

**AUG Statement 2021/2022 Consultation - deadline 22<sup>nd</sup> January 2021**

In response to the first draft consultations questions, please find our anonymous comments below:

**Question 1.** Our overarching methodology is detailed within Section 4 ("Overarching Methodology") of the draft AUG Statement. This methodology is based on the following principles:

- Polluter Pays – we interpreted "fair and equitable" to mean that UIG should be allocated in the same proportions as it is created;
- Line in the Sand – we only considered UIG that will exist at the Line in the Sand (the final Settlement position) and not UIG that exists temporarily prior to this; and
- Bottom-up Determination – we quantified UIG for each identified contributor and added these together, rather than estimating the overall UIG and apportioning it or using it as a means of differencing.

Please highlight any aspect of this methodology with which you disagree and which you believe materially affects the Weighting Factors contained within the AUG Table, providing your rationale and, wherever possible, supporting evidence.

**Response:**

These are expected methodology approaches and we have no comments on these principles themselves.

**Question 2.** Our results for the four contributors under detailed investigation are contained within Section 5 ("Detailed Investigations") of the draft AUG Statement. For each of these contributors, please highlight any assumptions, methodology aspects, calculations and results with which you disagree and which you believe materially affect the Weighting Factors contained within the AUG Table, providing your rationale and, wherever possible, supporting evidence:

- 2.1 010 - Theft of Gas;
- 2.2 040 - Consumption Meter Errors;
- 2.3 050 - LDZ Meter Errors; and
- 2.4 090 - No Read at the Line in the Sand.

**Response:**

These were expected contributors and we have some generic comments and some detailed points for individual contributor topics – see below:

Generic Class 3 comments:

- Class 3 – we do not believe all parties will be impacted in the same way with the proposed changes to this class. We believe some made decisions to move to class 3 as it was advantageous previously, which may not be the case in the future and may see further class moves occur.

- We have had concerns that those utilising class 3 are not always capable of delivering the class 3 requirements, if the incentive to be in class 3 is removed then we believe it may encourage parties to classify sites correctly rather than being driven by the benefits of the factors themselves.
- We cannot assume if the weighting factors change that it will not result in mass movement of classes. Should the factors change we encourage the CDSP to work with parties to understand if there would be mass movements to ensure there are no industry impacts to this activity.

Generic COVID-19 comments:

- We do not believe there is enough historic information relating to a pandemic "Covid-19", and because of this we are unable to build nor conclude a firm view on the impacts, some domestic and I&C users are consuming more, where in contrast others are using significantly less.
- Due to the differences in local and national lockdowns over the last 12 months, we do not believe there is enough data to quantify the trends, we do recognise that in the first lockdown it saw the I&C sector impacted significantly, however, changes in use processes allow AOs to be amended which could have been utilised and mitigated the overall impacts.
- We believe the SME sector has been more significantly impacted, but this is harder to quantify, with a mixture of monthly and annually read sites, some of the positions dropped and rebound quite quickly, where others had a lag or may not have had reads yet. Overall, we believe there is a net benefit rather than deficit.
- The bulk of UIG has been pushed into the domestic sector which we believe has been least impacted and although it is a risk, we perceive this to be smaller than others might have expected.

Contributor comments:

- 2.1 010 - Theft of Gas;
  - We have previously challenged that the differencing model was not accurate and likely to have been incorrect since AUG statement inception, both pre and post Nexus – we are pleased to see this modelling evolve but recognise further development might be required in future years.
  - It is highly likely that there are contributors which are not yet identified and therefore any methodology that derives a factor independently is a step forward.
  - We also strongly agree with the view that previous estimates of total UIG were too low and expect to see this supported as we get towards close out.
  - It is surprising that the bottom up calculation is not more divergent from the previous analysis (being 8.4TWh vs 7.2TWh previously). We are pleased that it is comparable and that this allows a much better allocation to EUC bands and categories than previously.
  - We agree that the assumption deriving the 1.5% is logical based on the comparators and ranges outlined in the paper.
  - The SMART analysis shows that the industry as a whole will benefit from theft reductions as the Smart installation program extends these meters across the population.
  - We are concerned that detection has dropped so significantly, perhaps an area for PAC to work with REC on to further evolve and improve the data in this area.
- 2.2 040 - Consumption Meter Errors;
  - We agree that this can and will be a contributing factor, we also believe this might be difficult to quantify because the impacts will be estimated as consumption is likely to be very varied.



- We believe that flow levels may also have an impact on the calculations of this and may need to be a point of consideration.
- We support this being an area which PAC discusses further.
- 2.3 050 - LDZ Meter Errors; and
  - No further comments in this area, we agree it is a contributor.
- 2.4 090 - No Read at the Line in the Sand.
  - No further comments in this area, we agree it is a contributor.

In summary, we believe the changes will result in some winners and some losers, but we support the modelling proposed.

**Question 3.** Our results for the six contributors not under detailed investigation are contained within Section 6 ("Other Contributors") of the draft AUG Statement. For each of these contributors, please highlight any assumptions, methodology aspects, calculations and results with which you disagree and which you believe materially affect the Weighting Factors contained within the AUG Table, providing your rationale and, wherever possible, supporting evidence:

- 3.1 070 - Average Pressure Assumption;
- 3.2 080 - Average Temperature Assumption;
- 3.3 100 - Incorrect Correction Factors;
- 3.4 020 - Unregistered Sites;
- 3.5 025 - Shipperless Sites; and
- 3.6 060 - IGT Shrinkage.

**Response:**

- 3.1 070 - Average Pressure Assumption;
  - We are pleased to see quantification of the average height of meter points and the impact on pressure from the standard calculation.
- 3.2 080 - Average Temperature Assumption;
  - We were surprised by the average temperature difference; we have reviewed the methodology outlined and believe it seems sensible and will not dispute the outcome.
- 3.3 100 - Incorrect Correction Factors;
  - No additional comments.
- 3.4 020 - Unregistered Sites;
  - No additional comments.
- 3.5 025 - Shipperless Sites; and
  - No additional comments.
- 3.6 060 - IGT Shrinkage.
  - No additional comments.

Based on our internal tracking of the UIG value pre and post Nexus we agree that 2.47% is a suitable value and do not wish to disagree with the AUG suggested findings.

**Question 4.** If there is any other relevant matter in relation to this consultation that you would like to raise which you believe materially affects the Weighting Factors contained within the AUG Table, please explain this and provide your rationale and, wherever possible, supporting evidence.

**Response:**

We have the following additional observations:

- Upon reflection, the splitting of the EUC categories within the weighting factors may have introduced an unintended level of complexity, we supported the granular level of data for the demand estimation modelling however we are now concerned that incorporating it within the weighting factors may have been a step too far.
- We believe there may be industry concerns surrounding how much the values move between each set of calculations; this has suggested to us that the previous calculations were incorrect or had inaccurate modelling/rationale.
- We would recommend further investigations into the modelling to ensure there aren't any obvious influencing factors which are yet to be identified.

In summary we are noting these additional points, however, we are comfortable accepting the output for this year but recommend further investigations to continue.