIG are significantly over estimated. If these modifications 0831 or 0831A are given effect, then the ability via the AUGE to identify and target this new source of UIG will be unavailable as UIG will simply be allocated as a function of throughput. (SEFE Energy)
- If the desire is to encourage more sites to become daily metered, then this should be addressed as a separate matter through its own modification. (WWU)
- The cost of the AUGE was given (£300,000-400,000, see Systems Cost page 14 above), both Modifications remove this cost but there is significant disbenefit in relation to transparency around a process which moves hundreds of millions £ around industry.
- Neither Modification demonstrate the extent of the volatility of UIG. The Regulator may wish to request more information around this.
- Neither Modification demonstrates what the actual impact is for different consumer groups. The Regulator may wish to request more information around this.
- By setting flat rates and pushing UIG into Product Classes 3 and 4, these Modifications disincentivises shippers to resolve causes of UIG, and pushes costs onto lower EUCs in product Class 3 and 4, pushing the price cap up (UIG is a line item in the price cap). If Shippers and Suppliers pass these costs on to what are mostly domestic households, ultimately, these Modifications will negatively impact society's most vulnerable.

## Implementation

Some Panel Members believed that if approved by the Authority, the implementation should be placed on hold until the end of the output from the current AUGE cycle to reduce regret spend.

Some Panel Members believed that any change to the weighting factors should be made in accordance with the current timelines (October 2024 at the earliest) as pricing decisions will have been made based on the current weighting factors being in place until at least that date.

A Panel Member did not agree because the cost benefit may outweigh the regret spend.

A Panel Member noted that there may be cost considerations around when the Modification might be implemented, should the Authority direct implementation.

CDSP representative noted that end of March each year is a breakpoint in the AUGE contract. An Authority decision before then would be helpful.

Mid-year implementation is possible from a systems point of view whereas mid-month is not.

CDSP representative noted that a 6-week lead time from the date of the Authority decision is required, for systems implementation.

### Impact Assessment

Some Panel Members believe the AUGE should be asked to do analysis on the potential impacts of the two different Modification solutions and the UIG allocation to different Consumer groups, especially the impacts on prepayment Consumers.

Some Panel Members believe that the assessment of the impact on prepayment meter customers in absolute terms, not in relative terms, due to the equalisation of prepayment UIG ([Modification 0840](#)) with other domestic consumers would be valuable information for the Authority to gather and assess (redistributive impact across all consumers in monetary terms).

(Please see also Appendix 1 Quantitative Impact Simulation - UNC Modifications 0831/0831A, carried out by CDSP for UNC Modification Panel in September 2023)

Some Panel Members are concerned at the potential impact on the dis-incentivisation of such programmes such as smart meter rollout.

Panel Members discussed whether these areas in question can be deemed a new issue, warranting a return to Workgroup, concluding that the information required is only available to the Authority.

For the above reasons, Panel Members urge the Authority to conduct its own Impact Assessment as they are best placed to gather the data required.

### Consideration of the Relevant Objectives

Panel Members considered Relevant Objective d) Securing of effective competition between Shippers and/or Suppliers. The following impacts have been identified for Modification 0831:

#### Positive:

- Modification 0831 does not discriminate against a particular class of supply point and assumes all classes contribute to UIG. Although low, there are occasions where Class 1 sites contribute towards UIG.
- A more stable and consistent UIG allocation will lower the UIG risk to Shipper Users and Suppliers and maintain cost stability which should support increased competition.

#### Negative:

- Removal of the AUGE would result in UIG being allocated less accurately and less fairly.

- Discourages activities to reduce UIG (by Shippers) and reduces incentives for further rollout of smart metering (recognising that this is not a UNC issue) and key industry programmes.
- Disincentivises meter read submission and negatively impacts settlement performance.
- Modification 0831 removes a process that independently determines UIG allocation in an equitable and transparent manner and replaces it with an inherently less accurate allocation as a function of throughput. Consumers will no longer be able to rely upon an independent expert to determine their fair share of UIG.

Panel Members considered Relevant Objective d) Securing of effective competition between Shippers and/or Suppliers. The following impacts have been identified for Modification 0831A:

**Positive:**

- A more stable and consistent UIG allocation will lower the UIG risk to Shipper Users and Suppliers and maintain cost stability which should support increased competition.
- It reflects the significantly lower contribution of Class 1 consumers to UIG. Further, the modification directs the allocation to wards classes which are more likely to contribute to UIG.

**Negative:**

- Modification 0831A creates an unjustified distortion in the allocation of UIG by excluding Class 1 which defeats the aim of changing the model to a socialised cost recovery model.
- Removal of the AUGE would result in UIG being allocated less accurately and less fairly.
- Discourages activities to reduce UIG (by Shippers) and reduces incentives for further rollout of smart metering (recognising that this is not a UNC issue) and key industry programmes.
- Unless it can be proven that the current cost of undertaking the AUGE process outweighs the benefit, it is difficult to see how these proposals improve upon the current arrangements. No compelling evidence has been provided to suggest that the AUGE process is inefficient compared to simply smearing back UIG as a function of throughput.
- Modification 0831A removes a process that independently determines UIG in an equitable and transparent manner and replaces it with an inherently less accurate allocation as a function of throughput. Consumers will no longer be able to rely upon an independent expert determining their fair share of UIG.

Panel Members considered Relevant Objective f) Promotion of efficiency in the implementation and administration of the Code The following impacts have been identified for Modification 0831:

**Positive:**

- Modification 0831 will provide more certainty for customers by reducing UIG allocation volatility and the resulting risk premium being added into contracts.
- Modification 0831 will introduce more efficiency into Shipper and Supplier billing processes by removing the need to annually recalibrate UIG allocation.
- The removal of the AUGE role will deliver a direct cost saving (£300,000-400,000 per year) to the industry by removing the industry process and associated meetings.

**Negative:**

- No evidence has been provided to suggest that the current AUGE process is inefficient, considering the hundreds of millions of pounds involved, compared to uniformly allocating UIG as a function of throughput. Unless it can be proven that the current cost of undertaking the AUGE process outweighs the benefit, it is difficult to see how these proposals improve upon the current arrangements.
- New evidence (from the REC) suggests that theft is considerably lower than it was previously assumed to be. This modification would give no method for using this evidence in targeting UIG allocation. This would apply to any further new evidence too.

Panel Members considered [Relevant Objective f\) Promotion of efficiency in the implementation and administration of the Code](#). The following impacts have been identified for Modification 0831A:

**Positive:**

- Modification 0831A will provide more certainty for customers by reducing UIG allocation volatility and the resulting risk premium being added into contracts.
- Modification 0831A will introduce more efficiency into Shipper and Supplier billing processes by removing the need to annually recalibrate UIG allocation.
- The removal of the AUGE will lower industry costs, promoting efficiency in the administration of the Code.

**Negative:**

- This Modification 0831A will disincentivise the shift to smart meters and the tackling of actual contributors to UIG for the sake of administrative simplicity.
- No evidence has been provided to suggest that the current AUGE process is inefficient, considering the hundreds of millions of pounds involved, compared to smearing back UIG as a function of throughput.

**Preference**

Some Panel Members believed Modification 0831 furthers the Relevant Objectives more than Modification 0831A because:

- Allocation of UIG should be uniform and Modification 0831 removes any discrimination whereas Modification 0831A introduces some potential (due or undue) discrimination).
- It is not accurate to say that there is no scope for UIG on Class 1 sites.

Some Panel Members believed Modification 0831A furthers the Relevant Objectives more than Modification 0831 because:

- This simplifies the system and delivers the benefits of Modification 0831 whilst setting industry on a road to incentivising daily metering and settlement (which better furthers Relevant Objective f).
- Class 1 is better metered and therefore less likely to contribute to UIG.



## Determinations

Panel Members voted unanimously that no new issues were identified as part of the consultation.

Panel Members voted unanimously that Modifications 0831 and [0831A](#) have Cross Code Changes associated with them.

Panel Members voted with 3 votes in favour (out of a possible 14), and did not agree to recommend implementation of Modification 0831

Panel Members voted with 2 votes in favour (out of a possible 14), and did not agree to recommend implementation of [Modification 0831A](#).

Panel Members considered, should one of the Modifications be implemented, which one better facilitated the Relevant Objectives, concluding, with 7 votes in favour (out of a possible 14), that proposed Modification 0831 better facilitates the Relevant Objectives than proposed [Modification 0831A](#).

[Panel Members considered, should one of the Modifications be implemented, which one better facilitated the Relevant Objectives, concluding, with 3 votes in favour \(out of a possible 14\), that proposed Modification 0831A better facilitates the Relevant Objectives than proposed Modification 0831.](#)

## 12 Recommendations

### Panel Recommendation

Panel Members recommended:

- that Modification 0831 should not be implemented.
- that Modification [0831A](#) should not be implemented.
- that Modification 0831 better facilitates the Relevant Objectives than [Modification 0831A](#).

## 13 Appendix 1 Quantitative Impact Simulation - UNC Modifications 0831/0831A

This analysis was carried out by CDSP for UNC Modification Panel in September 2023.

## 14 Appended Representations

Initial Representation – Sembcorp Energy UK

Representation - Brook Green Supply

Representation – Centrica

Representation - E.ON

Representation - Gas Plus Supply Ltd (Utility Warehouse)

Representation - ICoSS

Representation - Opus Energy

Representation - Scottish Power

Representation - SEFE Energy

Representation - SSE Energy Supply Limited

Representation - Utilita Energy Ltd

Representation - Wales & West Utilities

Late Representation – EDF Energy

Late Representation – TotalEnergies Gas & Power



## UNC Modifications 0831/0831A

Quantitative Impact Simulation

UNC Mod Panel 21/09/2023

# Action from August Meeting

- Quantification of the likely redistribution of energy as a result of the potential implementation of either Modification 0831 or 0831A.
  - Using the format in tables on p. 10 and p.11 of the WGR but populated with kWh so the impact of Modification 0831 and 0831A can be compared against the current UIG Table but populated with kWh.
  - A further table showing the resulting scale of the changes which each EUC/ Class will see in relation to their kWh allocation i.e. whether their share will go up or down and by how much.
- Please use data from two periods to allow adequate comparison of impacts:
  - a) Gas Year 2021/22 and
  - b) current Gas Year to date.

# Considerations

- These 2 Modifications would not change the amount of daily UIG, just the sharing of UIG between Classes/End User Categories
- UIG is not set by the AUGÉ: it is the balancing figure in each LDZ each day
- UIG at point of allocation (D+5) is not the final position
- UIG is subsequently reconciled based on accepted meter readings
- Recent negative allocated UIG position has switched to positive following UIG reconciliation
- Assessment needs to be applied to the (predicted) reconciled position, not D+5 position
- “Latest” UIG position per Xoserve website for Gas Year 2021 is **2.02%** of throughput
- For Gas Year 2022/23 the AUGÉ’s predicted UIG equates to **2.04%** of throughput – it’s too early to use the “latest” position for current GYr

# Notes on Data Sources

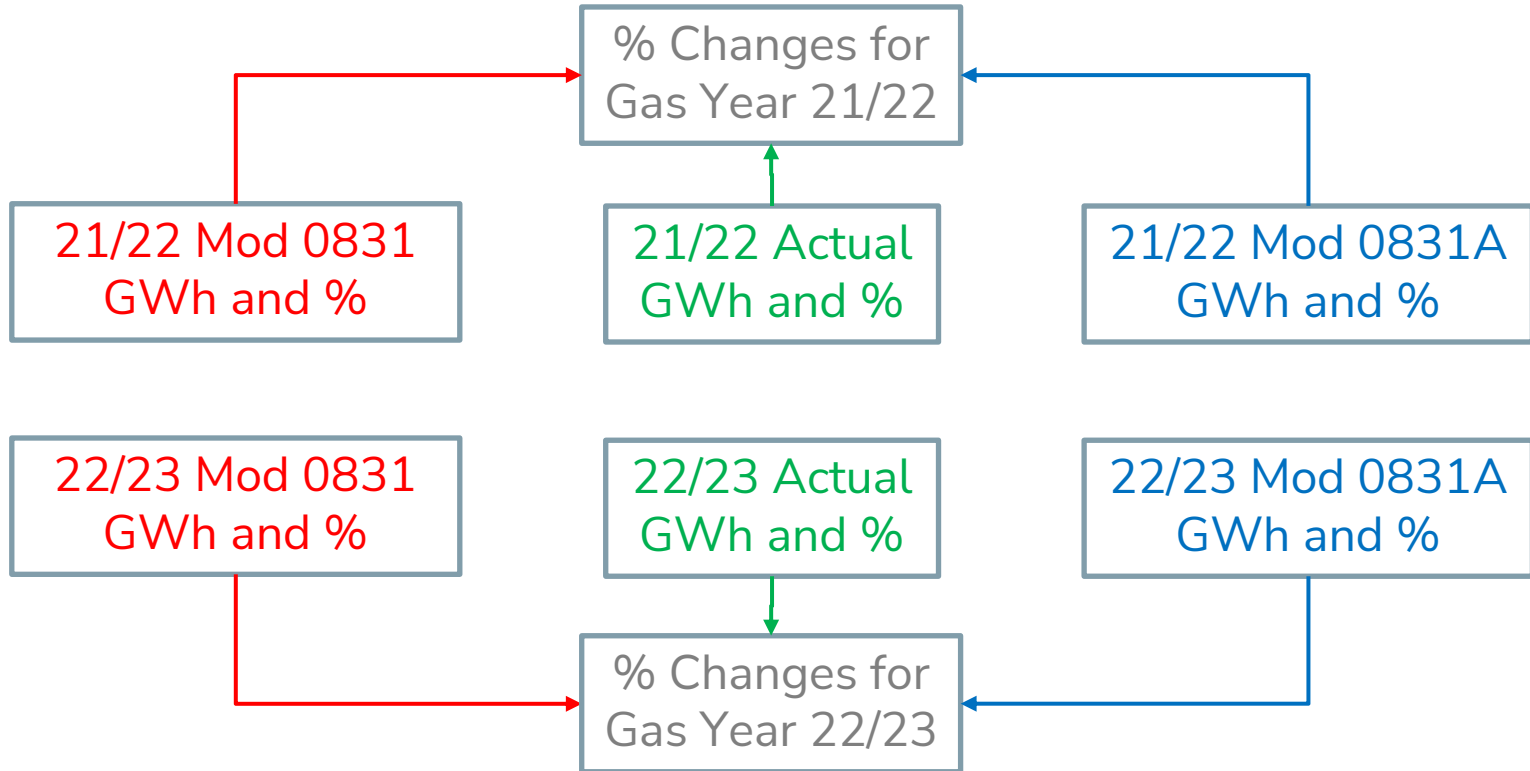
- UIG Weighting Factors taken from Final AUGS Table for 21/22 and 22/23
  - [AUG Statement 2021/22 | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/aug-statement-2021-22)
  - [AUG Statement 2022/23 | Joint Office of Gas Transporters \(gasgovernance.co.uk\)](https://www.gasgovernance.co.uk/aug-statement-2022-23)
- 2021/22 gas usage taken straight from AUGS's Consumption Forecast (Final AUGS)
- 2022/23 Class 1 and 2 usage taken from Consumption Forecast, Class 3 and 4 usage based on live AQs as at 01/04/23 (mid-point of Gas Year to account for recent price-driven demand reductions)
  - AQ data available to Shippers in Xoserve secure area:
    - Folder18/UIG [UKLink Secure Docs](#)
- Latest UIG position in the National UIG chart: “UIG as % of total throughput” on the Xoserve UIG page
  - [Unidentified Gas \(UIG\) \(xoserve.com\)](https://www.xoserve.com/unidentified-gas)



# Calculations

- Calculated UIG by Matrix position for both years using the Consumption figures and UIG % as per previous slides – gives initial **Simulated** positions
- Calculated an “effective UIG %” – assigned UIG ÷ forecast Consumption
- Repeated above steps for both years using **Mod 0831** and **0831A** Weighting Factors as per the Final Mod Report
- Calculated the % change in assigned UIG for both years compared to **Simulated** actual for **Mod 0831** and **0831A**
- **Note – all calculations based on estimated long-run annualised UIG and estimated market breakdown**

# Presentation of Results



# Actual UIG Weighting Factors

## Gas Year 2021/22

CLASS					
EUC BAND		1	2	3	4
	<b>1ND</b>	66.75	66.75	66.75	85.20
	<b>1PD</b>	104.33	104.33	104.33	243.73
	<b>1NI</b>	11.44	617.53	600.45	663.21
	<b>1PI</b>	427.54	427.54	600.45	663.21
	<b>2ND</b>	196.82	197.45	196.82	239.97
	<b>2PD</b>	81.14	81.14	196.82	239.97
	<b>2NI</b>	11.44	163.05	169.71	169.71
	<b>2PI</b>	37.88	37.88	169.71	169.71
	<b>3</b>	11.44	62.86	72.23	84.95
	<b>4</b>	11.44	68.66	71.87	92.78
	<b>5</b>	11.44	54.73	65.43	68.63
	<b>6</b>	11.44	48.75	59.29	60.97
	<b>7</b>	11.44	45.91	51.05	56.73
	<b>8</b>	11.44	38.65	45.71	53.99
	<b>9</b>	11.44	25.36	29.56	33.85

## Gas Year 2022/23

CLASS					
EUC BAND		1	2	3	4
	<b>1ND</b>	60.12	60.12	60.12	84.50
	<b>1PD</b>	64.11	64.11	64.11	382.64
	<b>1NI</b>	5.10	830.68	173.52	756.21
	<b>1PI</b>	173.52	295.06	173.52	756.21
	<b>2ND</b>	69.94	69.94	70.04	126.46
	<b>2PD</b>	70.04	91.22	70.04	126.46
	<b>2NI</b>	5.10	100.34	63.15	199.46
	<b>2PI</b>	26.18	26.18	63.15	199.46
	<b>3</b>	5.10	53.23	48.36	52.53
	<b>4</b>	5.10	60.64	54.07	58.44
	<b>5</b>	5.10	55.38	52.51	55.56
	<b>6</b>	5.10	58.76	53.69	71.81
	<b>7</b>	5.10	63.30	57.14	62.54
	<b>8</b>	5.10	50.85	60.52	46.14
	<b>9</b>	5.10	28.00	23.64	26.34

# Proposed UIG Weighting Factors

## Modification 0831

	Product/Class			
<i>EUC</i>	1	2	3	4
1ND	1	1	1	1
1PD	1	1	1	1
1NI	1	1	1	1
1PI	1	1	1	1
2ND	1	1	1	1
2PD	1	1	1	1
2NI	1	1	1	1
2PI	1	1	1	1
3	1	1	1	1
4	1	1	1	1
5	1	1	1	1
6	1	1	1	1
7	1	1	1	1
8	1	1	1	1
9	1	1	1	1

## Modification 0831A

	Product/Class			
<i>EUC</i>	1	2	3	4
1ND	0	1	1	1
1PD	0	1	1	1
1NI	0	1	1	1
1PI	0	1	1	1
2ND	0	1	1	1
2PD	0	1	1	1
2NI	0	1	1	1
2PI	0	1	1	1
3	0	1	1	1
4	0	1	1	1
5	0	1	1	1
6	0	1	1	1
7	0	1	1	1
8	0	1	1	1
9	0	1	1	1

21/22 Actual  
GWh and %

## Simulated UIG Allocations – Using Actual Weighting Factors

9

### Gas Year 2021/22 – GWh

EUC	Product/Class				Total
	1	2	3	4	
1ND	-	-	636	4,721	
1PD	-	-	6	953	
1NI	-	-	234	1,445	
1PI	-	-	0	5	
2ND	-	-	9	284	
2PD	-	-	0	10	
2NI	-	0	190	481	
2PI	-	-	0	0	
3	-	0	96	244	
4	0	1	83	308	
5	0	4	39	164	
6	1	16	21	143	
7	2	29	19	115	
8	12	49	13	118	
9	145	15	1	17	
	159	115	1,348	9,008	10,630

### Effective % UIG

EUC	Product/Class				Average
	1	2	3	4	
1ND	N/A	N/A	1.44%	1.83%	
1PD	N/A	N/A	2.25%	5.25%	
1NI	N/A	N/A	12.93%	14.28%	
1PI	N/A	N/A	12.90%	14.28%	
2ND	N/A	N/A	4.24%	5.17%	
2PD	N/A	N/A	4.20%	5.17%	
2NI	N/A	3.50%	3.65%	3.65%	
2PI	N/A	N/A	3.70%	3.65%	
3	N/A	1.36%	1.56%	1.83%	
4	0.23%	1.48%	1.55%	2.00%	
5	0.25%	1.18%	1.41%	1.48%	
6	0.25%	1.05%	1.28%	1.31%	
7	0.25%	0.99%	1.10%	1.22%	
8	0.25%	0.83%	0.98%	1.16%	
9	0.25%	0.55%	0.64%	0.73%	
					2.02%

N/A = no/negligible consumption in that matrix position per the forecast

21/22 Mod 0831  
GWh and %

# Mod 0831 Simulation

## Gas Year 2021/22 – GWh

Product/Class	Product/Class				Total
	1	2	3	4	
EUC					
1ND	-	-	894	5,198	
1PD	-	-	6	367	
1NI	-	-	37	204	
1PI	-	-	0	1	
2ND	-	-	4	111	
2PD	-	-	0	4	
2NI	-	0	105	266	
2PI	-	-	0	0	
3	-	0	124	269	
4	0	2	108	312	
5	1	6	57	225	
6	9	31	34	221	
7	13	59	35	191	
8	98	120	26	204	
9	1,185	54	4	47	
	1,306	273	1,433	7,618	10,630

## Effective % UIG

Product/Class	Product/Class				Average
	1	2	3	4	
EUC					
1ND	N/A	N/A	2.02%	2.02%	
1PD	N/A	N/A	2.02%	2.02%	
1NI	N/A	N/A	2.02%	2.02%	
1PI	N/A	N/A	2.00%	2.02%	
2ND	N/A	N/A	2.02%	2.02%	
2PD	N/A	N/A	2.00%	2.02%	
2NI	N/A	2.03%	2.02%	2.02%	
2PI	N/A	N/A	2.00%	2.02%	
3	N/A	2.02%	2.02%	2.02%	
4	2.03%	2.02%	2.02%	2.02%	
5	2.02%	2.02%	2.02%	2.02%	
6	2.02%	2.02%	2.02%	2.02%	
7	2.02%	2.02%	2.02%	2.02%	
8	2.02%	2.02%	2.02%	2.02%	
9	2.02%	2.02%	2.02%	2.02%	
					2.02%

N/A = no/negligible consumption in that matrix position per the forecast  
Very low consumption positions do not return the industry average due to rounding

## Gas Year 2021/22 – GWh

EUC	Product/Class				Total
	1	2	3	4	
1ND	-	-	1,020	5,926	
1PD	-	-	6	418	
1NI	-	-	42	233	
1PI	-	-	0	1	
2ND	-	-	5	126	
2PD	-	-	0	5	
2NI	-	0	120	303	
2PI	-	-	0	0	
3	-	0	142	307	
4	0	2	123	355	
5	0	7	65	256	
6	0	36	38	251	
7	0	68	40	217	
8	0	136	29	233	
9	0	61	5	53	
	0	311	1,634	8,685	10,630

## Effective % UIG

EUC	Product/Class				Total
	1	2	3	4	
1ND	N/A	N/A	2.30%	2.30%	
1PD	N/A	N/A	2.30%	2.30%	
1NI	N/A	N/A	2.30%	2.30%	
1PI	N/A	N/A	2.30%	2.30%	
2ND	N/A	N/A	2.30%	2.30%	
2PD	N/A	N/A	2.30%	2.30%	
2NI	N/A	2.30%	2.30%	2.30%	
2PI	N/A	N/A	2.30%	2.30%	
3	N/A	2.30%	2.30%	2.30%	
4	0.00%	2.30%	2.30%	2.30%	
5	0.00%	2.30%	2.30%	2.30%	
6	0.00%	2.30%	2.30%	2.30%	
7	0.00%	2.30%	2.30%	2.30%	
8	0.00%	2.30%	2.30%	2.30%	
9	0.00%	2.30%	2.30%	2.30%	
					2.02%

N/A = no/negligible consumption in that matrix position per the forecast

# % Change by Gas Year – 2021/22

## Mod 0831 – Change in UIG %

EUC	Product/Class				Total
	1	2	3	4	
1ND	-	-	0.58%	0.19%	
1PD	-	-	-0.23%	-3.23%	
1NI	-	-	-10.91%	-12.26%	
1PI	-	-	-10.90%	-12.26%	
2ND	-	-	-2.22%	-3.15%	
2PD	-	-	-2.20%	-3.15%	
2NI	-	-1.47%	-1.63%	-1.63%	
2PI	-	-	-1.70%	-1.63%	
3	-	0.66%	0.46%	0.19%	
4	1.80%	0.54%	0.47%	0.02%	
5	1.78%	0.84%	0.61%	0.54%	
6	1.77%	0.97%	0.74%	0.71%	
7	1.77%	1.03%	0.92%	0.80%	
8	1.77%	1.19%	1.04%	0.86%	
9	1.77%	1.47%	1.38%	1.29%	
					0.0%

## Mod 0831A – Change in UIG %

EUC	Product/Class				Total
	1	2	3	4	
1ND	-	-	0.87%	0.47%	
1PD	-	-	0.06%	-2.95%	
1NI	-	-	-10.63%	-11.98%	
1PI	-	-	-10.60%	-11.98%	
2ND	-	-	-1.94%	-2.86%	
2PD	-	-	-1.90%	-2.86%	
2NI	-	-1.20%	-1.35%	-1.35%	
2PI	-	-	-1.40%	-1.35%	
3	-	0.94%	0.75%	0.47%	
4	-0.23%	0.82%	0.76%	0.31%	
5	-0.25%	1.12%	0.89%	0.83%	
6	-0.25%	1.25%	1.03%	0.99%	
7	-0.25%	1.31%	1.20%	1.08%	
8	-0.25%	1.47%	1.32%	1.14%	
9	-0.25%	1.76%	1.67%	1.57%	
					0.0%

Overall “effective rate” of UIG unchanged by either Modification



22/23 Actual  
GWh and %

## Simulated UIG Allocations – Using Actual Weighting Factors

13

### Gas Year 2022/23 – GWh

EUC	Product/Class				Total
	1	2	3	4	
1ND	-	-	653	4,044	
1PD	-	-	9	1,188	
1NI	-	-	80	1,509	
1PI	-	-	0	6	
2ND	-	-	2	151	
2PD	-	-	0	5	
2NI	-	0	94	597	
2PI	-	-	0	0	
3	-	0	73	141	
4	-	3	93	165	
5	0	2	56	116	
6	0	14	40	152	
7	1	37	39	109	
8	5	65	26	105	
9	64	5	2	13	
	71	126	1,167	8,302	9,666

### Effective % UIG

EUC	Product/Class				Average
	1	2	3	4	
1ND	N/A	N/A	1.47%	1.57%	
1PD	N/A	N/A	3.09%	6.54%	
1NI	N/A	N/A	4.42%	14.91%	
1PI	N/A	N/A	3.00%	16.17%	
2ND	N/A	N/A	1.14%	2.75%	
2PD	N/A	N/A	3.90%	2.48%	
2NI	N/A	2.27%	1.81%	4.53%	
2PI	N/A	N/A	1.90%	3.55%	
3	N/A	1.43%	1.19%	1.06%	
4	N/A	2.65%	1.73%	1.07%	
5	0.08%	0.77%	2.00%	1.04%	
6	0.11%	0.88%	2.43%	1.39%	
7	0.21%	1.25%	2.23%	1.16%	
8	0.11%	1.10%	2.03%	1.04%	
9	0.11%	0.20%	0.84%	0.56%	
					2.04%

N/A = no/negligible consumption in that matrix position per the forecast

22/23 Mod 0831  
GWh and %

# Mod 0831 Simulation

## Gas Year 2022/23 – GWh

EUC	Product/Class				Total
	1	2	3	4	
1ND	-	-	981	4,327	
1PD	-	-	12	281	
1NI	-	-	42	180	
1PI	-	-	0	1	
2ND	-	-	3	108	
2PD	-	-	0	4	
2NI	-	0	135	270	
2PI	-	-	0	0	
3	-	0	137	242	
4	-	4	155	255	
5	1	4	97	189	
6	8	21	68	191	
7	23	52	61	158	
8	91	115	39	207	
9	1,135	17	6	44	
	1,258	214	1,736	6,457	9,666

## Effective % UIG

EUC	Product/Class				Average
	1	2	3	4	
1ND	N/A	N/A	2.04%	2.04%	
1PD	N/A	N/A	2.04%	2.04%	
1NI	N/A	N/A	2.04%	2.04%	
1PI	N/A	N/A	1.98%	2.04%	
2ND	N/A	N/A	2.04%	2.04%	
2PD	N/A	N/A	2.03%	2.04%	
2NI	N/A	2.03%	2.04%	2.04%	
2PI	N/A	N/A	2.06%	2.03%	
3	N/A	2.04%	2.04%	2.04%	
4	N/A	2.04%	2.04%	2.04%	
5	2.04%	2.04%	2.04%	2.04%	
6	2.04%	2.04%	2.04%	2.04%	
7	2.04%	2.04%	2.04%	2.04%	
8	2.04%	2.04%	2.04%	2.04%	
9	2.04%	2.04%	2.04%	2.04%	
					2.04%

N/A = no/negligible consumption in that matrix position per the forecast  
Very low consumption positions do not return the industry average due to rounding

## Gas Year 2022/23 – GWh

EUC	Product/Class				Total
	1	2	3	4	
1ND	-	-	1,128	4,974	
1PD	-	-	14	323	
1NI	-	-	48	207	
1PI	-	-	0	1	
2ND	-	-	3	124	
2PD	-	-	0	4	
2NI	-	0	155	311	
2PI	-	-	0	0	
3	-	0	157	278	
4	-	5	178	294	
5	0	5	111	217	
6	0	24	78	220	
7	0	60	71	181	
8	0	133	45	238	
9	0	20	7	51	
	0	246	1,996	7,423	9,666

## Effective % UIG

EUC	Product/Class				Total
	1	2	3	4	
1ND	N/A	N/A	2.35%	2.35%	
1PD	N/A	N/A	2.35%	2.35%	
1NI	N/A	N/A	2.35%	2.35%	
1PI	N/A	N/A	2.37%	2.35%	
2ND	N/A	N/A	2.35%	2.35%	
2PD	N/A	N/A	2.36%	2.35%	
2NI	N/A	2.33%	2.35%	2.35%	
2PI	N/A	N/A	2.36%	2.35%	
3	N/A	2.35%	2.35%	2.35%	
4	N/A	2.35%	2.35%	2.35%	
5	0.00%	2.35%	2.35%	2.35%	
6	0.00%	2.35%	2.35%	2.35%	
7	0.00%	2.35%	2.35%	2.35%	
8	0.00%	2.35%	2.35%	2.35%	
9	0.00%	2.35%	2.35%	2.35%	
					2.04%

N/A = no/negligible consumption in that matrix position per the forecast  
Very low consumption positions do not return the industry average due to rounding

# % Change by Gas Year – 2022/23

## Mod 0831 – Change in UIG %

EUC	Product/Class				Total
	1	2	3	4	
1ND	-	-	0.57%	0.47%	
1PD	-	-	-1.05%	-4.50%	
1NI	-	-	-2.38%	-12.87%	
1PI	-	-	-1.02%	-14.13%	
2ND	-	-	0.90%	-0.71%	
2PD	-	-	-1.87%	-0.44%	
2NI	-	-0.23%	0.23%	-2.49%	
2PI	-	-	0.16%	-1.52%	
3	-	0.62%	0.85%	0.98%	
4	-	-0.61%	0.31%	0.97%	
5	1.96%	1.27%	0.04%	1.00%	
6	1.93%	1.16%	-0.39%	0.65%	
7	1.83%	0.79%	-0.19%	0.88%	
8	1.93%	0.94%	0.01%	1.00%	
9	1.93%	1.84%	1.20%	1.48%	
					0.0%

## Mod 0831A – Change in UIG %

EUC	Product/Class				Total
	1	2	3	4	
1ND	-	-	0.87%	0.77%	
1PD	-	-	-0.74%	-4.20%	
1NI	-	-	-2.08%	-12.57%	
1PI	-	-	-0.63%	-13.82%	
2ND	-	-	1.21%	-0.41%	
2PD	-	-	-1.54%	-0.13%	
2NI	-	0.07%	0.54%	-2.19%	
2PI	-	-	0.46%	-1.20%	
3	-	0.92%	1.16%	1.29%	
4	-	-0.31%	0.61%	1.27%	
5	-0.08%	1.58%	0.34%	1.30%	
6	-0.11%	1.47%	-0.09%	0.95%	
7	-0.21%	1.10%	0.11%	1.19%	
8	-0.11%	1.25%	0.31%	1.30%	
9	-0.11%	2.14%	1.51%	1.78%	
					0.0%

Overall “effective rate” of UIG unchanged by either Modification

xserve

## UNC Representation received by Email

### 0831 - Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method

**Date:** 20 December 2022

**Organisation:** Sembcorp Energy UK

#### Abstract:

I note the post meeting note in the minutes from 29 November 2022, in particular 2.1.5 – Consider whether this Modification would reduce the amount of information available from AUGÉ which currently provides industry with an opportunity to drive actions to reduce UIG.

Having now had an opportunity to review the Modification and how the AUG tables are used in more detail it would appear that the practical upshot of this proposal will simply be to push the majority of the UIG costs over to those in Class 1, within the higher EUC Bands. Off-takers in these categories will have highly accurate, daily read meters and as such are likely to contribute least to UIG.

If this Modification is approved, would it not remove any output from the AUGÉ from the process to assess UIG and so remove any ability to drive actions to reduce UIG. Furthermore, if the vast majority of UIG is being paid by those who potentially contribute least, would this not also remove any financial incentive to improve the management of UIG overall?

Regards

Mark Field

#### Field, Mark

Regulatory Affairs Analyst | Sembcorp Energy UK

**Phone:** +44 77664 22807

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**Representation - Draft Modification Report UNC 0831 0831A**

**0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method**

**0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method**

**Responses invited by: 5pm on 19 October 2023**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Harry Hailwood
<b>Organisation:</b>	Brook Green Supply
<b>Date of Representation:</b>	18.10.2023
<b>Support or oppose implementation?</b>	0831 - Oppose 0831A - Support
<b>Alternate preference:</b>	0831A
<b>Relevant Objective:</b>	0831 d) Negative f) Positive 0831A d) Positive f) Positive
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

(Continued on next page)

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

We see some value in 0831 and the 'Vanilla Smear' approach to all its classes, eliminating volatile AUGÉ values and hence reducing risk premiums to customers. However, it does not tackle overall levels of UiG and arguably discourages movement to Daily Metered status which ultimately increases UiG on a like for like basis in future years.

0831A provides the market with the same stability of ending the AUGÉ process, but also ends the payment of UiG by Class 1 meters. Class 1 meters are settled on actual reads and don't contribute to the settlement error that makes up the majority of UiG.

We also note that the original intention of 0831A was to zero out UiG for Class 2 meters. Although this was changed due to constraints with industry systems, a positive outcome for 0831A is likely to result in a similar modification being raised for Class 2 meters. We think that by incentivising the shift to daily metering is good for the gas industry through more accurate billing and aligning it with progress made in the electricity industry with MHHS.

**Implementation: What lead-time do you wish to see prior to implementation and why?**

Whilst we would like to see implementation as soon as possible, we think this should also be dependent on how long it takes to make a decision. Should a decision not be made until well into the new year, we would recommend using 1<sup>st</sup> October as a start date.

**Impacts and Costs: What analysis, development and ongoing costs would you face?**

Reduction in volatility of UiG allocation with the weighting factors not being reset every October. This will reduce costs for suppliers and ultimately customers.

Incentivisation of daily metering and the benefits this has for the gas industry.

**Legal Text: Are you satisfied that the legal text will deliver the intent of the Solution?**

Insert Text Here

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

We believe the certainty and transparency in UiG allocation will reduce costs for suppliers and ultimately customers.

*Q2: Is the process in electricity comparable? (please explain)*

The process in electricity attempts to allocate residual electricity use to suppliers in a GSP. The current electricity regime has sought to manage this issue, tackle losses such as theft and encourage appropriate supplier behaviour without the need for a volatile and



complex allocation mechanism. This reinforces our view that a stable mechanism for allocating settlement error should be the main driver for managing allocation of residual energy in both gas and electricity.

We note that the electricity process wholly allocates this error to NHH customers, the equivalent of NDM customers, recognising that HH do not contribute to this error. This in line with the objectives of 0831A.

It is also pertinent that the Unidentified Gas process has been subject to a number of industry modifications in the last ten years, the Group Correction Factor process has remained unchallenged.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

Insert Text Here

**Please provide below any additional analysis or information to support your representation**

Insert Text Here

## Representation - Draft Modification Report UNC 0831 0831A

### 0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method

### 0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method

Responses invited by: **5pm on 19 October 2023**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	James Knight
<b>Organisation:</b>	Centrica
<b>Date of Representation:</b>	19/10/2023
<b>Support or oppose implementation?</b>	0831 - Support 0831A - Oppose
<b>Alternate preference:</b>	0831
<b>Relevant Objective:</b>	d) 0831 Positive 0831A Negative  f) 0831 Positive 0831A Negative
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

**0831 Support**

Removing the variability in weighting factors reduces the uncertainty around UIG allocations. This will facilitate more effective competition between suppliers and could lead to lower overall bills by reducing the risk premium associated with changing weighting factors.

We do not believe that applying the “Polluter Pays” approach is fair because it largely centres around the allocation of gas theft where, by definition, the polluter is not paying: the approach places the cost of theft increasingly on those who are not stealing gas simply because theft detection rates have been higher for Consumers with similar meter types. Socialising the cost of UIG evenly across the market is a fairer treatment.

Under the current methodology the weighting factors used to allocate UIG change in October each year but the allocation of UGR doesn’t fully align to updated weighting factors until 12 months later. Using static weighting factors will better align UIG and UGR allocations.

We agree that the removal of the AUGÉ will lower industry costs, promoting efficiency in the administration of the Code.

**0831A Oppose**

We do not believe that certain customer types should be excluded from the allocation of UIG. If UIG is to be socialised it should be socialised across all Shippers based on the same weighting factor (as in the original mod 0831). Currently the AUGÉ impartially creates the weighting factors to split UIG between End User Categories and Product Classes. If there is to be a differentiation between the UIG allocation of Consumer categories then there should be a data driven rationale for doing so and the AUGÉ are the industry expert appointed to impartially calculate that differential.

Referring at the Xoserve “Reconciliation by Month” report<sup>1</sup>, so far in the current gas year there has been over 480 GWh of reconciliations for sites in Product Class 1. Also, in recent years we have seen large LDZ metering errors such as the Alrewas MTD Metering Error (EM009). These examples underline the fact that there are material errors in the settlement of large daily read meters, and setting the allocation to 0 for Product Class 1 is inconsistent with these sites contributing to UIG.

Furthermore, we believe 0831A has a negative impact on relevant objective d because it creates an unjustified distortion in the allocation of UIG, and this cannot be overcome by relying on a future modification to also exclude daily metered sites in Product Class 2. The modification should be judged on its own merits.

While we agree that the removal of the AUGÉ will lower industry costs, we would argue that distortions created by the differential weighting factors would represent an overall inefficiency in the administration of the Code.

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<sup>1</sup> <https://www.xoserve.com/help-centre/demand-attribution/unidentified-gas-uig/>

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

We believe that any change to the weighting factors should be made in accordance with the current timelines (October 2024 at the earliest) as pricing decisions will have been made based on the current weighting factors being in place until at least that date.

Ofgem will potentially need to reflect these changes in the price cap allowances, as October is the start of a price cap period this should minimise potential for a differential.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

There would be no direct implementation costs, but there will of course be impacts to trading positions and pricing as a result of the changing UIG allocations.

The AUGE should be asked to do analysis on the potential impacts of the UIG allocation to different Consumer groups, especially the impacts on prepayment Consumers.

Currently data from the AUGE is used to create the UIG allocation percentage in the price cap calculation, a change to the price cap methodology would likely be required. Ofgem should assess the impact of this on Consumers.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

Analysis on the impacts to different Consumer groups especially the impacts on prepayment customers and interplay with the price cap should be conducted.

*Q2: Is the process in electricity comparable? (please explain)*

No, in electricity the distribution network operators must recalculate loss adjustment factors once every two years in a way which would have resulted in an average group correction factor of 1.0 (i.e. no correction over the year). Therefore, whilst half-hourly sites are not allocated energy volumes through the group correction factor, they are allocated losses in a way that includes an allocation of both technical losses (pure electrical losses) and non-technical losses (theft, metering error, modelling error) over the long term. The most equivalent thing to losses in gas is shrinkage, but this is not systematically updated like electricity with the aim of getting UIG to zero, so it is appropriate for larger sites to pick up a share of UIG.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

NA

**Please provide below any additional analysis or information to support your representation**

NA

**Representation - Draft Modification Report UNC 0831 0831A**  
**0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method**

**0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method**

**Responses invited by: 5pm on 19 October 2023**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Kirsty Dudley	
<b>Organisation:</b>	E.ON	
<b>Date of Representation:</b>		
<b>Support or oppose implementation?</b>	0831 - Oppose 0831A - Oppose	
<b>Alternate preference:</b>	<i>If either 0831 or 0831A were to be implemented, which would be your preference?</i>  0831/ 0831A	
<b>Relevant Objective:</b>	<b>0831</b>  d) Negative  f) Negative	<b>0831A</b>  d) Negative  f) Negative
<b>Relevant Charging Methodology Objective:</b>	Not Applicable	

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

We do not support the implementation of either modification. Both options incorrectly categorise UIG as modelling errors, and although the modelling may have flaws (which are constantly being investigated), the modelling has successfully identified contributors to UIG.

We believe there are incorrect conclusions being presented e.g. that if all sites were daily read that UIG would not be present. We conclude that with issues such as read submissions, faulty assets or problems with measurement errors, there is likely to always be some form of contributing factors to UIG. PAC is also addressing read submission issues so even with 100% read submission success, there will still be factors which would then become invisible if either of these proposals were implemented. This leads to

a negative impact to the proposed relevant objectives and why we do not believe the approval of either will improve the current position.

Mod 0831A allows for Class 1 exclusion from UIG, and although their contributions are smaller in impacted site counts, the impacts to UIG can be significant for just 1 site. This was evidenced by the read submission issues post Project Nexus implementation. To bring in exclusions, brings in invisible impacts which would therefore be harder to identify and bring more work for industry to unpick, and for PAC to address.

These options were also explored as part of Project Nexus design and they were discounted, the reasons they were discounted we don't believe have been addressed in these proposals. Implementation of either of these modifications would instead lead to further complexity in the gas market, which the current modelling is already addressing.

We recognise the issues the proposers are trying to achieve but our belief is these modifications would make an already complex process even harder. It would not be a silver bullet. Instead, parties would benefit from being more involved in working with the recommendations of the AUGE / PAC and concentrating on getting the known issues resolved. This way we can work towards working out what the actual contributing factors are and resolving them.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

We do not support this, but if approved we'd recommend at least a 6 months implementation to ensure any unintended impacts are flagged so they can be addressed.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

We anticipate this will cost the industry more and it will be harder to spot. We are unable to out £ to this, but we'd anticipate having to put more FTE towards the process to monitor our impacts.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comments

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

These modifications would remove the polluter pays principle and would lead to larger consuming sites subsidising smaller sites rather than the costs being targeted at the sites causing the issues. This will obviously lead to some consumers being charged more inappropriately. If we are going to knowingly implement one set of consumers subsidising another we would prefer this was done for good reason (such as a social tariff) rather than as an unintended consequence of this modification.

*Q2: Is the process in electricity comparable? (please explain)*

We do not support comparing the two processes as the markets are different in approach and how it is delivered. We support sharing learnings but you cannot apply anything from electricity directly into gas.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No comments.

**Please provide below any additional analysis or information to support your representation**

No comments.



**Representation - Draft Modification Report UNC 0831 0831A**

**0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method**

**0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method**

**Responses invited by: 5pm on 19 October 2023**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Gareth Evans
<b>Organisation:</b>	ICoSS
<b>Date of Representation:</b>	19 October 2023
<b>Support or oppose implementation?</b>	0831 – Support 0831A - Support
<b>Alternate preference:</b>	0831A
<b>Relevant Objective:</b>	d) Positive f) Positive
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

This response is on behalf of the majority of our members.

Since the commencement of the current UIG process as part of Project Nexus, it has become apparent that the vast majority of UIG is in fact settlement error, not losses from gas theft and other sources. This is evidenced by the fact that initial allocation of UIG has since March 2022 been negative; something that only happen where losses (which are always positive) are overwhelmed by settlement inaccuracies.

We see no reason why settlement error caused by the NDM estimation process should be allocated on the basis of a report seeking to determine the sources of gas theft and other losses, whose output varies significantly each year. We therefore support the move away from the current process of allocating Unidentified Gas (UIG) via a volatile and unpredictable set of annual weighting factors to a more stable and reflective process. The reduction in volatility will mean a reduction in wholesale costs for shippers and greater certainty for customers, so benefiting the market as a whole.

The industry performance framework has evolved significantly since the commencement of the AUGÉ process in 2012. At that time, Xoserve was fully managed by the Transporters and there was no market assessment of losses. The new AUGÉ process stimulated a number of initiatives to address losses and improve settlement accuracy. Partly as a result, there is now a comprehensive regime in place to reduce losses, such as a theft regime and performance assurance. We also note that Xoserve has undertaken a number of investigations into Unidentified Gas and can be asked to do so again by shippers under the co-operative management model. We therefore do not believe that there is a need for the AUGÉ process to continue to be explicitly referenced in the UNC and this can be safely removed.

We are supportive of both modifications but, as noted above, the vast majority of UIG is caused by settlement error, which originates from the NDM sector. We do not think it appropriate that Class 1 DM customers, who are settled on actual meter readings should carry the cost of errors from NDM customers and so we believe that on balance UNC Modification 0831A is the most appropriate change.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

We appreciate that some notice period will be required to allow shippers to adjust purchasing strategies and adjust charges to suppliers. This notice period should be limited however so that the benefits of this change can be realised as soon as possible.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

Under both changes, our members will see a reduction in volatility from day-to-day UIG allocation. It will also provide more certainty year on year as the weighting factors will not be reset every October. This will allow shippers to reduce their costs in meeting wholesale gas needs and so reduce costs for suppliers and customers.

We do not anticipate any change in costs for shippers and suppliers in tackling UIG sources as their obligations under the REC and UNC regarding, amongst others, theft detection and performance assurance will remain.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

We have not reviewed the legal text.

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

Both modifications will reduce the volatility and uncertainty in UIG allocation and so reduce wholesale costs for shippers, suppliers and ultimately consumers. It will also provide certainty and improve transparency of UIG costs for larger customers. We see a net benefit for customers.

*Q2: Is the process in electricity comparable? (please explain)*

We believe that the analogous process in electricity is the Group Correction Factor which also attempts to allocate residual electricity use to suppliers in a GSP. The current electricity regime has sought to manage this issue, and tackle losses (such as theft) and encourage appropriate supplier behaviour without the need for a volatile and complex allocation mechanism. This reinforces our view that a stable mechanism for allocating settlement error should be the main driver for managing allocation of residual energy in both gas and electricity. We note that the electricity process wholly allocates this error to NHH customers, the equivalent of NDM customers, recognising that HH customers (analogous to DM customers) do not contribute to this error.

It is also notable that whilst the Unidentified Gas process has been subject to numerous modifications in the last ten years, the Group Correction Factor process has remained unchallenged.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

NA

**Please provide below any additional analysis or information to support your representation**

NA

**Representation - Draft Modification Report UNC 0831 0831A**  
**0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method**

**0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method**

**Responses invited by: 5pm on 19 October 2023**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Paul Bedford
<b>Organisation:</b>	Opus Energy
<b>Date of Representation:</b>	16/10/2023
<b>Support or oppose implementation?</b>	0831 - Oppose 0831A - Oppose * <i>delete as appropriate</i>
<b>Alternate preference:</b>	<i>If either 0831 or 0831A were to be implemented, which would be your preference?</i>  0831A
<b>Relevant Objective:</b>	A Negative (for both UNC831 and UNC831A) B Negative (for both UNC831 and UNC831A) C None (for both UNC831 and UNC831A) D Negative (for both UNC831 and UNC831A) E None (for both UNC831 and UNC831A) F None (for both UNC831 and UNC831A) G None (for both UNC831 and UNC831A)
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

We are opposed to UNC831 and UNC831A because we don't believe that either modification addresses the fundamental issue that Shippers / Suppliers are unable to influence UIG-related factors other than theft. Other factors, that contribute towards gas leakage/shrinkage such as poor metering at Entry Points where gas is not measured correctly, or leakages are outside of the Shipper/Supplier scope of influence. Neither modification addresses these fundamental issues or provides sufficient analysis that the proposals provide the right economic incentives compared to the status quo to reduce UIG or distribute the costs to parties who can alter their behaviour to limit UIG. We therefore believe that relevant Objectives a) b) and d) are negative. We believe that relevant objectives c), e), f) and g) are unaffected. In our opinion, there is not sufficient evidence that the proposals are better at reducing UIG, and allocating the controllable elements of UIG to those who can best manage the risks than those they replace. Notwithstanding our opposition to both modifications, we have highlighted our preference for UNC831A.

UNC831

UNC831 is our least favoured option because the 'vanilla smear' option, where UIG is allocated flatly across all Classes based on throughput, would result in an unjustified cross subsidy of end consumers. If all customers were Daily Metered (smart metering), Gas Networks should be able to conclude that any volumes not captured by that metering relates to UIG. On that basis, we would argue that any Daily Metered customers (across Classes 1-4) should be excluded from UIG.

UNC831A

As stated above, we don't believe that either modification addresses the fundamental issue that Shippers/Suppliers are unable to influence UIG-related factors other than theft. Although we're opposed to both modifications, UNC831A has the benefit of excluding Class 1 Daily Metered customers because increased meter read frequency should ultimately reduce levels of UIG.

Preferred way forward

Because theft is the only UIG-related factor which Shippers/Suppliers are able to influence, we believe that costs associated with other factors such as leakage should be borne by the Gas Networks.

We disagree with any proposal to replace the Allocation of Unidentified Gas Expert (AUGE). The AUGE is an independent third party that calculates UIG based on non-discriminatory evidence. We believe that continued use of the AUGE would allocate costs more accurately to relevant market sectors and would remain to be positive to Relevant Objectives a)-f) (in line with UNC229 which introduced the AUGE).

If there are any concerns regarding the AUGE methodology, we would not be opposed to an industry review, including potential changes to the current AUGE table to be produced at LDZ level in order to increase accuracy of UIG allocation.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

Insert Text Here

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

Insert Text Here

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

Insert Text Here

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

UNC831 is our least favoured option because the ‘vanilla smear’ option, where UIG is allocated flatly across all Classes based on throughput, would result in an unjustified cross subsidy of end consumers.

*Q2: Is the process in electricity comparable? (please explain)*

Yes, the process is comparable. A key difference is that electricity is based on half hourly Settlement and gas is based on Daily Settlement.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

Insert Text Here

**Please provide below any additional analysis or information to support your representation**

Insert Text Here

**Representation - Draft Modification Report UNC 0831 0831A**

**0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method**

**0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method**

**Responses invited by: 5pm on 19 October 2023**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Claire Louise Roberts
<b>Organisation:</b>	ScottishPower
<b>Date of Representation:</b>	19 October 2023
<b>Support or oppose implementation?</b>	0831 - Oppose 0831A -Oppose
<b>Alternate preference:</b>	<i>If either 0831 or 0831A were to be implemented, which would be your preference?</i> Neither
<b>Relevant Objective:</b>	d) Negative f) Negative
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

**Reason for opposition: Please summarise (in one paragraph) the key reason(s)**

We do not support implementation of either modification, we are reluctant to deviate from the key principles of the AUGE which ensures UIG is independently determined. These modifications by removing the AUGE would also remove the opportunity for the underlying contributors to UIG to be investigated and addressed by industry.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

We do not support implementation of either modification, however, should a decision be made to implement we would require a minimum of 6 months lead time. To note UIG is a line item in the Energy Price Cap and feeds into SVT's we would need to ensure there is sufficient time to deal with any unintended impacts.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

There could be additional costs, however we are unable to quantify at this time.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

No comment

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

UNC0831/A would have a potential impact on domestic customers as higher UIG costs would be incurred by them.

*Q2: Is the process in electricity comparable? (please explain)*

No, its not comparable as more factors influence the accuracy of gas measurement compared to electricity. Volumes of electricity are not impacted by pressure and temperature in the same way as gas.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No further comments

**Please provide below any additional analysis or information to support your representation**

No further comments



## SEFE Energy Representation Draft Modification Report

### Modification 00831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method 0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method

- 1. Consultation close out date:** 19<sup>th</sup> October 2023
- 2. Respond to:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)
- 3. Organisation:** SEFE Energy  
5<sup>th</sup> Floor  
8 First Street  
Manchester  
M15 4RP
- 4. Representative:** Steve Mulinganie  
Senior Regulation Manager  
[stevemulinganie@sefe-energy.com](mailto:stevemulinganie@sefe-energy.com)  
0799 097 2568
- 5. Date of Representation:** 19th October 2023
- 6. Do you support or oppose Implementation:**  
We **Do Not Support** implementation of Modification 0831  
We **Do Not Support** implementation of Modification 0831A

**If either 0831 or 0831A were to be implemented, which would be your preference?**  
**Our preference would be for 0831A**

- 7. Please summarise (in 1 paragraph) the key reason(s) for your position:**  
The role of the Allocation of Unidentified Gas Expert (AUGE) in determining the allocation of Unidentified Gas (UIG) ensures that Shippers Users shares of UIG are independently determined equitably and transparently. This leads to a better and more targeted outcome than simply smearing UIG across the market as a function of throughput. Unless the cost of undertaking this exercise outweighs the benefit it is difficult to see how these proposals improve upon the current arrangements. No compelling evidence has been provided to suggest that the AUGE process is inefficient compared to simply smearing back UIG as a function of throughput.

**8. Are there any new or additional Issues for the Modification Report:**

No

**9. Self-Governance Statement Do you agree with the status?**

No

**10. Relevant Objectives:**

*How would implementation of this modification impact the relevant objectives?*

We believe the Modification is **negative** in respect of relevant objective [d] as it removes a process that independently determines UIG in an equitable and transparent manner and replaces it with an inherently less accurate allocation as a function of throughput.

We believe the Modification is **negative** in respect of relevant objective [f] as no evidence has been provided to suggest that the current AUGE process is inefficient, considering the hundreds of millions of pounds involved, compared to smearing back UIG as a function of throughput.

**11. Consumer Benefits:**

*Do you have any comments on the Consumer Benefits?*

Whilst we acknowledge that removing the cost of the AUGE process may have a minor benefit in terms of overall costs. We believe this is outweighed by the additional costs that it will impose upon some consumers who will have much higher costs smeared against them than had previously been independently and transparently determined to be appropriate. Consumers will no longer be able to rely upon an independent expert determining their fair share of UIG.

**12. Impacts & Costs:**

*What analysis, development and on-going costs would you face if this modification was implemented?*

We **have not** identified any significant costs associated with the implementation of this modification

**13. Implementation:**

*What lead times would you wish to see prior to this modification being implemented, and why?*

We do not support implementation of these modifications

**14. Legal Text:**

*Are you satisfied that the legal text will deliver the intent of the modification?*

We note that the **workgroup has considered the Legal Text and Commentary and is satisfied** that it meets the intent of the Solution

**15. Modification Panel Questions:**

*Do you have any comments on any questions raised by the Modification Panel?*

No comments

**16. Performance Assurance Considerations:**

*Do you have any comments?*

**No comments**

**17. Is there anything further you wish to be taken into account?**

*Please provide any additional comments, supporting analysis, or other information that you believe should be taken into account or you wish to emphasise.*

**Yes**

If the recent analysis by the Retail Energy Code is correct then the levels of Theft which previously formed a large proportion of UIG are over estimated. If these modifications are given effect, then the ability via the AUGE to identify and target this new source of UIG will be unavailable as UIG will simply be allocated as a function of throughput. At the AUGE meeting on the 29<sup>th</sup> September 2023 the potential for a new unknown contributor was discussed.

## Representation - Draft Modification Report UNC 0831 0831A

### 0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method

### 0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method

Responses invited by: **5pm on 19 October 2023**

To: [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Mark Jones
<b>Organisation:</b>	SSE Energy Supply Limited
<b>Date of Representation:</b>	19 October 2023
<b>Support or oppose implementation?</b>	0831 - Support 0831A - Support
<b>Alternate preference:</b>	<i>If either 0831 or 0831A were to be implemented, which would be your preference?</i>  0831
<b>Relevant Objective:</b>	0831  d) Positive f) Positive  0831A  d) Positive f) Positive
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

(Continued on next page)

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

Since the implementation of Project Nexus, UIG has become a lot more visible, and it has become apparent that a large proportion of UIG is due to settlement errors and unexplained losses of gas from the system, including, what is largely perceived by the industry to be an under allocation of gas for shrinkage and other losses on the system. The current AUGE is allocating a large amount of UIG based on detected theft levels by stating that all unexplained UIG is largely theft, and that it should be allocated to those sectors where theft has been detected. This is at odds with the REC theft analysis which shows theft to be approximately one seventh of the level of theft that is being allocated by the AUGE. Also, by allocating all unexplained UIG to the sectors where theft has been detected, this is a disincentive to finding theft. Furthermore, theft is a matter for suppliers and so it could be argued that it is unfair to allocate UIG to shippers based on theft, when it is suppliers who manage theft.

Given that most UIG cannot be attributed to any cause or causes, or to any particular type of customer, we believe that UNC 0831 is the fairer modification because, in reality, most of the losses are likely to be on the network itself with no customer or customer types at fault. Therefore, class 1 sites should pick up a proportion as the losses are largely due to transporting the gas to all customers rather than there being a large amount of theft in a particular sector or sectors. The costs of UIG can, therefore, be seen as a 'cost to operate in the market', and as UIG is measured as a percentage of gas consumption, its allocation should be based on throughput. If UIG could be accurately allocated to each of its causes and allocated accordingly, then class 1 sites would pick up a much larger share of UIG. UNC 0831 should be seen as a modification which allocates UIG fairly, rather than being seen as a modification which unfairly penalises Class 1 sites, as these sites have been picking up a much lower amount of UIG than they should have been since the implementation of Project Nexus, and they are losing this unfair advantage they have had over the past number of years.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

We believe the modification should be implemented in line with the earliest timescale stated in the modification, which is the first of the month that is at least 6 weeks after an Authority decision to implement.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

None identified.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes, we are satisfied the legal text will deliver the intent of the solution.

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

Both of the modifications will reduce the uncertainty in UIG allocation and so lower the risks to shippers and suppliers. This in turn will reduce wholesale costs and so provide a benefit to consumers. Whilst implementation of either modification will see a reallocation of UIG from the current UIG table that could be seen to create winners and losers, future UIG tables could allocate UIG in a very different manner, especially if there was a change in the AUGE. We saw this at the last change of AUGE, where the previous AUGE's tables allocated a much higher proportion of UIG to domestic customers compared to the current AUGE's allocation methods.

*Q2: Is the process in electricity comparable? (please explain)*

We believe that the process in electricity is comparable to UNC 0831 in that electricity losses are apportioned based on the GSP group correction factor, which allocates the electricity equivalent of UIG to suppliers based on throughput. The GSP group correction factor is a stable arrangement, has been in place for many years as it was introduced at the start of competition and there has been very little discussion or change to it over the past few decades, which is totally different to the situation in gas where UIG has been discussed for decades.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No.

**Please provide below any additional analysis or information to support your representation**

**Representation - Draft Modification Report UNC 0831 0831A**

**0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method**

**0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method**

**Responses invited by: 5pm on 19 October 2023**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	George MacGregor
<b>Organisation:</b>	Utilita Energy Ltd
<b>Date of Representation:</b>	19/10/2023
<b>Support or oppose implementation?</b>	0831 - Oppose 0831A - Oppose
<b>Alternate preference:</b>	NA
<b>Relevant Objective:</b>	d) Negative – Encourages poor behaviours from Shippers and disincentivises effective competitive customer focussed efforts  f) Negative – Removing attempts to fix problems cannot be deemed to improve the efficiency/ease of their implementation.
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

**Reason for opposition: Please summarise (in one paragraph) the key reason(s)**

The regulator must recognise that implementing these proposals would disincentivise positive Shipper behaviours and subsequently undermine various key industry programmes. This is being done not because certain matrix positions are deemed responsible for a higher contribution to UIG, but to ease the implementation of UIG allocation and to avoid year-on-year price fluctuations. The regulator must not disincentivise the shift to smart meters and the tackling of actual contributors to UIG for the sake of administrative simplicity.

These proposals decrease incentives to fulfil the aims of several key industry initiatives, such as the Smart Metering Rollout, and various Net-Zero contributing projects. We believe that Shippers should be rewarded for productive behaviours and that the

completion of industry initiatives offer significant consumer benefits – on this basis, we strongly oppose these modification proposals.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

We do not believe either proposal should be implemented.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

We do not believe either proposal should be implemented.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

We do not believe either proposal should be implemented.

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

These proposals will have long term negative effects on end consumers, as they disincentivise competitive and innovative behaviours from Shippers. These modifications propose a Vanilla Smear approach, which diverges from the Polluter Pays principle, and proposes to distribute UIG to all classes on throughput alone, thus removing incentives from Shippers to fit smart meters, submit accurate reads into settlement and target known sources of UIG. In the long term, this will drive prices up for *all* customers, as Shippers are not rewarded for behaviours which benefit end consumers.

The Request Group (781R) which preceded this modification assessed Options against seven criteria. The group recognised that a vanilla smear, as proposed by both modifications, has a LOW rating against meeting the Polluter Pays dynamic. Against the same seven criteria, a straight throughput method was proposed on merits of being easily implemented, explained and in not being open to continual challenge. Therefore, the vanilla smear approach has been proposed as it offers simplicity on the Shipper Side of the process and proposes to sacrifice end consumer benefits to capture these Shipper side benefits.

The current AUGE approach offers significant benefits to end consumers. Installing Smart Meters offer consumers significant benefits and are a key enabler for various key industry programmes. Shifting consumers to Class 3 is one of the key benefits of fitting Smart Meters for Shippers. For Smart Meters to reduce consumer bills, UIG burden on Class 3 consumers must be lower. Flat throughput methods remove the Shipper incentives to fit smart meters. Incentives are more important than ever for the Smart Metering Rollout, as the remaining 45% are harder to convert consumers which remain at the tail end of the programme.

*Q2: Is the process in electricity comparable? (please explain)*

The process is not comparable.



GSP Group Correction Factors are not applied equally to all SVA metered volumes. Each Consumption Component Class (CCC) is assigned a different Scaling Weight, which defines how much of the group correction should be applied to it. This different treatment in CCCs shows that the electricity process is not comparable to UIG allocation based on flat throughput, as proposed by these modifications.

The electricity process already accounts for, and rewards, the application of more accurate metering methods. This can be seen by the aggregate weightings applied to HH vs NHH groups, explicitly recognising that HH sites are less responsible for the GSP GCF requirement. The closest comparator to this for gas is DM vs NDM (where Class 1,2 and 3 sites are all effectively DM for the sake of UIG contribution). In this sense, the existing AUGE table is more reflective of the GSP GCF system, applying proportionally more unallocated gas to the NDM sites, equating to the higher GSP GCF weighting factor applied to NHH sites through their CCC.

The GCF is, in fact, a good example of why 0831 and 0831A should be rejected, demonstrating a comparable system whereby the industry applied adaptive measures to incentivise parties to improve their settlement performance, without financially impeding them. When considering the implication of elective half-hourly settlement, Ofgem correctly identified that the growth of unmetered Feed-in Tariff generation had resulted in GCF providing a net benefit to suppliers' NHH allocation, amounting to negative demand, which HH-metered allocation did not receive ([Here, Paras 5.1-12](#)). To ensure suppliers would not lose this benefit by electing to upgrade their smart sites to an elective HH standard, Ofgem introduced additional CCCs to identify small HH sites, to which NHH-weighted GCFs would still be applied (subject to continued review). This approach was implemented despite the process being theoretically 'incorrect', and further complicating the system with additional CCCs; however, priority was given to providing the proper incentive and market signal to suppliers to improve their performance, meet national targets, and realise the full technological benefit, without being impeded by the anomalies of an imperfect system (NHH allocation coupled with unmetered FIT generation). A similar approach should be followed within the UIG allocation process with shippers properly incentivised to improve settlement performance and reduce overall UIG by moving small sites into Class 3, without being penalised with a one-size-fits-all solution which vanilla smearing represents, or an inconsistent standard that arbitrarily rewards Class 1 daily metering, without recognising Classes 2 and 3.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

If it is factors other than theft which account for UIG, we must prove this before we opt to redistribute UIG. If this proposal is implemented, we would be exchanging one batch of challenged assumptions for another. If the industry view is that UIG attributable to theft is overestimated, effort should be put into investigating the other stated sources of inaccuracies, such as shrinkage calculations, temperature assumptions, pressure issues or metering inaccuracies. The current AUGE process incentivises industry to resolve these issues, reduce the amount of unaccounted for gas, and thus seek to reduce end-consumer bills.

831A states that Daily Metered consumers do not contribute to model error. This is the primary justification for their alternate proposal. Whilst we agree Daily Metered sites are

less likely to be contributors to UIG, for the stated reasons, this is true of all Classes other than Class 4. Class 1,2 and 3 sites all submit accurate daily readings – any of the metering advantages of Class 1 are also present into these two categories. It is unclear why the proposer did not seek to extend the exclusion to Class 2 and 3 sites – as their core justification is equally applicable to these two classes.

**Please provide below any additional analysis or information to support your representation**

Insert Text Here

**Representation - Draft Modification Report UNC 0831 0831A**  
**0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method**

**0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method**

**Responses invited by: 5pm on 19 October 2023**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Sarah Barry
<b>Organisation:</b>	Gas Plus Supply Ltd (Utility Warehouse)
<b>Date of Representation:</b>	19 October 2023
<b>Support or oppose implementation?</b>	0831 - Oppose 0831A - Oppose
<b>Alternate preference:</b>	<i>If either 0831 or 0831A were to be implemented, which would be your preference?</i> Not Applicable
<b>Relevant Objective:</b>	d) Negative f) None
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

Gas consumption on smart meters is measured accurately and does not contribute to UIG levels. Allocating UIG irrespective of a supplier’s level of smart meter penetration, as proposed in both 0831/0831A, is unjust and would remove a commercial incentive for suppliers to deliver the smart meter rollout. Penalising Class 3 meters does not allocate UIG fairly given that they do not contribute to UIG error or volatility. The current UIG allocation methodology that incorporates the level of smart meter penetration, and applies the ‘Polluter Pays’ principle, is fit for purpose, and should remain in place. Removal of the AUGE would result in UIG being allocated less accurately and less fairly, and therefore would contradict Relevant Objective (d) in securing fair and effective competition between relevant suppliers.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

Not Applicable

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

Not Applicable

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

Not Applicable

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

This will not have any effect on end consumers.

*Q2: Is the process in electricity comparable? (please explain)*

No

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No

**Please provide below any additional analysis or information to support your representation**

**Representation - Draft Modification Report UNC 0831 0831A**

**0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method**

**0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method**

**Responses invited by: 5pm on 19 October 2023**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Tom Stuart
<b>Organisation:</b>	Wales & West Utilities
<b>Date of Representation:</b>	18.10.23
<b>Support or oppose implementation?</b>	0831 – Support 0831A - Oppose
<b>Alternate preference:</b>	<i>If either 0831 or 0831A were to be implemented, which would be your preference?</i>  0831
<b>Relevant Objective:</b>	0831  d) Positive  f) Positive  0831A  d) Negative  f) Positive
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

In general, both solutions provide more certainty for customers by reducing UIG allocation volatility and the removal of the AUGE role will deliver a direct cost saving to the industry by removing the industry process and associated meetings and hence both are positive for furthering relevant objective (f) Promotion of efficiency in the implementation and administration of the Code.

Though Class 1 & 2 are daily metered and therefore settled more accurately they can contribute to UIG, for example should a meter be on bypass, and this should be reflected in the UIG weighting. We appreciate that giving daily metered sites zero weighting may encourage more sites to become daily metered, however, we think if that is the aim then it should be addressed directly and not through UIG allocation which should be as accurate as possible. For this reason, we cannot support 0831A and believe that it is negative for furthering relevant objective (d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

If the desire is to encourage more sites to become daily metered, then this should be addressed as a separate matter through its own modification.

We believe modification 0831 is the most equitable solution as it does not discriminate against a particular class of supply point and assumes all classes contribute to UIG. Although low, there are occasions where Class 1 sites contribute towards UIG. WWU therefore supports modification 0831 and we think that 0831 is positive for furthering relevant objective d) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

If approved by the authority, we think the implementation should be placed on hold until the end of the current AUGE contract to reduce regret spend.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

None

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

Yes

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

Both modifications would provide more certainty for customers by reducing UIG allocation volatility and provide better value for money by removing the cost of the AUGE and associated processes. As all sites contribute to UIG we believe Modification 0831 is the most equitable solution for end consumers.

*Q2: Is the process in electricity comparable? (please explain)*

No response.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

None

**Please provide below any additional analysis or information to support your representation**

None

**Representation - Draft Modification Report UNC 0831 0831A**

**0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method**

**0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method**

**Responses invited by: 5pm on 19 October 2023**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Daniel Wilkinson
<b>Organisation:</b>	EDF Energy
<b>Date of Representation:</b>	19 <sup>th</sup> October 2023
<b>Support or oppose implementation?</b>	0831 - Support 0831A - Support
<b>Alternate preference:</b>	
<b>Relevant Objective:</b>	831 d) Positive f) Positive 831A d) Positive f) Positive
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

The current methodology which allocates UiG to customer types assumed to contribute greatest to the cause of UiG does not represent a fair charging methodology when it is widely accepted that accurately defining the cause and customer type who contributes is



almost impossible. With the largest contributor being theft, this also penalises a customer group assumed to contribute most towards theft whereby the users in that group thieving the gas are unlikely to pay their share towards the cost through unidentified gas charging. Meaning a group of customers could be being penalised through actions of user customers amongst that user type. These modifications equalise the unidentified gas share across all user types.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

Lead time should be with at least enough notice for the proposed change to feed into the following Energy price Cap being set.

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

None identified.

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

No Comment

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

This reduces UiG forecast variability by shippers which could result in more accurate pricing for customers. It does however remove incentive for customers to be settled on more granular product classes which could reduce industry consumption visibility if this resulted in less uptake for sites to be daily metered for example.

*Q2: Is the process in electricity comparable? (please explain)*

We believe it is, for electricity the use of GSP correction factors are used which allocates volume differences equivalent to UiG on an equal basis for all user types within a GSP. This has the same purpose as UNC831.

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

No comment

**Please provide below any additional analysis or information to support your representation**

No comment

**Representation - Draft Modification Report UNC 0831 0831A**

**0831 – Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method**

**0831A - Allocation of LDZ UIG to Shippers (Class 2, 3 and 4) Based on a Straight Throughput Method**

**Responses invited by: 5pm on 19 October 2023**

**To:** [enquiries@gasgovernance.co.uk](mailto:enquiries@gasgovernance.co.uk)

*Please note submission of your representation confirms your consent for publication/circulation.*

<b>Representative:</b>	Louise Hellyer
<b>Organisation:</b>	TotalEnergies Gas & Power
<b>Date of Representation:</b>	
<b>Support or oppose implementation?</b>	0831 - Comments 0831A - Qualified Support
<b>Alternate preference:</b>	<i>If either 0831 or 0831A were to be implemented, which would be your preference?</i> 0831A
<b>Relevant Objective:</b>	d) Positive f) Positive
<b>Relevant Charging Methodology Objective:</b>	Not Applicable

**Reason for support/opposition: Please summarise (in one paragraph) the key reason(s)**

In principal these Modifications would help make UIG a little more understandable for end Customers, which is a good thing. The current table of factors and how this is applied is incredibly difficult for them to understand. These Modifications will not reduce the amount of UIG, just share it out differently, which therefore creates winners and losers in terms of cost.

We are concerned with a flat rate put onto all sites, including SPC1 sites (831) who are very high consuming sites, would skew costs considerably towards high consuming sites. This would create very extreme costs for some sites in the UK. We would highlight that all evidence supports that SPC1 sites are those who least contribute to UIG. They

have historically always been given a very small share of UIG if any at all. Therefore, due to the issues with putting a flat UIG on SPC1 sites we support 831A over 831.

831A feels like a balanced step in the right direction on a very difficult topic.

**Implementation:** *What lead-time do you wish to see prior to implementation and why?*

We will work with implantation lines agreed

**Impacts and Costs:** *What analysis, development and ongoing costs would you face?*

No significant costs identified

**Legal Text:** *Are you satisfied that the legal text will deliver the intent of the Solution?*

Not reviewed

**Modification Panel Members have requested that the following questions are addressed:**

*Q1: Do you have views on the effect of these two alternatives on end consumers?*

We are concerned with the scale of costs that could apply to some sites under 831, those who are SPC1. Generally we are aware of winners and losers but view this to be a reasonably fair approach in 831A, it should help a little in customer understanding on how this charge works. It does not remove all issues and does not make this a fully transparent cost which customers would prefer.

*Q2: Is the process in electricity comparable? (please explain)*

Insert Text Here

**Are there any errors or omissions in this Modification Report that you think should be taken into account?** *Include details of any impacts/costs to your organisation that are directly related to this.*

None identified

**Please provide below any additional analysis or information to support your representation**

Nothing to add