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Dear Sirs

## Allocation of Unidentified Gas

Following the consultation issued by Ofgem on Theft of Gas, I have just seen your draft Allocation of Unidentified Gas Statement in your capacity as AUGGE for the gas industry. I congratulate you on a comprehensive review of the various complex issues which give rise to Unidentified Gas and note that your proposals go a long way to defining a methodology for estimating it. However, I do have a concern that you are relying extensively on data provided by xoserve which has proved to be unreliable in the past – an independent approach has to ensure that the underlying data is assessed for consistency, accuracy and transparency.

I have spent nearly 40 years in the energy industry, a lot of it with British Gas as an Industrial Sales Engineer responsible for the installation of non-domestic gas meters, but since 1992 I have been working in the independent sector and was alarmed at the inability of Transco to keep track of meters as they were installed and removed – what other industry would allow their cash registers to be so neglected!

I now work as a consultant carrying out energy audits and emissions verifications for large consumers and from my own experience there at least two significant areas you have not fully considered in your analysis. The first area is the “unknown” supplies – these are mentioned in the section discussing Shipperless sites – but it is my belief that there are still a significant number of Large Supply Points which are unknown to National Grid and are consequently using unallocated gas. In many cases these supplies were installed as part of new developments when the industry was in turmoil during the 1996 siteworks reforms and the records were lost. They can be identified on site as they do not have any CAD/CUP type survey tags and the user has often tried to locate a shipper but is told that the supply does not exist. It would be difficult to class this as Theft when the user has made attempts to identify a supplier but I suspect that this is how the Unallocated gas is recorded.

The second, and potentially more significant area, concerns Daily Metered sites with incorrect meter index factors. I have been involved in negotiations with suppliers on behalf of clients who have been retrospectively billed huge amounts due to errors in setting up meters and correctors in the industry databases with the result that the recorded consumption has been out by a factor of 10 or 100. These errors are often “lost” in the RbD process as the DM settlement has been completed and cannot be re-opened and there is no incentive on the supplier to do so – in fact it may be to their advantage not to be re-allocated with the gas for which they have recovered only some of the cost from the customer.

Another area which may be significant, again touched on when considering over sized meters, is the number of large non-domestic rotary meters which are well over 20 years old (and consequently likely to be under-recording). This is particularly an RPD problem as these meters are obsolete and require significant engineering investment to bring the installation up to modern standards. When the industry implemented the RGMA process, I reviewed the meter portfolio for

the non-domestic shipper/supplier I was working for at the time and nearly 50% of the large meters were over 20 years old – my view was that these should be bought by the company and rented to the customer as they should be a nil value asset but National Grid refused to allow individual meters to be sold. The situation can only have got worse over recent years as large industrial users have reduced the size of their operations.

These areas may not contribute huge amounts to the Unallocated totals but it is interesting that they all have a common fault in that the responsibility mainly lies with the transporter. The proposed amendments to the UNC will not resolve these areas and unless some quantification is made of their significance the AUGS will still have a potential bias – a point I will be making to Ofgem in response to their consultation.

If you need further information please do not hesitate to contact me.

Yours faithfully,

*T Smith*

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