

**UNC Workgroup 0843
Establishing the Independent Shrinkage Charge and the Independent
Shrinkage Expert**

Wednesday 27 September 2023

via Microsoft Teams

Attendees		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
David Morley (Proposer)	(DMo)	OVO Energy
Ben Hanley	(BH)	Northern Gas Networks
David Mitchell	(DMi)	SGN
Ellie Rogers	(ER)	Xoserve (CDSP)
Jenny Rawlinson	(JR)	BU UK (until 12:20)
Josie Lewis	(JL)	Xoserve (CDSP)
Julie Chou	(JC)	Wales & West Utilities
Katheryn Adeseye	(KA)	Xoserve (CDSP)
Louise Hellyer	(LH)	Total Energies
Mark Field	(MF)	Sembcorp
Matt Marshall	(MM)	Cadent Gas
Paige Leigh-Wilkes	(PLW)	Cadent Gas
Paul O'Toole	(POT)	Northern Gas Networks
Sandi Bradshaw	(SB)	Xoserve (CDSP)
Shiv Singh	(SS)	Cadent Gas
Tom Stuart	(TSt)	Wales & West Utilities
Tracey Saunders	(TSa)	Northern Gas Networks
Vic Tuffen	(VT)	Ofgem
William Fraser	(WF)	SGN

This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.

Please note these minutes do not replicate/include detailed content provided, therefore it is recommended that the published material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0843/270923>.

The Workgroup Report is due to be presented at the UNC Modification Panel by 16 November 2023.

1. Introduction and Status Review

Rebecca Hailes (RHa) welcomed all parties to the meeting.

1.1 Approval of Minutes (08 August 2023)

The following comments were provided by the Proposer David Morley (DMo):

- Action 0701 – the reference to the IGT Modification “Mirror mod” should be “enabling”
- Page 2 - The Shrinkage Model Error is referenced as just “shrinkage” which is incorrect. Shrinkage model error is not Shrinkage. E.g., “She stated that she was not yet clear on how this would be made possible as, contrary to DNOs, it is possible for

multiple IGTs to operate within the same LDZ, which would need to be addressed in the assignment of shrinkage within a solution that would also work within the systems available”

- Page 3 3rd paragraph - “JR asked to clarify if this meant that the mechanism would drill down to individual supply points. DMO confirmed ~~that this was the intention, with~~ that the calculation workings from the initial figure of all the gas that is missing, from which Shrinkage is subtracted, resulting in the means with which to separately calculate the GDN ISC and IGT ISC.”
- Page 3 5th paragraph - RHa asked if the purchasing mechanisms had been developed to which DMO confirmed that the mechanisms for GDNs would mirror ~~use~~ the existing functionality **used by GDNs.**”
- Page 7 “ER asked to clarify that whilst the ~~ISC-ISE~~ could make recommendations for changes to the National Leakage Tests, it could not enforce them.”

These amendments were made to the previous minutes and presented to the Workgroup for Approval. The previous minutes were approved.

1.2 Approval of Late Papers

There were 2 late papers which Workgroup Participants approved for this meeting, a presentation from the DNs and a draft Workgroup Report due to the Modification being amended on 25 September 2023.

1.3 Review of Outstanding Actions

0701: IGTs (MB) to provide feedback from IGT Workstream on 13 July.

Update: Jenny Rawlinson (JR) confirmed that discussions have taken place, noting the need to update the IGT165 Proposal for the Legal Text drafting. JR explained that there are still several unknowns which need to be considered under the IGT UNC.

DMO confirmed the UNC Modification Business Rules have been updated to account for multiple LDZs and the payment to multiple IGTs.

It was noted by JR that the details on how IGTs pay for the Independent Shrinkage Change would need to be inserted into the IGTUNC. DMO had anticipated that the rules on payment would be under UNC and within the IGTAD, believing that IGT165 needed to do two things:

1. to stipulate that the ISE has jurisdiction over IGTs; and
2. allow for the ISE to request data from IGTs.

This required further consideration at the IGT Workstream.

David Mitchell (DMi) clarified the charging elements will need to be clear within the Solution to ensure the Legal Text can be produced.

JR explained from the diagram presented further development is required particularly with how IGTs will engage in terms of purchasing the gas, and the payment/charging elements. It was noted that the licence description for the GDNs and IGTs payment arrangements are not the same. DMi clarified that the licence obligations are different for IGTs and GDNs. Tracey Saunders (TSa) briefly explained the complex process for purchasing gas.

DMO gave an overview of the IGT enabling Modification. It was anticipated that the separate charging elements for the purchase of gas would need to be included in the IGTAD, where elements are not within the Licence. As the Licence takes precedence, it will be necessary to ensure elements are cascaded down.

JR suggested that DMO forms a set of questions for the IGT UNC to consider, in particular how IGTs will purchase gas from Shippers. It was also suggested that a joint UNC and IGT meeting may be helpful. RH offered to facilitate this if the IGT-UNC wished.

Ellie Rogers (ER) highlighted that UNC TPD Section N4 covers elements for the purchase of

gas which may wish to be reviewed for the IGT enabling Modification. The ROM has approached the system change as a top-up in addition to the current Shrinkage Charge.

TSa asked the Workgroup to be mindful that the elements may need to be replicated for the new charge if not being considered as a Shrinkage charge.

ER provided an overview of how the additional charging could be processed based on the Business Rules. ER asked the Proposer to clarify if the charges will be aggregated or managed separately.

The Workgroup considered that Ofgem may wish to amend the Licence. Vic Tuffen (VT) confirmed Ofgem have not considered Licence changes at this stage.

DMo noted the need to consider the recovery of the Independent Shrinkage Charge, the replication of the existing arrangements and how this will be managed within the production of Legal Text. The Workgroup considered how this would sit alongside the existing arrangements, it was clarified that the ISC would not be treated as Shrinkage, it would not replace LDZ Shrinkage, and would be managed as a top-up.

The Workgroup agreed to close this action and receive future IGT updates as a standing agenda item. **Closed.**

0801: RHa to discuss DSC Contract Management Subcommittee with Proposer and Bob Fletcher

Update: RHa explained the best vehicle to undertake DSC Contract variations. Ideally, the governance would be through a submission to UNCC, UNCC can then either make the decision themselves or request a sub-committee to consider the matter and make a recommendation. The Workgroup considered the management of the scope changing and the need to tender services for the collection of data. **Closed.**

0802: DNOs to confirm how the price is set for LDZ Shrinkage gas.

Update: Paul O'Toole (POT) confirmed that the price is set using the Day Ahead Gas price, which is managed through Gemini. **Closed.**

0803: RHa to invite Ofgem (Vic Tuffen) to the next Workgroup meeting

Update: Rha was pleased to welcome VT to the meeting. **Closed.**

0804: Legal Text provider (DMi) to consider accepting a Legal Text request at the next Workgroup.

Update: DMi explained there are still various questions to be addressed with the Proposer and the Legal Text provider is not in a position to start work on the text until the Modification is stable. **Closed.**

2. Amended Modification

The Workgroup reviewed the amended Modification published on 25 September 2023. David Morely (DMo) provided an overview of the changes to the Solution and an explanation of the Business Rules to provide further clarity.

Tracey Saunders (TSa) reminded the Workgroup of the potential for Ofgem wanting to amend the Licence which may result in a different solution. TSa asked the Workgroup to consider that any challenge to the Shrinkage Process which would levy an additional charge would indicate that the Shrinkage Model is producing an inaccurate Shrinkage value.

It was also highlighted that Transporters are prohibited from buying gas unless it is for Shrinkage as defined in the current licence. It was suggested that the Proposer would need to consider with Ofgem if gas could be purchased under the pre-existing licence conditions.

The Workgroup discussed that the ISE would recommend an ISC and seek Authority approval for the additional charge, and the time that would be needed for the Authority. The existing Shrinkage timeline was considered as a baseline.

TSa wished to note that in response to Modification 0760, Ofgem had previously stated that an obligation could not be placed on the Authority within the UNC. As obligations cannot be placed on the Authority further consideration was required by the Proposer in how this would be managed. Vic Tuffen (VT), suggested Ofgem and the Proposer have an offline meeting/discussion to consider the potential process.

Post Meeting Note: Proposer to consider interactions with the Authority similar to those within the Modification Rules (UNC GT MR) and UNC TPD Section N.

New Action 0901: Ofgem (VT) and Proposer (DMo) to meet offline to consider the potential interactions for the process with Ofgem in considering an additional Independent Shrinkage Charge (ISC).

The Workgroup considered the Customer benefits of making this change, challenging how the Modification would directly result in the reduction of gas leaks, improve safety, reduce consumer bills and Greenhouse emissions. Several clarifications were suggested to the Consumer benefit table in the Workgroup Report.

3. Framework Overview

DMo provided an overview of the Framework. The following elements were considered by the Workgroup:

- Changing the framework and failure to reach approval, noting the governance for changing the framework was a lift and shift from the Framework for the Appointment of an Allocation of Unidentified Gas Expert (AUGE).
- The Stakeholder Evaluation Panel having a minimum number of participants.
- The ability for the CDSP to be able to propose changes to the framework.
- The tender approach, including an expression of interest, and procurement. The Workgroup considered a two-stage process and it does not preclude a pre-tender process.
- The alignment of Step 14 - Reconciliation of ISC within the Section 10 Creation of the Independent Shrinkage Statement (ISS) and setting 31 August as the latest date of delivery.

4. GDN Assessment of Supporting Evidence

Tom Stuart (TSt) provided commentary on the supporting evidence and the relevance of the data. It was agreed that the Workgroup would review their response to the document. A version of the table was provided in an Excel spreadsheet to allow parties to download and record views for the next meeting. RH urged all parties to consider the document and bring their responses to Workgroup next month.

5. Rough Order of Magnitude (ROM)

The ROM Response was not available for today's meeting. Xoserve (CDSP) expect the ROM will be available for the October Workgroup.

6. Consideration of IGT Impacts

IGT Impacts were discussed within section 1.3 Action 0701 update.

The aspects to be considered are:

- The details that need to be captured within the IGT UNC Modification
- Understanding how IGTs will engage in purchasing gas
- IGT charging
- IGT UNC Legal Text

7. Legal Text Update

Further to Action 0804 update this will be considered when the UNC Modification has stabilised. It was anticipated that this would not be available for the October meeting.

8. Development of Workgroup Report

The Workgroup considered the draft Workgroup Report capturing participant views on:

- That the Modification would not prevent/reduce gas leaking from the system.
- Costs being potentially passed onto Customers for procuring the Independent Shrinkage Expert (ISE).
- The costs potentially outweighing the benefits.
- The ISE identifying areas/issues which could aid industry improvements.
- The recouping of costs for additional gas purchases and whether this was in scope of the Modification, or act as an incentive for the current Shrinkage Model to be accurate.
- System implementation and ISE costs would need to be funded by the Transporters and IGTs.
- If gas costs would be net neutral as the Modification will impact the Unidentified Gas (UIG) i.e., the re-distribution of gas from UIG to Shrinkage. However, the costs of operating the process could increase.
- The incentivisation for GDNs to improve current immeasurable gas and accurately account for Shrinkage.
- The assertion that DNs are under-reporting Shrinkage volumes.
- The ability of the ISE to be able to provide better industry insight to that already available.
- The need to capture the requirements from the ISE for actionable results.
- The potential duplication of work between the ISE and AUGÉ.

New Action 0902: GDNs to confirm what actionable information is required which would allow industry enhancements/improvements.

It was noted that the Workgroup Report would need to be reconsidered at the October/ November meetings due to today's meeting not being quorate after 3 pm.

RHa welcomed comments from the Workgroup on the Workgroup Report, ahead of the next meeting.

9. Next Steps

- Amended Modification (clarification points)
- ROM (October)
- Legal Text Review (1st draft)
- Development/Completion of Workgroup Report

10. Any Other Business

No other business was raised.

11. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Workgroup Programme
10:00 Wednesday 25 October 2023	5 pm Tuesday 17 October 2023	Microsoft Teams	<ul style="list-style-type: none"> • Amended Modification (clarification points) • Review of ROM

			<ul style="list-style-type: none"> • Legal Text (1st draft) • Development of Workgroup Report
10:00 Tuesday 07 November 2023	5 pm Monday 30 October 2023	Microsoft Teams	<ul style="list-style-type: none"> • Legal Text Review • Completion of Workgroup Report

Workgroup 0843 Action Table						
Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0701	11/07/23	2.0	IGTs to provide feedback from IGT Workstream on 13 July	August 2023	IGTs	Closed
0801	08/08/23	2.0	RHA to discuss DSC Contract Management Subcommittee with Proposer and Bob Fletcher	September 2023	JO (RHa & BF) and Proposer (DMo)	Closed
0802	08/08/23	2.0	DNOs to confirm how the price is set for LDZ Shrinkage gas.	September	DNOs	Closed
0803	08/08/23	2.0	RHa to invite Ofgem (Vic Tuffen) to the next Workgroup meeting	September	JO (RHa)	Closed
0804	08/08/23	2.0	Legal Text provider (DM) to consider accepting a Legal Text request at the next Workgroup.	October	LT Provider SGN (DM)	Closed
0901	27/09/23	2.0	Ofgem (VT) and Proposer (DMo) to meet offline to consider the potential interactions for the process with Ofgem in considering an additional Independent Shrinkage Charge (ISC).	October	Ofgem (VT) / Proposer (DMo)	Pending
0902	27/09/23	8.0	GDNs to confirm what actionable information is required which would allow industry enhancements/improvements.	October	All GDNs	Pending