

**Minutes of the Shrinkage Forum**  
**Thursday 08 March 2007**  
**Ellexon, 350 Euston Road, London NW1 3AW**

**Attendees**

Tim Davis (Chair)	(TD)	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	(LD)	Joint Office of Gas Transporters
Brian Durber	(BD)	E.ON UK
Brian Stoneman	(BS)	Northern Gas Networks
Chris Wright	(CW)	Centrica
Jonathan Dennett	(JD)	National Grid Distribution
Kerri Matthews	(KM)	National Grid Distribution
James Smith	(JM)	EDF Energy
Jane Tobin	(JT)	Bord Gais
Liz Spierling	(LS)	Wales & West Utilities
Mark Jones	(MJ)	Scottish & Southern Energy
Rob Hetherington	(RH)	Scotia Gas Networks
Roy Malin	(RM)	National Grid Distribution
Stephanie Wong	(SW)	Ofgem

**Apologies**

Simon Howe	(SH)	RWE npower
Graham Wood	(GW)	Centrica
Peter Dickinson	(PD)	Ofgem

**1. Introduction and Status Review**

**1.1 Introduction**

TD welcomed attendees to the meeting and explained that this was an opportunity for the Transporters to present indicative assessment and adjustment figures to the community prior to producing formal reports as required under the UNC. The reports were due to be published by 31 March 2007 and would be available on the Joint Office website.

**1.2 Minutes of Last Meeting**

The minutes from the LDZ Shrinkage Forum held on 22 June 2006 were accepted.

**1.3 Review of Actions Outstanding**

TD reviewed actions from the previous meeting (see Action Log).

**SF011 - SH to circulate his notes of Project Delta to Shrinkage Forum Members through the Joint Office circulation list.**

The notes were circulated on 11 and 31 July 2006. **Action closed.**

**SF012 - Transporters to collate available GSR Cut Off information for forum later this year.**

The Transporters advised that this information would be presented at the next Forum. **Action carried forward.**

**SF013 - Shrinkage to be included within the list of IGT issues being reviewed by Ofgem - an update to be provided to the next meeting.**

SW to ensure that an update will be provided to the next meeting. **Action carried forward.**

**2. Topics**

**2.1 Own Use Gas Project Update**

*Northern Gas Networks*

BS gave an update on the progress of the analysis being carried out by NGN on the metering of preheaters. Of the 23 sites that were being monitored 52 meters were present, 8 of which had been found to be not working. There were some gaps in the data, and the meter validation exercise was expanded to cover confirmation of data that appeared to be of poor quality (data was sometimes higher in one month and lower in the next month).

*Wales & West Utilities*

LS stated that WWU had been gathering data since June 2006, and also reviewing, with a view to revalidation and replacement. The existing quality of data was found to be poor and analysis was continuing.

**2.2 Assessment and Adjustment**

All Transporters had used a similar methodology as prescribed in the UNC.

*Wales & West Utilities*

LS gave a presentation on Assessment and Adjustment on behalf of Wales & West Utilities. The figures were stated to be indicative only. The negative figure for LDZ Shrinkage Reconciliation Quantity (kWh) indicated an over procurement of gas. The financial adjustment (energy) value due to changes to shrinkage factors also indicated an over procurement, as did the financial adjustment (commodity) to Transportation charges.

This resulted in an approximate overspend of £331k, which will feed into and be recovered through the RbD process.

BD asked whether the operating pressures were less than the Transporter had thought they would be, and this was confirmed by LS although the difference was not great (pressure 3GW and OUG 12GW).

#### *Northern Gas Networks*

BS gave a presentation on behalf of Northern Gas Networks. The figures were stated to be indicative only. BS stated there had been minor changes in the average system pressures and to OUG, but no change to ToG. The negative figure for LDZ Shrinkage Reconciliation Quantity (kWh) indicated an over procurement of gas. The financial adjustment (energy) value due to changes to shrinkage factors also indicated an over procurement, as did the financial adjustment (commodity) to Transportation charges.

This resulted in an approximate overspend of £460k, which will feed into and be recovered through the RbD process.

#### *National Grid Distribution*

KM gave a presentation on behalf of National Grid Distribution. The figures were stated to be indicative only. The negative figure for LDZ Shrinkage Reconciliation Quantity (kWh) indicated an over procurement of gas. The financial adjustment (energy) value due to changes to shrinkage factors also indicated an over procurement, as did the financial adjustment (commodity) to Transportation charges.

This resulted in an approximate overspend of £1,697k, which will feed into and be recovered through the RbD process.

#### *Scotia Gas Networks*

RH gave a presentation on behalf of Scotia Gas Networks. The figures were stated to be indicative only. RH stated there had been some changes in the average system pressure (Southern LDZ had see a significant drop in system pressure) and to OUG, but ToG had remained constant. The negative figure for LDZ Shrinkage Reconciliation Quantity (kWh) indicated an over procurement of gas. The financial adjustment (energy) value due to changes to shrinkage factors also indicated an over procurement, as did the financial adjustment (commodity) to Transportation charges.

This resulted in an approximate overspend of £1,454k, which will feed into and be recovered through the RbD process.

BD questioned whether the figures were produced based on the Advantica model which itself was theoretical. LS confirmed that 116 'NTS to LDZ' offtakes were metered and were being checked for accuracy. BD asked if this data was publicly available. LS stated that WWU was continuing to collate data for its sites. LS gave a brief explanation of the Advantica Report and the samples used.

JD observed that there had been a higher factor for OUG last summer (2006). Measurements were taken that indicated preheater efficiency was not satisfactory, and the Transporters took this into account with OUG. JD went on to give some background information to the Advantica Report. Shippers and Transporters had discussed these and other problems over previous years and Advantica took on a project and presented the results at last year's meetings. Due to physical reasons, eg different types of heaters, slightly different factors (between the orders of 0.012 and 0.013) were applied to each LDZ. It had been agreed that this new work was better validated than that carried out previously and the new factors were therefore adopted for use.

Where the pre-heater meters do actually work, the validation substantiates the theory, but where the meters are faulty they tend to systematically under register. This may be partly due to a lack of maintenance since the 1970s. OUG has not been metered since the early 1990s, when the transportation and supply of gas was separated, and meters have either been removed over time or not been looked at for many years.

### **3. Any Other Business**

#### *IGTs and their role*

In response to CW's questioning of the role of iGTs in relation to Shrinkage LS advised that this had been discussed in depth at the previous meeting (June 2006). Due to Licence restrictions shrinkage gas could not be procured on behalf of an iGT, and it was noted that even if the load factors and AQ values were available it was not certain who would put the gas back into balance. LS explained that these issues had been raised with Ofgem as Licence amendments would be required to effect any changes.

JD observed that Shippers were not immune to these effects.

Any shrinkage that occurs within the site of an iGT is the responsibility of that iGT to buy the gas, but the iGTs do not buy any gas, arguing they do not have preheaters or much leakage as their networks are constructed of PE pipes. Previously IGTs were also considered to be very small, with few consumers; any shrinkage would therefore involve a very small amount of gas and was deemed to be irrelevant. However, this view had changed as around 3-4% of connections were now with iGTs.

Ofgem had been asked to reconsider the regime where shrinkage is not procured, but is incurred.

#### *Changes in Pressure*

BD asked what caused the changes in system pressures – was this due to design or weather? LS responded that the changes were mostly due to operational changes to minimise leakage.

#### **4. Date and content of next meeting**

The next Shrinkage Forum meeting has been arranged for 14:00hrs on 14 June 2007 at the Elexon Offices, 350 Euston Road, London, to discuss the Transporters' Initial Proposals.

**Action Log: Shrinkage Forum – 08 March 2007**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner*</b>	<b>Status Update</b>
SF011	22/06/06	1.3	Circulate notes of Project Delta to Shrinkage Forum Members through the Joint Office circulation list.	RWE (SH)	Notes circulated 11 & 31 July 2006. <b>Action closed.</b>
SF012	22/06/06	1.3	Collate GSR Cut Off information for forum later this year.	All Transporters	The Transporters advised that this information would be presented at the next Forum. <b>Action carried forward.</b>
SF013	22/06/06	2.3	Ensure that shrinkage is included within the list of IGT issues being reviewed by Ofgem and provide an update to the next meeting.	Ofgem (PD)	SW to ensure that an update will be provided to the next meeting. <b>Action carried forward.</b>