

UNCC: Note from Andrew Margan, British Gas to Fiona Cottam, Xoserve re. AUG process for 2017/18

Hi Fiona,

We have a query relating to the 2017 AUG process. We are seeking clarity that the 2017 AUG activity aligns with UNC rules. We have set out our understanding and questions below. We request Xoserve responds to these questions and provides a Compliance Statement. We request this information be made available ahead of the July 2017 UNCC meeting.

<https://www.gasgovernance.co.uk/augenex/1718>

UNC Guidance document

<https://www.gasgovernance.co.uk/sites/default/files/ggf/Framework%20for%20the%20Appointment%20of%20an%20Allocation%20of%20Unidentified%20Gas%20Expert%20v7.0%2020April17.pdf>

Section 7 covers the activities and timescales for the creation, submission to The Committee and publication of the AUG Statement by the AUG Expert. (7.1)

1. The AUG Expert must provide a Draft AUG Statement to the Gas Transporters by the 1st February (7.1.1). Parties can respond within 42 days or no later than 15th March (7.1.3). The AUG will consider any submissions and provide feedback as soon as possible after the 15th March (7.1.4).
2. The AUG Expert will review the AUG Statement in light of any comments (received in 7.1.3 & 7.1.4), and adjust the AUG Statement where appropriate. (7.1.5) and republished by the 30th April. (7.1.6)
3. Once the Draft AUG Statement (as revised) document have been published, the Gas Transporters will organise a meeting with The Committee and the AUG Expert for approval of the final document before the 1st June. The Committee shall approve the Draft AUG Statement, in the form presented by the AUG Expert, unless they unanimously agree changes to any part of the document. Any changes directed by The Committee in this fashion will be implemented by the AUG Expert immediately. The approved Draft AUG Statement will be treated as the final AUG Statement. (7.1.8)
4. Once approved by the Committee, the AUG Expert will produce the Unidentified Gas allocation factors in a format consistent with the UNC requirements, and send them to the Gas Transporters for inclusion in the AUG Table for AUG Year by the 30th June. (7.1.9)
5. The Gas Transporters will publish the populated AUG Table by the 1st July (7.1.10)

Our understanding of the Guidelines is –

Once the Draft AUG Statement is approved in June by the UNCC, the approved Draft AUG Statement will be treated as the Final AUG Statement. The Final AUG Table is based on the Final AUG Statement. Our understanding is the Final AUG Table does not align to the Final AUG Statement. Please see evidence below.

Within the approved Final AUG Statement it states –

The current best estimate of Shrinkage Error is that the models contain an inherent bias that results in an under-estimate of approximately 20% [16]. Pg47.

AUGE Tables

The June Statement AUGÉ table includes Shrinkage Error and CESP Shrinkage error.

Supply Meter Point Classification	Product 1	Product 2	Product 3	Product 4
EUC Band 1	1.170	5.599	5.603	10.548
EUC Band 2	1.170	5.521	5.511	10.902
EUC Band 3	1.170	5.652	5.647	10.782
EUC Band 4	1.170	5.810	5.821	5.777
EUC Band 5	1.170	5.810	5.841	6.163
EUC Band 6	1.170	5.469	5.515	5.763
EUC Band 7	1.170	4.603	4.652	4.544
EUC Band 8	1.170	3.028	3.060	2.770
EUC Band 9	1.170	1.170	1.170	1.170

Table 7: Draft Unidentified Gas Weighting Factors

The table published on the 30 June is –

Supply Meter Point Classification	Product 1	Product 2	Product 3	Product 4
EUC Band 1	0.018	5.239	5.243	11.194
EUC Band 2	0.018	5.160	5.150	11.573
EUC Band 3	0.018	5.316	5.311	11.452
EUC Band 4	0.018	5.494	5.505	5.425
EUC Band 5	0.018	5.482	5.513	5.918
EUC Band 6	0.018	5.069	5.114	5.423
EUC Band 7	0.018	4.041	4.089	3.950
EUC Band 8	0.018	2.187	2.219	1.853
EUC Band 9	0.018	0.018	0.018	0.018

An explanation of the table difference was provided by the AUGÉ via the AUGÉ Final Factor Table Letter.

<https://www.gasgovernance.co.uk/sites/default/files/ggf/page/2017-06/Final%20Factor%20Table%20Letter%2030%20June%2017.pdf>

In essence the report states the AUGÉ undertook additional analysis and engaged two experts from within DNV GL but outside the AUG Expert process to independently scrutinise the GRG Shrinkage Error. DNV GL carried out a sensitivity analysis and concluded that

Shrinkage (excluding CSEPs) is currently under-estimated, but by a much lower amount than the 20% proposed by Imperial College, primarily due to their rejection of some of their conclusions.

Our understanding of the Legal text is same as our understanding of the Guidelines Document -

Once the Draft AUG Statement is approved in June by the UNCC, the approved Draft AUG Statement will be treated as the Final AUG Statement. The Final AUG Table is based on the Final AUG Statement. Our understanding is the Final AUG Table does not align to the Final AUG Statement. Please see evidence below.

Between 9.3.4 (e) to (f) Code does not allow for any activity by the AUG other than publishing the Final AUG table.

- (e) the Committee approve and publish the AUG Statement;
- (f) the AUG Expert shall prepare a proposed AUG Table on the basis of the approved AUG Statement;
- (g) such steps as are set out in the AUG Document shall be taken in relation to the proposed AUG Table, following which the AUG Expert shall submit a final AUG Table to the Committee for approval;

<https://www.gasgovernance.co.uk/sites/default/files/ggf/Legal%20Text%200473%2022Oct14%20v2.0.pdf>

Conclusion and questions

The AUG Guidance Document and 0473 Legal Text sets out what activity the AUG can undertake and when. The difference in the Final AUG Table output from the Final AUG Statement raises several questions which we seek a response -

1. The UNCC approved the Draft AUG Statement which includes Shrinkage Error. 5.9.4 (f) states the AUG table must be based on the approved AUG Statement. The approved Statement states shrinkage error is under estimated by 20%, but the final table does not reflect this statement.
 - a. Is the Final AUG Table compliant with the rules?
 - b. To be compliant with Code should the Statement and Final AUG Table align?
2. Under the rules once the Draft AUG Statement is approved the only activity remaining for the AUG Expert is to publish the Final AUG Table. See 7.1.8 and 7.1.9 or 9.4.3 (e) – (g). The AUG carried out additional analysis.
 - a. Is carrying out this additional activity compliant with the rules?
3. The AUG is contracted to be the AUG Expert. Without any visibility to the industry, the AUG dealt with other unsolicited DNV experts on the subject of Shrinkage Error. These experts are not subject to industry scrutiny.
 - a. Is this activity late in the process compliant with the rules?

In addition to the question responses, we are keen to ensure the 2017 AUG process has fully complied with Code. We will be grateful if Xoserve can provide a Compliance Statement which reviews each step of the process and confirms the AUG activity complied with the relevant Code requirements.

Please do not hesitate to contact me if you have any questions.

Many thanks,

Andrew