AUGE responses to issues raised by ScottishPower during the query period for the 2014 AUGS for 2015/16, 23 October 2014.

Below are the issues raised by ScottishPower. Following each issue is the AUGE's response in italics. Should you need any clarification regarding these responses or have further questions, please contact the AUGE at AUGE.software@dnvgl.com

CSEP Reconciliation

We understand that the AUGE has considered issues that have been raised by Shippers with regard to CSEPs and has concluded that all energy associated with CSEP should be regarded as temporary. ScottishPower is concerned about this assumption, in particular with respect to reconciliation activity on CSEPs and volumes that may fall beyond the "line in the sand", where the energy volumes will never be reconciled.

There are specific iGT UNC requirements on Users to submit meter readings which should result in reconciliations taking place. This is indeed the case over Large Transporter networks where it has been reported that only a small percentage of energy remains unreconciled. As demonstrated by statistics reported by Xoserve through the quarterly reports presented to Industry Engagement Forum, a large population of CSEP Logical Meter Numbers (LMNs) are never reconciled and others only have some reconciliation undertaken.

As a consequence due to the lack of reconciliation activity there is the potential for large volumes of energy (and associated UG) being unaccounted for by the progressive advance of the settlement close-out window in relation to IGT LSP sites.

Response:
The AUGE fully accepts that reconciliation rates in CSEPs are lower than in the general population. As a consequence of this, reconciliation does not occur before the close-out date for some sites, and in addition the annual rate of AQ recalculation in CSEPs is considerably lower than for sites outside CSEPs. Since the introduction of the Consumption Method in the 2013 AUGS for 2014/15, however, reconciliation rates do not directly impact on UG figures.

CSEP consumption impacts on the overall UG figures in two different ways:

1. *Unknown Projects and Unregistered sites on known CSEPs*
   These form a directly-calculated element of UG, which is calculated using dedicated data supplied by Xoserve. The assumptions regarding temporary UG refer to this directly-calculated element, but this is a different area to meter reading and reconciliation of known sites on known CSEPs. The UG from this area is split fairly evenly between the two sources: Unknown Projects are CSEPs that are known to exist but for a variety of reasons are not on Xoserve's systems, while Unregistered sites on known CSEPs, as the name suggests, lie on CSEPs that are on Xoserve's systems but where some of the sites on that CSEP are Unregistered. The permanent/temporary split of the UG from these does not arise from reconciliation rates, but from whether consumption from the sites during the Unknown/Unregistered period is billed once the CSEP has been included on Xoserve's system (Unknown Projects) or the site has been registered

(Unregistered sites on known CSEPs). We have been informed by Xoserve that such billing will occur for LSP sites but not SSP ones, and this is the permanent/temporary assumption described in the latest AUGS. We will however, be quite happy to liaise further with Xoserve to ensure this assumption is still accurate.

2. *Estimate of Registered CSEP consumption for Consumption Method*
   All registered sites on known CSEPs (i.e. all CSEP sites that fall outside #1 above) are included in the Consumption calculation that is used to estimate the UG total. Reconciliation is not directly relevant to this area because meter reads are not used for any sites in CSEPs due to lack of availability. Known CSEP consumption is estimated as part of the "scaling up" population (for which meter reads are unavailable) in the Consumption Method. The reconciliation rate is indirectly relevant in this case because AQs are used as part of the consumption estimation process - and because AQs are falling year on year, any that have not been recalculated are likely to be over-estimates. This does not affect the temporary/permanent split of UG from CSEPs but does affect the calculated UG total and is dealt with in more detail below.

The definition of Unidentified Gas is gas that has been consumed in an unrecorded manner, where it has not been measured/estimated and subsequently billed. This does not include gas consumed at registered sites but where meter reads are not made within the reconciliation window, because consumption at these sites is still estimated and billed using the allocation algorithm. The actual consumption of any such sites is estimated using an independent process as part of the Consumption Method, and hence reconciliation rates of known sites do not impact directly on the UG total.

The reconciliation of sites that were on Unknown Projects or were Unregistered sites on known CSEPs is assumed to occur at the point of registration for sites where this is possible (i.e. for LSP sites but not for SSP) and these assumptions will be verified with Xoserve.

RbD Debit through Reconciliation

A further point to note is that where CSEP Reconciliations are processed a high percentage of these result in a debit to RbD. Xoserve reported in the September 13 at the Industry Engagement Forum for the 18 month period from Mar 12 – Aug 13 that:

- Volume of reconciliation received at CSEP was (–1,054,261,434kWh)
- Value GRE £-21,244,092.07

This would suggest consumption at individual LMNs is overstated and as a consequence is understating the value of unidentified gas. If the meter readings used within the reconciliation are subsequently used to amend the individual LMN AQ, this will correct the energy allocation going forward. However, for those LMNs where no reconciliation is undertaken this is not the case. For those sites where there is an initial reconciliation it is unclear if continuous reconciliations take place, which would lead to the continued update of the site and LMN AQ value. This is important to ensure that energy allocation more accurately represents an estimate of the offtake consumption at the site.

Response:
The AQ is used as part of the consumption estimation process for registered sites on known CSEPs, and it is accepted that where the AQ has not been recalculated, this is likely to lead to an over-estimation of total CSEP load and a consequent under-estimation of UG. British Gas also raised this issue in response to the first draft of the 2014 AUGS for 2015/16 and as a result of this the CSEP demand estimation process has been updated to allow for the effect of rolled-over AQs. This is described in Section 4.7 of the final AUGS for 2015/16 and addresses this issue fully.

Other Areas

We would appreciate the AUGE looking at the impact that AQs of 1kWh and unregistered sites may have following the recent industry exercises to resolve and address these issues. We would ask the AUGE to confirm if it still believes that all gas associated with these issues are temporary in nature.

Response:
The issue of AQ=1 sites that are actually consuming gas, and the associated issue of AQ>1 sites that are not, is addressed for the non-CSEP population in the scaling-up element of the Consumption Method and is described in Section 6.3.3 of the final AUGS for 2015/16. It is not possible to carry out this calculation for CSEPs however, because data is supplied aggregated to the EUC level and is not available on a site-by-site basis. New data is received on an annual basis for CSEP population and AQ by EUC however, and so the impact of any work done by the industry to resolve AQ=1 issues will be reflected in each dataset as it arrives.

In a similar manner, data regarding Unregistered sites on known CSEPs is also received annually and the latest data is always used in all calculations. Therefore the effect of industry initiatives such as Mod 410A will be captured in these ongoing datasets and used in calculations.