

UNC Shrinkage Forum Minutes
Wednesday 24 March 2021
Via Teleconference

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Cuin (Secretary)	(HCu)	Joint Office
Ali Shahin	(AS)	WWU
Colin Wainwright	(CW)	SGN
Emma Buckton	(EB)	Northern Gas Networks
Fraser Williams	(FW)	SGN
Gregory Edwards	(GE)	British Gas / Centrica
Ian Dunstan	(ID)	WWU
John Trounson	(JT)	BU UK
Julie Chou	(JC)	Wales & West Utilities
Mark Fisher	(MF)	SGN
Matt Marshall	(MM)	Cadent
Paul O'Toole	(POT)	Northern Gas Networks
Peter Morgan	(PM)	SGN
Simon Holden	(SH)	Lloyds Register UK (Observer)

Copies of all papers are available at: <https://www.gasgovernance.co.uk/sf/240321>

Shrinkage meetings will be quorate where there all four Distribution Networks and at least two of the Gas Shippers represented.

1. Introduction and Status Review

Rebecca Hailes (RH) welcomed all parties to the meeting and confirmed there were representatives from all four Distribution Networks and one Shipper in attendance.

1.1. Quoracy Status

Although the meeting not quorate the delegates agreed to proceed.

1.2. Approval of Minutes (16 December 2020)

The minutes of the previous meeting were approved.

1.3. Approval of Late Papers

The late paper published on 23 March 2021 was approved.

2. Shrinkage and Leakage Model Review Consultation Update

Emma Buckton (EB) confirmed one representation had been received in response to the Shrinkage and Leakage Model Consultation and confirmed the final report had been provided to Ofgem on 29 December 2020.

EB advised that a suggestion had been received to include pre-heat trials for own use gas into the model review and invited Simon Holden (SH) to provide further clarification on the pre-heating paper circulated to the Distribution Network Operators (DNOs) for consideration.

SH explained that as there was no metering of pre-heat gas, consideration had been undertaken on finding a cost-effective way for varying the own use gas calculation without the need for a meter, which would be a costly undertaking. SH confirmed the paper outlined some recommended next steps, such as an independent review.

EB suggested the DNOs needed to better understand the paper provided, including the assumptions to allow better consideration of the needs and the potential project undertakings. EB asked SH to provide an overview of the assumptions and how the calculations will work. Ian Dunstan (ID) also welcomed an overview of the assumptions and calculations.

SH provided a presentation on estimating the capacity for pre-heating gas. The first three slides looked at the cross-checking methods and assumptions and the fourth slide was a comparative analysis with other regions. SH explained the desktop cross-checking, the assumptions and order of magnitude difference.

EB enquired how the 50% efficiency had been arrived at. SH explained these are based on a best guess, using a desk-top estimation, taking into account the operation of different assets and load factors. The best guesses are based on a weighted average assumption and experience.

SH provided an explanation of the heating requirements and concluded that the modelling provided suggests that the current Shrinkage Leakage Model could be improved.

It was suggested there may be benefit in the DNOs undertaking a similar desk-top exercise before the next steps are considered. SH recognised from the comparative analysis there are differences in the out-turn figures with other regions. Paul O'Toole (POT) questioned how comparable these regions were to the UK networks, as they may be operated very differently. SH recognised these may not be a like for like comparison, due to the size of the network and warmer temperatures.

SH explained as there is no metering of gas for pre-heating, the process relies on best guess estimates. SH referred to the 2002 Advantica Own Use Gas Model for Pre-Heaters Report, which resulted in an Own Use Gas (OUG) consumption for the calendar year 2000 of 0.0113%. SH noted that this rate of consumption has been used for a while now and may no longer be the right number based on the desk-top findings.

The forum considered the difficulty of accurately calculating Own Use Gas and validating if one method of estimation was better than another. EB explained going forward the Gas Distribution Networks (GDNs) would need to look at the calculations and assumptions of the report, the tolerances, and the best estimates.

POT recognised that there are a number of assumptions, for pre-heating sites, with varied equipment and efficiency, and that there will be some fluctuations. It was suggested that the industry would need to consider the practicality of making changes, the efficiency of the change and if it would provide better accuracy. There was some uncertainty expressed that moving from one method to another may not necessarily improve accuracy.

It was suggested that this needed to be considered further. EB clarified that audits are undertaken for external verification on testing. It was agreed that the GDNs would consider the information presented and liaise with Simon Holden (SH). SH provided permission for his email address to be shared with the GDNs.

SH concluded his presentation outlining the implications and importance, of this piece of work. These were:

- The materiality of Own Use Gas is a proportion of Shrinkage and Leakage and therefore a focus of attention (17% not 2% of total).
- Understanding the mismatching of costs, where the true cost is picked up and how it is allocated to Shippers (£10m rather than £1m and fixed NTS exit charge versus volumetric charge).
- Economic signals regarding efficient allocation of capital, use of resources, and management of assets.
- The knock-on effect when calculating Scope 1 emissions, baseline and targets for 'net zero'.

3. INA Shrinkage Analysis Update

John Trounson (JT) provided the DNVGL report in response to a previous request for the Independent Gas Transporters (IGTs) to provide a view/update on IGT Shrinkage.

JT provided an overview of the report, explaining that the 1992 and 2002 national leakage trials had been revisited by DNVGL which had identified a potential issue, as the 2002 results showed a lower leakage rate compared to 1992, which was not expected, bringing into question the validity of data previously presented.

DNVGL tried to obtain enough data to recalculate the 1992 figures. This identified a 0.0061 m³/h/km leakage rate for the IGT PE mains, which compared to the current GDNs value of 0.0073 m³/h/km. It was noted neither of the GDN or IGT leakage rates take into account the potential differences in leakage between low and medium mains.

Peter Morgan (PM) was interested in the result that the leakage rate had come out lower. ID enquired what the next steps would be and if this information will be reported to Ofgem.

JT confirmed the information will be provided to Ofgem and that the view from IGTs is that IGT leakage is negligible.

RH asked how this will fit into the current Shrinkage Leakage Model and Matt Marshall (MM) asked about the Unidentified Gas Allocation.

PM believed there was a challenge from a Shipper on the IGT leakage rates. It was suggested this information may wish to be shared with Ofgem and the Allocation of Unidentified Gas Expert (AUGE) to consider if there are any further steps to be taken.

4. Theft of Gas Methodology Review

Julie Chou (JC) confirmed that WWU and NGN are focussing on Gas Venting this year, having reviewed the options and a response from E.ON.

MM suggested that this agenda item is removed and placed back on the agenda when it was appropriate to do so. All agreed.

5. Mains Remediation on Large Diameter Iron Mains

Colin Wainwright (CW) confirmed that the Mains Remediation paper is ready to be published, however submission for a potential modification of the model had been delayed to co-ordinate with the 2021 price control review (RIIO-GD2). CW clarified that a 28-day consultation would commence with the start of RIIO-GD2.

6. Review of outstanding actions

None outstanding.

7. Any Other Business

ID wished to consider the participation of Shippers and the convening of Shrinkage Forum meetings to keep Shippers informed during the consultation process. PM believed Shipper attendance had been an issue for a number of years and there have been attempts to encourage interest and participation.

The Terms of Reference for the forum was briefly considered and whether the frequency should move to six monthly or by request from the industry. PM confirmed that the GDNs meet regularly themselves when conducting the review process.

It was recommended that the August meeting should be cancelled as it does not align with the review/consultation timetable, and schedule to meet as planned in November, moving the December meeting to mid-January to allow Shippers an opportunity to engage with GDNs.

8. Diary Planning

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

Time/Date	Venue	Programme
09:30, Wednesday 25 August 2021	Cancelled	
09:30, Wednesday 24 November 2021	Teleconference	<ul style="list-style-type: none"> Shrinkage and Leakage Model Review Update
09:30, Wednesday 15 December 2021	Cancelled	
09:30 Wednesday 12 January 2022	Teleconference	<ul style="list-style-type: none"> Mains Remediate on Large Diameter Iron Mains Update (CW) Shrinkage and Leakage Model Review Update

Action Table (as of 24 March 2021)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			No new actions		