

The Joint Office, Relevant
Gas Transporters, shippers and other
interested parties

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Reference: Refinements to AUGS

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Dear Colleague

Following the consultation of the 2nd Draft AUGS, the responses to the issues and questions raised by the industry have now been considered by the AUGS and answers published alongside this letter. The following information is provided alongside this letter:

- Clarification letters to Npower and ScottishPower
- Clarification responses received from ScottishPower
- Clarification of theft issues and updated response from British Gas (there is also a spreadsheet alongside this that will be published separately on UK-Link).
- AUGS response to Sohn Associates
- AUGS response to the paper by Frontier Economics on behalf of British Gas
- AUGS responses to all the 2nd draft consultation questions/issues
- AUGS spreadsheets to support various discussions in the responses (see documents for references/details)

This letter highlights 'refinements' to the AUGS that the AUGS intends to implement over the coming weeks and further data has been requested (and some already received) from Xserve in order to do this.

The following areas of the AUGS are to be updated:

- 1) Unregistered/Shipperless Sites
It was highlighted at the UNCC meeting on 17th October that in certain circumstances unregistered/shipperless sites are backbilled. The AUGS has investigated this further with Xserve and intends to remove those items from the estimate of UG that are 'temporary' vs those that are 'permanent'. This will be based on the UNC rather than what may happen in practice. For example, if a shipper does not currently back bill when it should then it is a problem with the business processes and not the estimate of UG. This will have the effect of reducing the LSP UG estimate.
- 2) DM / NDM split
The AUGS noted at the UNC meeting on October 17th that the split between DM LSP and NDM LSP had not been applied at that stage although it was expected to be small. Identification of large sites in the unregistered category which will be classed as 'temporary' UG will be removed reducing this further. The AUGS is currently updating calculations based on latest data and at this stage does not have indicative figures for DM split although it is expected to be small.

- 3) **AQ scaling**
The AUGS noted in the presentation on 17th October that a scaling of AQs was required to compensate for those supply points that did not form part of the AQ review. The AUGS notes some different views with regard to the percentage of sites that failed the AQ review which has been clarified in the responses. The scaling will be applied based on the figures presented at the meeting on 17th October.
- 4) **Detected Theft**
Detected theft will be netted off from the UG estimate and attributed to the sector that the theft was found in (this will also include the netting off of incorrectly apportioned SSP theft that should have been in LSP – see point 6). This will reduce UG for both SSP and LSP sectors.
- 5) **Orphaned sites**
It was identified that some Orphaned sites have inaccurate AQs and the AUGS has requested further information from Xoserve on these in order to address anomalies. However, without client confidential information about the type of site and its business it may not be possible to correctly identify all outliers in this category.
- 6) **Theft allocated to wrong sector due to threshold crossing**
Sites where annual AQ plus annual detected theft would result in the site being placed in LSP will be moved from SSP to LSP (see also point 4 re:detected theft). This will increase the proportion of theft arising from the LSP sector.
- 7) **Shipperless Sites <12 months**
Data is expected on this topic shortly and the findings will be included in the updated AUGS.
- 8) **Assessment of meter reads**
A more detailed assessment of the suitability of meter reads to be used in the calculation of UG will be carried out post this years AUGS approval.
- 9) **Further information and site visits have been requested from Xoserve in terms of Shipperless sites believed not to have a meter and will be included in the refined AUGS if available in time.**
- 10) **The issue with WS LDZ data has been corrected and will be updated in the final figures.**
- 11) **Updated/new data will be uploaded to UK-Link.**

Assuming no further data issues, we propose to refine and publish an updated AUGS by 30th November 2011 and seek approval by the UNCC at the 15th December meeting.

TPD E 10.4.3 defines the process for developing the methodology which is to seek approval of the methodology and then prepare the AUG Table. The updated AUGS for end of November will therefore not contain updated UG figures but it would contain details of refinements noted above in light of feedback received during the consultation periods.

Assuming approval on 15th December the final UG table would be provided before Friday 23rd December.

Yours sincerely

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