

Shrinkage Forum Minutes

Monday 19 December 2016

via teleconference

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Colin Wainwright	(CW)	Scotia Gas Networks
David Chalmers	(DC)	National Grid Gas Distribution
Geoff Goldie	(GG)	Northern Gas Networks
Ian Dunstan	(ID)	Wales & West Utilities
John Morrison	(JM)	Northern Gas Networks
Mark Jones	(MJ)	SSE
Matt Marshall	(MM)	National Grid Gas Distribution
Paul Whitton	(PW)	Scotia Gas Networks
Peter Morgan	(PM)	Scotia Gas Networks
Shahin Ali	(SA)	Wales & West Utilities
Tuan Tang	(TT)	RWE npower

**via teleconference*

Copies of all papers are available at: <http://www.gasgovernance.co.uk/sf/191216>

1. Introduction and Status Review

1.1. Approval of Minutes (25 October 2016)

The minutes of the previous meeting were approved.

1.2. Actions Outstanding

SF0201b: AL to investigate iGT licence conditions and iGT code provisions for reporting iGT Shrinkage and Leakage.

Update: AL not present; deferred to next meeting (13 February 2017). **Carried forward**

SF1001: National Grid Gas Distribution Limited (MM) to invite a representative of DNV GL to attend the December forum meeting to provide an update on the future billing methodology initiative.

Update: Advising that the project had now received approval from Ofgem, DC gave an update, commencing with an outline of the background to projects that preceded this initiative. The aim of the new project was to explore options for a fair and equitable billing methodology that would embrace a lower carbon future.

DC asked participants to note, that where an enrichment gas is used it can impact the level of carbon produced and the aim was to understand if this impact could be minimised in other ways.

DC explained aspects of lower carbon input (e.g. biomethane) into the gas system, the benefits of which it was hoped could be harnessed through different methods. The project

aims to investigate calorific value in gas flows at a more specific level, by quantifying and delineating the zones of influence of this lower carbon gas when input to the system (into LDZs) from a biomethane source. It was anticipated that a series of trials would be performed around two biomethane sites to understand the zone of influences (reach/spread) and any seasonal changes, and effects on consumers.

Ofgem's approval of the project included a 'stage gate', set for August 2017, whereby an evidence-based case must be provided demonstrating the appetite for change, industry views on the proposals, validation of field trials and any implications arising, and a cost benefit analysis. DC briefly explained a couple of approaches that might be used (pragmatic and composite), observing that DNVGL will be investigating assignment of CV to smart meters.

In order to meet the stage gate requirements (and provide these to Ofgem for August 2017), it was anticipated that engagement with industry would begin early in the new year with a consultation document. Following receipt of the stage gate information, Ofgem will have 6 weeks to decide if the project should go ahead; if approved, the project will be looking at a completion date of 31 March 2020. **Closed**

SF1002: *Reference forecasting annual Shrinkage amounts* – GDNs to consider whether or not it is viable to adopt a different gas purchasing strategy.

Update: PW (for SGN) advised that any variation from its existing strategy would be very much a gamble; it does not have the expertise to 'play the market'. It had looked at the market over the summer and at times prices were higher than the shoulder/winter months; it was not straightforward, as fluctuations appeared to be considerable (PW gave examples across days and weeks) and SGN would not be confident in relying on any new strategy and managing greater exposures. SGN had therefore concluded that it is not viable to adopt a different gas purchasing strategy, and would continue to buy gas on a daily basis. This was echoed by other DNs.

ID pointed out that the remit of the Shrinkage Forum was focused on the measurement of shrinkage and that the purchasing side of gas did not really fall under this forum, which would require different expertise to be brought to bear. From a governance point of view, BF noted that this was not a UNC forum and that its Terms of Reference could be changed with the agreement of the participants.

Noting that DNs had different contract set ups, and that they were averse to increasing their risk profile and potentially putting customers' money at risk, MJ understood SGN's view and the DNs' perspectives in this area. **Closed**

2. 2017/18 Timetable and Initial Proposals

The GDNs confirmed that these will be issued by the end of December.

3. Annual Shrinkage and Leakage Model Update (Ofgem Submission)

The consultation closed on the previous Friday, and parties were encouraged to read the documents that were published on the Joint Office website at:

<http://www.gasgovernance.co.uk/sf/consultations>.

4. AGI Venting Project - Update

MM reported that a draft document had been circulated to the DNs, and following feedback it was now being re-worked. The document is anticipated to be available towards the end of January.

5. Any Other Business

5.1. How Shippers and GDNs are affected by Shrinkage - Overview (AL and GDNs)

It was noted that the GDNs gave their perspective at the last meeting, and it was reiterated that a similar contribution from the Shippers' perspective would be very much appreciated to provide the GDNs with a better understanding of effects on Shippers.

It was agreed this should remain on the agenda for the February meeting.

6. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Meeting dates for 2017 were agreed.

All meetings will be 'face-to-face' unless otherwise notified.

Time/Date	Venue	Programme
10:30, Monday 13 February 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	<ul style="list-style-type: none"> 2017/18 Shrinkage Proposals Other items to be confirmed
10:30, Tuesday 28 March 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	To be confirmed
10:30, Tuesday 06 June 2017	Consort House, 6 Homer Road, Solihull B91 3QQ	To be confirmed
10:30, Wednesday 30 August 2017	Solihull	To be confirmed
10:30, Tuesday 31 October 2017	Solihull	To be confirmed
10:30, Tuesday 19 December 2017	Solihull	To be confirmed

Action Table (as at 19 December 2016)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
SF0201b	31/03/16	1.2	AL to investigate iGT licence conditions and iGT code provisions for reporting iGT Shrinkage and Leakage.	Scottish Power (AL)	Due 13 Feb 2017 Carried forward

Action Table (as at 19 December 2016)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
SF1001	25/10/16	1.2	To invite a representative of DNV GL to attend the December forum meeting to provide an update on the future billing methodology initiative.	NGGDL (MM)	Closed
SF1002	25/10/16	6.	<i>Reference forecasting annual Shrinkage amounts</i> – GDNs to consider whether or not it is viable to adopt a different gas purchasing strategy.	GDNs	Closed