

AUG Year Review Report for 2018/19

Purpose of the Document

This document is a report to the Uniform Network Code Committee (UNCC), in accordance with section 7.4 of the UNC Related Document “Framework for the Appointment of an Allocation of Unidentified Gas Expert” (AUGE) (the “Framework”). It summarises the outcome of the Review of the AUG Year 2018/19, during which the AUGE prepared the AUG Statement and Table of Weighting Factors to apply for the Gas Year 2019/20.

Executive Summary

Xoserve requested feedback on the process and activities undertaken this AUG Year in developing the AUG Statement and Table for Gas Year 2019/20. We received feedback from four separate parties against four headings, which we have summarised here. The feedback is presented in more detail in the rest of the document, along with Xoserve responses where appropriate. A glossary of terms is set out on page 2.

The AUG Framework document, e.g. timeline, clarity of scope and of responsibilities

Responses were divided as to whether the revised timings of the AUG Review were an improvement. Scottish Power suggested a number of changes to the timetable and voting arrangements, which would require an update to the AUG Framework, and in some cases a UNC Modification. There was positive feedback on the introduction of the monthly report from the AUGE.

The AUGE for such areas as communication, industry engagement, query responses etc.

Responses were again divided as to whether the change to the AUGE’s methodology for assessing theft was an improvement. Xoserve and the AUGE are working with Electralink to try to obtain additional theft data for the coming year’s analysis.

There were also concerns about the number of issues which remained outstanding at the end of the analysis period and the lack of conclusions on key topics. The ongoing procurement of a new service provider to fulfil the AUGE role is an opportunity to revisit the way that the service (as defined in UNC/the Framework) is delivered.

The industry, e.g. for support for the process and timeliness/relevance of responses to consultations

The AUGE welcomed the support that it received from Xoserve and the industry but was disappointed with the level of data that could be obtained from TRAS. The AUGE felt that references to the procurement process by industry parties were an attempt to influence the outcomes of the development of the Factors, however it is inevitable that as a contract period nears the end, the industry will reflect on how the service could be delivered differently.

Xoserve, e.g. for the provision of information

The AUGE commented on the delays to data delivery and issues with data quality from Xoserve. We were very sorry that we were unable to deliver all the AUGE's requirements on time and without re-work. We have identified the issue with our reporting system which resulted in missing meter readings in our data extracts and we now have a solution to this issue. We have an agreed delivery schedule for all data for 2019 and we will monitor progress closely to ensure that we give the AUGE all the support it requires to complete its assessment.

Terminology used in this Document

AUG	Allocation of Unidentified Gas
AUGE	Allocation of Unidentified Gas Expert
AUGS	Allocation of Unidentified Gas Statement
CDSP	Central Data Services Provider, i.e. Xoserve
DNV GL	The current provider of the AUGE service to the gas industry
EUC	End User Category
The Framework	The Framework for the Appointment of an Allocation of Unidentified Gas Expert (UNC Related Document)
ICoSS	The I&C Only Shippers and Suppliers Group
Nexus	The industry project to review gas settlement arrangements and upgrade Xoserve's systems (implemented in June 2017)
PPM	Prepayment Meter
TRAS	Theft Risk Assessment Service
UIG	Unidentified Gas
UNC	Uniform Network Code
UNCC	Uniform Network Code Committee

Introduction

At the end of each AUG Year the CDSP is required to conduct a review of the activities and performance of the AUGE and relevant industry parties, for the creation of the AUG Statement and Table.

This report details the approach to the review for the AUG Year 2018/19 (in other words the preparation of the AUG Statement and Table of Weighting Factors to apply for the Gas Year 2019/20), the review feedback and recommendations implemented or with the potential to be implemented for the current and forthcoming AUGE years.

Approach to the Review

Xoserve requested the Joint Office of Gas Transporters to circulate an open letter to all UNC parties to request feedback for the AUGE Year 2018/19 and any suggestions for improvements. The distribution list for the letter included the AUGE, Gas Shippers, Large Gas Transporters, Ofgem and the Joint Office of Gas Transporters. You can find the letter in Appendix 1.

Areas to consider for feedback included:

- The AUG Framework document, e.g. timeline, clarity of scope and of responsibilities
- The AUGE for such areas as communication, industry engagement, query responses etc.
- The industry, e.g. for support for the process and timeliness/relevance of responses to consultations
- Xoserve e.g. for the provision of information

Feedback was received from:

- Two shipper organisations
- ICoSS on behalf of a number of shippers in the industrial and commercial sector of the market
- The AUGE

Key points raised in the feedback are reproduced in the following section, along with Xoserve's responses.

Summary of Feedback by Topic Area

The AUG Framework document, e.g. timeline, clarity of scope and of responsibilities

Positive comments

Shipper A commented:

“The review itself was far better timed than the previous year so there appeared to be improvement in that space.”

ICoSS commented:

“Overall we believe that the AUGE process has worked well this year. The change in the AUGE timeline, which was progressed by ICoSS members, has given more opportunity for industry parties to examine the proposed AUGE methodology and to engage earlier in a more meaningful manner. ... This has given the AUGE and industry more opportunity to test the underlying methodology and incorporate any improvements into the forthcoming statement, rather than waiting until the next AUGE year.”

The AUGE commented:

- *“The new schedule worked well*
- *The early engagement meeting was very useful and provided an opportunity for more industry input*
- *Monthly reporting (not in Framework document) was well received”*

Areas for Improvement

Scottish Power commented:

- *“The Sub-Committee and UNCC have no vires to approve the table.*
- *This means shippers are dependent on the expert output*
- *Unanimous approval from UNCC is required either to i) re-work or ii) allow the current table to roll on.*
- *This is fine when all UNCC members agree that the table is inappropriate, but an unintended consequence is that this approach allows a minority to exercise disproportionate power in blocking any changes where the proposed table is in their interests – to wit. the voting at UNCC for Scottish Power’s proposal to complete the analysis before October which garnered a majority*
- *Insufficient time to prepare UNCC for representations following final Sub-Committee (meeting was only 6 working days prior to the UNCC)*
- *In addition, UNCC had received no updates on the progress of the AUGE work during the year so were not in a position to make a decision to overturn the proposal on a short notice item*
- *The delegating of voting powers of absentee members leaves no room for genuine debate in light of new facts because the alternate is not in a position to exercise any discretion on the facts presented.”*

Scottish Power made the following recommendations:

- *“Increase the time available to AUGE to develop response and incorporate into proposals*
- *Provide updates to UNCC of consultation responses and AUGE progress*
- *Formalise powers for Sub-Committee voting on approval of AUGE factors”*

ICoSS made the following comments/recommendations:

“Looking forward, we suggest that emphasis is placed on further refining the statement to take account of the evident difference between PPM and credit meters with regard to energy theft. There is a clear difference between the two market sectors. We would be supportive of any changes to the AUGE table to take into account EUC [End User Category] Band sub-categories.

Consideration should also be given to further refining the AUGE scaling factors in light of the findings that the majority of theft in EUC Band 1 is from sites with PPM meters [Prepayment Meters]”.

Xoserve’s Response to the Comments on the Framework and Process

As agreed at the July 2019 AUG Sub-Committee, a summary of key messages will now be produced after each AUG Sub-Committee meeting and circulated by Joint Office. This should improve communication to UNCC, who will also be consulted about the nature and timing of updates to aid its review of the final Statement and Table.

All dates in the annual process are set out in the Framework document, except for the definition of an AUG Year which is in UNC (Section E). Changes to the dates in the annual process could be made via a change to the Framework document, which would require a simple majority at UNCC. Any UNC party can propose a change to the Framework document. However a change to the approval process, including the voting arrangements at UNCC, would require a Modification Proposal. Any change to the format of the Table of UIG Weighting Factors, such as separate factors for different meter types, would also require a Modification Proposal, as the Table format is set out in Section H.

Xoserve would be happy to support any discussions about the annual process or timetable and to provide any impact assessments to support those discussions.

The AUGE for such areas as communication, industry engagement, query responses etc.

Positive comments

ICoSS commented:

“We are pleased to have seen the AUGE respond to [the increased engagement in the AUGE timeline] providing additional information for the industry including publishing regular updates, as well as [Joint Office] hosting more meetings.

In terms of the final AUGE statement, we believe that this year's statement represents a significant improvement in the accuracy and robustness to previous statements. We particularly welcome the emphasis on the theft aspect of Unidentified Gas. The use of the TRAS data to assess underlying theft trends we fully support as this data provides the most comprehensive set of information on the locations and causes of energy theft. We are not aware of any potentially more comprehensive dataset and so the TRAS information should continue to be used as the basis for any theft apportionment going forward."

Areas for Improvement - General

Scottish Power commented:

"This was the 3rd application of the new Allocation of Unidentified Gas processes, it was also the first application for which there was a full gas-year (17/18) of post-Nexus UIG allocations to inform stakeholders responses to the consultation. As such there was a large number of points raised by stakeholders for AUGE to consider.

It was also the 1st application of the revised Framework (accelerated by 2 months compared to the previous year). The consequence of this fore-shortened period combined with the number of issues raised is that 9 issues remain open on the AUGE Log, yet to be evaluated."

Shipper A commented:

"There was still deferral of some reviews and methodology evolution put off to 2020 which is disappointing when the timings were moved in the hope to incorporate things within 2019/2020 year amendments.

We understand that data analysis is needed to make recommendations but based on our own analytical abilities we don't believe the AUGE makes the progress nor expert recommendations when there is the opportunity to. This reluctance to make recommendations results in delays in decision making which could diminish the quality of the modelling applied and also the confidence in those doing the modelling. The AUGE is supposedly the expert yet the reluctance is resulting in doubt in the expert ability actually being applied. We are not sure if this is the AUGE or the way the contractual agreements work with the CDSP, either way there needs to be improvements in the analysis justifications and the ability to communicate this with the industry. We feel strongly that independence and robust modelling is essential for the process to operate successfully. Unfortunately, we currently have doubts with the application of this and feel improvements need to be made."

Xoserve's Response to the Comments on the AUGE in general

The current AUGE's contract reflects the scope set out in UNC and the Framework document. Xoserve has published a summary of the contract for industry reference on its secure website (in Folder 31). The current AUGE (DNV GL) takes an analytical and evidence-based approach to the assignment. In some areas there has been insufficient evidence of an impact on UIG for it to fully assess the impacts.

The ongoing procurement of a new service provider to fulfil the AUGE role is an opportunity to revisit the way that the service (as defined in UNC/the Framework) is delivered.

Areas for Improvement – Theft analysis

Scottish Power commented:

“SP believe that it is inappropriate to propose changes to UIG factors based on only partial analysis of the issues, since the remaining factors could reasonably be expected to result in further changes.”

Shipper A commented:

“We are not sure the analysis completed on theft was interpreted in the same way the TRAS Service Provider views theft, there needs to be more work conducted in this topic to ensure that accurate assertions are applied as this can negatively impact the modelling.”

Xoserve’s Response to the Comments on the AUGE’s Theft analysis

We have requested delivery of an enhanced data extract from TRAS for 2019 and we are working with Electralink to gain approval from the SPAA Theft Issues Group in good time for the AUGE to use it in its calculations for the 2020/21 factors.

The industry, e.g. for support for the process and timeliness/relevance of responses to consultations

Positive comments

ICoSS commented:

“There has also been an improvement in communication. The monthly updates provided by the AUGE have provided a useful indicator of progress. It is important that these updates are widely communicated and so we expect that the Joint Office continues to actively circulate these updates to the industry.”

The AUGE commented:

- *“The AUGE welcomed the support it received from the Industry and Xoserve to obtain TRAS data*
- *The industry seems more engaged in and supportive of the process”*

Areas for Improvement - General

The AUGE commented:

- *“Very difficult and time consuming process to obtain TRAS data*

- *Not all TRAS data requested was made available which caused issues with the methodology and with the industry when the new approach was only partially implemented*
- *There were occasions when industry parties referred to the AUGE procurement process during communications with the AUGE which could be seen as an attempt to influence the AUGE*

Xoserve's Response to the industry's support for the process

As mentioned above, an enhanced data extract has been requested from the Theft Issues Group.

Whilst the AUGE may have felt that references to the procurement process were an attempt to influence the outcomes of the development of the Factors, it is inevitable that as a contract period nears the end, the industry will reflect on how the service could be delivered differently.

The procurement of a new AUGE service provider will follow EU Procurement Regulations and will be supported by a Stakeholder Panel drawn from the industry.

Xoserve, e.g. for the provision of information

Positive comments

The AUGE commented:

- *"A number of new data items were provided on request, and often at short notice"*

Areas for Improvement

The AUGE commented:

- *"A number of data issues led to delays, data resends and therefore rework e.g. presence of volume converters, meter read data etc"*
- *There are still a significant number of missing meter reads"*

Xoserve's Response to the industry's support for the process

This was the first full year of data delivery following Project Nexus implementation and as a result we encountered a number of unexpected problems with our data extracts. We were very sorry that we were unable to deliver all the AUGE's requirements on time and without re-work. Wherever possible we tried to provide data from alternative sources or via adhoc requests.

We have identified the issue with our reporting system which resulted in missing meter readings in our data extracts and we now have a solution to this issue.

We have an agreed delivery schedule for all data for 2019 and we will monitor progress closely to ensure that we give the AUGE all the support it requires to complete its assessment.

APPENDIX 1: Text of the Request for Feedback

To:
UNC Parties, including Shippers and Large Gas Transporters
The Joint Office of the Gas Transporters
Ofgem
The AUGE

28 May 2019

Dear Colleague

Allocation of Unidentified Gas (AUG) Process – Request for Feedback

2018/19 saw the third application of the new Allocation of Unidentified Gas processes, as introduced by UNC Modification 0473. It was also the first year of application of the updated version of the “Framework for the Appointment of an Allocation of Unidentified Gas Expert”, which was developed in UNC Review Group 0639 (Review of AUGE Framework and Arrangements) to address many of the industry’s concerns with the previous process. The latest Framework document was approved by UNC Committee in June 2018 and can be found under UNC Related Documents: <https://www.gasgovernance.co.uk/tpddocs>

The outputs of the process for 2018/19, which included four meetings of the UNC AUG Sub-Committee and which concluded at April UNC Committee meeting, can be found on the Joint Office.

April UNC Committee: <http://www.gasgovernance.co.uk/uncc/180419>

UNC AUG Sub-Committee: <http://www.gasgovernance.co.uk/aug>

Final AUG Statement and Table: <http://www.gasgovernance.co.uk/augenex/1920>

The AUG Framework includes a requirement for the Gas Transporters to conduct a review of “the activities and performance of the AUGE and the industry for the creation of the AUGS” and to report to the Committee (section 7.4 of the revised Framework).

APPENDIX 1: Text of the Request for Feedback

I would like to request your feedback on the events of the AUG Expert year 2018/19, i.e. the development of the AUG Statement and Table of UIG Weighting Factors for 2019/20, and any suggestions for improvements.

Areas on which you may consider providing feedback include:

- The AUG Framework document, e.g. timeline, clarity of scope and of responsibilities
- The AUGE for such areas as: communication, industry engagement, query responses etc.
- The industry, e.g. for support for the process and timeliness/relevance of responses to consultations
- Xoserve, e.g. for the provision of information

The intention is to produce a short review report on the 2018/19 process for presentation to UNCC, including any recommendations for further improvement. To enable this to be produced, I would be grateful if you could provide any feedback by Wednesday 19th June 2019.

Please submit your responses to analytical.services@xoserve.com. Could you also please advise whether you are happy for your feedback to be made public (probably as an appendix to the report).

If you have any questions regarding this topic please do not hesitate to contact me via the email address above.

Yours sincerely

Fiona Cottam
Business Process Manager