

**AUGE responses to issues raised by Gazprom on the 30<sup>th</sup> and 31st October 2014, following the publication of the UG interim figures.**

Below are the issues raised by Gazprom Energy. The AUGE's response is shown afterwards in italics. Should you need any clarification regarding this response or have further questions, please contact the AUGE at [AUGE.software@dnvgl.com](mailto:AUGE.software@dnvgl.com)

***Gazprom Energy Query:***

**Permanent DM UG in Interim AUG Table for 2015/16**

We note the inclusion for the first time of a value set against the DM market sector. The value itself of 5 GWh is on the boundary of the de minimis level (set by DNVGL) at which reporting occurs and we would like to understand the reasoning, rationale and underlying data which justifies this 5 GWh transfer to DM. The documentation states the following:

**“Shipperless Sites:**

There are no Shipperless PTS DM sites (either DM voluntary or DM mandatory). In the Shipperless SSrP market sector, out of over 80,000 records there is one DM site that is long-term Shipperless and is contributing to UG. The UG from this site will be assigned to the DM sector manually (and hence removed from NDM LSP) at the end of the Shipperless UG calculation process. The energy value associated with this site will take a maximum value of approximately 4 GWh.”

However I note the reference to the maximum value being 4 GWh whereas the AUGE set a de minimis level of 5 GWh for reporting.

The 5GWh value appears to be quite small considering the site is orphaned; meaning it has never been on supply with a shipper, so should theoretically be a mandated DM site because non-mandated DM sites would need to set up with a DM read provider and associated shipper. The mandated DM threshold is an AQ of 58.6GWh, meaning the 5GWh value for this case is about a month's worth of unregistered usage, for a period of time of more than 12 months ago.

As this single instance appears to be an exception to the rule that DM sites should not be included, I believe it is worthwhile investigating this specific MPR:

- Is the 5GWh quantity supported by actual meter reads and what is known about the consumer?
- If the 5GWh is not supported by meter reads, what was the methodology in reaching this figure, and why was it not 4GWh as quoted in the quotation above as being the maximum value?
- Why is this site not suitable for back-billing by either the supplier or distribution network?

It is vital that any DM UG can be justified, particularly as this could potentially lead to UG being assigned to the DM sector in the future under Project Nexus.

***AUGE's Response:***

*The decision to assign a small non-zero value for DM UG in the interim figures was taken as a result of an Xoserve investigation into backbilling of DM sites. Xoserve confirmed that Unregistered DM*

sites are not backbilled as a matter of course, and the billing of such sites follows broadly the same rules as for Unregistered NDM sites.

It should be noted that the 5 GWh of Orphaned DMM UG contained in the interim figures is not the same as the 4 GWh of DMV Shipperless SSrP UG referenced in Section 6.1 of the AUGS. The 4 GWh of DMV SSrP UG came from a single site in WS LDZ (dummy MPRN 2181019, AQ 4,292,692 KWh), which had been Shipperless for some time. At the time of writing the AUGS it was assumed that this site would remain Shipperless and hence contribute to DM UG for the forecast year. This site disappeared from the Shipperless snapshots in April 2014 and Xoserve's investigations have now confirmed that the site was decommissioned at the same time that it became Shipperless. It is therefore not included in the interim UG estimates for the 2015/16 formula year, and DM Shipperless SSrP UG is zero.

Despite the low magnitude of these two potential elements of UG, it was valid for both to be considered for inclusion using the rules stated in Section 3.4 of the AUGS: the minimum change that will be considered is 4 GWh, and so both the 4 GWh from the now-defunct DMV Shipperless SSrP site and the 5 GWh of Orphaned DMM UG either equal or exceed this threshold.

The 5 GWh of Orphaned DMM UG in the interim figures comes from a number of sites above the mandatory DM threshold of 58.6 GWh per annum that have been Unregistered over the course of the training period. Such sites have occurred consistently in the Orphaned category throughout the time period for which we have snapshots right through to the present day, despite the implementation of Mod 410A. It is therefore reasonable to assume that this pattern will continue in the forecast year.

The non-zero value for DM Orphaned in the interim figures is due to three DMM sites that were still Unregistered as of Sept 2014, the most recent data currently available. The dummy MPRNs of these sites are:

23244652 (NO, AQ=60,000,000 KWh)

23252637 (SW, AQ=67,843,002 KWh)

23345620 (WM, AQ=106,211,000 KWh)

Given that these sites are still Unregistered their confirmed AQs are unknown, but throughout the training period there have been numerous examples of sites that have been Unregistered being confirmed with AQs above the DMM threshold and these can be seen in the "Further Investigation Sites Sep 2014.xlsx" spreadsheet. There is therefore no reason to consider the AQs of the three currently Orphaned DM sites to be erroneous.

The low UG value contributed by these sites despite their high AQs is due to the low probability that they are actually consuming gas whilst Unregistered. All three sites are listed in the snapshots as having a meter and hence are capable of flowing gas, but that does not mean that they are doing so – analysis has shown that only 9% of sites that are capable of flowing gas whilst Unregistered actually do so, and of these, 63% are backbilled for it. The Xoserve investigation has shown that the backbilling situation is no different for NDM and DM sites and hence these figures are also applied to the DM sector.

*The gas flow status and billing status of the three sites in question is necessarily unknown at this point, and hence the **probability** of each one flowing gas that cannot be backbilled must be used in the UG calculations. This leads to the low assigned UG to the DM sector despite the high AQt of the sites involved. This approach is analogous to the famous “Schrodinger’s Cat” physics thought experiment and is necessary due to the unknown status of each DM site until it becomes registered.*

*It is acknowledged, however, that it is unlikely that any more DM sites will reach Orphaned status in the future due to the effects of Mod 410A. Each of the three sites in question pre-dates this Mod and hence they are not affected by it. By contrast, the only DM site to have appeared in the “Unregistered <12 Months” category since Feb 2014 is one of the three listed above (23345620), during its year in this category before it moved to Orphaned – and as stated, this site pre-dates the Mod and is not affected by it. This shows that the Mod is successfully controlling Unregistered DM sites and it is unlikely that any more will appear. Therefore, when the three listed above are resolved, DM UG from this source will disappear. Xoserve have been asked to provide the latest available information on the three sites in question and they have confirmed that as of 05/11/2014 these sites are still Unregistered. As and when we receive information that any have been resolved the DM UG estimate will be amended in line with this, and if all are resolved it will reduce to zero for the Final AUG Table for 2015/16.*