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Dear Chris

British Gas comments on the First Draft 2021/22 Allocation of Unidentified Gas Statement (AUGS)

We appreciate this opportunity to provide feedback on the work being undertaken by the Allocation of Unidentified Gas Expert.

Please find attached our recommendations based on the draft AUG Statement.

Yours sincerely



Rhys Kealley
Industry Development & Design Manager
Centrica Business Solutions

**Response to Consultation Questions for the Draft 2021/22 Allocation of Unidentified Gas Statement
January 2021**

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.

Centrica response:

Overall methodology

- We agree with the overarching methodology, in that it builds upon the approach the AUGE has previously put forward, and it is based on the available data and AUGE’s independent expertise. We are of the opinion that given the range of challenges inherent in the task, that the AUGE are performing their duties with due skill, care and diligence.

Response to industry feedback

- It is fair to assume the industry will be using the draft table as the basis for making commercial decisions, such as pricing. While we are supportive of updates to the draft that address “clear weaknesses”, any significant updates other than corrections in response to industry representations (backed by sufficient evidence) should be avoided.
- There are elements of judgment applied in the course of the modelling, several of which may provoke contention. Given the AUGE has been appointed as an independent expert it should require compelling evidence to move from their “fair” view i.e. the AUGE shouldn’t feel compelled to modify their impartial and equitable assessments in order to satisfy the loudest voices.

Smoothing weighting factors

We have a comment in relation to the final step in the methodology to which smooths the Weighting Factors to produce the AUG Table:

- The weighting for the commercial prepayment sub-band of EUC1 (1PI) is based on a small base volume of 15 GWh AQ – which is possibly mis-categorised. It would be a suitable smoothing approach to align this category with commercial non-prepay (1NI), in line with the approach taken with EUC Band 2 (2PI and 2NI).

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.

Centrica response:

2.1 010 - Theft of Gas

- Care should be taken over assumptions relating to Smart meters, with these kept under review in future years:
 - The statement that Smart meter throughput is increasing at a higher rate than detected theft and surmising that Smart meters were less likely to have theft undertaken on them seems premature.
 - Supplier capability at using Smart data to find theft is still in development, so typically use historic methods which include AQ reduction (which can take considerable time). As the Smart portfolio is relatively new it could be years before we truly understand this.
 - Smart Meters are as easily tampered as legacy meters, although index tamperers are not possible.
- The level of ‘advanced’ theft included (10.98%) is highly likely to be understated and should be reviewed. The Statement states that the level of advanced theft is ‘equivalent to at least half of the organised crime theft percentage above’ but then sets at half the level of organised crime theft percentage. We would suggest that, given the AUG’s view on the likely level of advanced theft, the mid-point between half and the full level of organised crime theft would be more appropriate.

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.

Centrica response:

- No further comment

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.

Centrica response:

- No further comment