

Framework for the Appointment of an Independent Shrinkage Expert

Document Control

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Preamble

1. Development of Rules

The requirement to have in place a "Shrinkage and Leakage Model" (SLM) is specified in the Special Standard Conditions of the Transporter Licence. The Framework for the Appointment of an Independent Shrinkage Expert (hereafter the "Framework") will enable the Independent Shrinkage Expert (ISE) to annually develop the Recommended Shrinkage and Leakage Model (RSLM) and Recommended Shrinkage and Leakage Model Methodology (RSLMM), and deliver these to the Transporters and the Authority, enabling an informed choice to use the SLM or the RSLM, and thereby comply with the obligation to provide as reasonably accurate account of Shrinkage and Leakage as possible. The RSLM

will be developed so that, should Transporters wish to submit the RSLM in lieu of the SLM to the Authority, a submission that shall be in agreement with the Authority, the RSLM, associated documents, and activities will allow Transporters' compliance with the Special Conditions of the Gas Transporter licence. Any development of the rules must be cognisant of the licence conditions and be mindful to not contravene any stipulations therein.

2. Modifications

Should a User or Transporter wish to propose modifications to any of the Framework, such proposed modifications shall be submitted to the Uniform Network Code Committee and considered by the Uniform Network Code Committee or any relevant sub-committee where the Uniform Network Code Committee so decide by majority vote.

3. Approved Modifications

In the event that a proposed modification is approved by a majority vote of the Uniform Network Code Committee, the modification shall be implemented.

Where the Uniform Network Code Committee fails to achieve majority approval the proposed modification shall be considered in accordance with the provisions set out in Section 7 of the Uniform Network Code Modification Rules unless the Uniform Network Code Committee determines otherwise

Each revised version of a Document shall be version controlled and retained by the Joint Office on their website.

Main body

1. Definitions

1.1 Unless otherwise stated, terms in this "Independent Shrinkage Expert Document" ("this Framework") shall have the meanings given to them in the Uniform Network Code. Such terms will be capitalised within quotation marks where first used in the Framework.

1.2 In this Framework:

- "The Committee" - The Uniform Network Code Committee (UNCC), or an authorised technical workstream or sub committee appointed by the UNCC to administer the Independent Shrinkage Expert process.
- "Code Parties" – signatories to the Uniform Network Code
- "Generic Terms of Reference" – the standard terms of reference to be applied as basis of the contracts between the Gas Transporters and the ISE for the maintenance of the Shrinkage and Leakage Model

2. The Framework

The process described here sets out:

- ISE appointment;

- Publication of the Recommended Shrinkage and Leakage Model (RSLM) and Recommended Shrinkage and Leakage Model Methodology (RSLMM);
- high level process for the maintenance and development of the RSLM and the RLSMM;
- ISE principles
 - In any and all activity undertaken by the ISE, including updating or replacing the National Leakage Tests (NLT) (if deemed appropriate) through innovation, shall be administered via the principles of:
 - impartiality,
 - emissions reduction,
 - accuracy, and
 - best outcomes for end-consumers.

3. Responsibilities under the tender process for the position of ISE

3.1 The CDSP, on behalf of the The Committee, will:

- 3.1.1 Produce a clear set of criteria for the appointment of the ISE detailing (without limitation);
 - (a) the ability of the ISE to produce the RSLM which shall be in line with the Generic Terms of Reference, contained in this Framework plus any other criteria agreed by The Committee;
 - (b) the evaluation of the cost of undertaking the role of the ISE over the period stated in the tender document;
 - (c) the consideration of the relevant knowledge and expertise of the candidates;
 - (d) ability of the prospective ISE to follow and take into account relevant industry developments; and
 - (e) Details of what multiplier should be used for each discrete leak area.
- 3.1.2 Review this Framework and submit for approval to the UNC Modification Panel any proposed amendments.

3.2 The Gas Transporters and Shippers will use all reasonable endeavours to:

- 3.2.1 use the criteria developed by The Committee to assess each submitted tender bid;
- 3.2.2 where more than one prospective candidate responds to the tender for the position of ISE ("the Interested Parties") the Gas Transporters and Shippers shall:
 - (a) Assess the Interested Parties from the criteria specified in the tender document;
 - (b) Select and appoint the appropriate Interested Party as the "Prospective ISE".
- 3.2.3 identify any improvements that may be made to the tender process, and detail those improvement to The Committee;
- 3.2.4 organise any meetings held in relation to the ISE appointment;
- 3.2.5 provide legal resource to prepare a tender document;
- 3.2.6 organise the advertisement of the tender to all Interested Parties, in accordance with national and European legislation;
- 3.2.7 communicate to Users the progress and outcome of the tender process;
- 3.2.8 invite the Prospective ISE to take up the appointment;
- 3.2.9 where the selected ISE does not accept the appointment, invite the next most favoured ISE in turn; and
- 3.2.10 upon acceptance of appointment, establish the contract with the Prospective ISE, in accordance with the Generic Terms of Reference.

3.3 The Gas Transporters and Shippers will require the ISE:

- 3.3.1 to act with all due skill, care and diligence when performing its duties as the ISE and shall be impartial when undertaking the function of the ISE, ensuring that any values derived will be equitable in their treatment of Code Parties.
- 3.3.2 to compile the RSLM in accordance with this Framework

4. Tendering process

4.1 This section details the processes undertaken by the Gas Transporters and Shippers, to appoint an ISE using a tender process.

4.1.1 The Gas Transporters and Shippers will prepare a tender document to be sent when required to all Interested Parties.

4.1.2 The tender will detail:

- (a) that the aim of the tender is to appoint a Party, the ISE, to compile a publicly available RSLM and RSLMM that is used in the creation of that Model;
- (b) that the ISE will create a methodology, an RSLMM, to populate the RSLM annually;
- (c) that the ISE must provide the necessary information to the Gas Transporters and Shippers in good time to allow the update of the RSLM by the 1st July each year;
- (d) the ISE must hold a public consultation to provide an opportunity to allow Code Parties to discuss the RSLM and RSLMM, in accordance with the timetable contained within this Framework;
- (e) the requirement to allow Users to submit representations and queries with regard to the RSLM in accordance with the timetable contained within this Framework;
- (f) that the ISE must consider adjusting RSLM and/or the RSLMM in response to those representations;
- (g) that the ISE must adhere to the Generic Terms of Reference contained within this Framework, as well as any other criteria The Committee notifies to the Gas Transporters and Shippers prior to the tender document being issued; and
- (h) that the ISE maintains good relations with The Committee, the Gas Transporters, and Shippers, to be available for discussion on any relevant issues, and to answer any general queries promptly.

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4.1.3 When issued, the tender will be for an initial 2-5 year contract, as determined by the Gas Transporters and Shippers.

4.1.4 The Gas Transporters and Shippers will go through a tender process and will conduct it in accordance with all relevant legislation and generally accepted best practice.

4.1.5 Each tender response will in particular detail:

- (a) how the prospective ISE will comply with the Generic Terms of Reference and any other criteria agreed prior to the tender;
- (b) an outline of the method to be used by the prospective ISE, and why such a proposed solution would be suitable;
- (c) an outline of the data that would need to be collated for such use, and the methods to be used for acquiring such data;
- (d) the likely time for such work to be carried out;
- (e) the cost of performing the services;
- (f) contact details that a Code Party may use to query any aspect of the tender or the RSLM when produced. The ISE shall confirm to the Gas Transporters and Shippers before their appointment that they do not hold any interest or duty which would or potentially would conflict with the performance of their duties under their contract with the Gas Transporters; and
- (h) the mechanisms that will be employed to ensure independence and impartiality.

4.1.6 Once all tenders have been received the Gas Transporters and Shippers will select in accordance with the evaluation criteria the top-ranked tender for appointment.

4.1.7 Once the tender process has been completed the Gas Transporters and Shippers will use reasonable endeavours to contract with the highest ranked acceptable party that wishes to become the ISE by the 1st August. Gas Transporters and Shippers will consider contracting with the next highest ranked party if they fail to reach agreement with the immediately previous higher ranked party.

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4.1.8 In the event that the 1st August deadline is not met, The Committee will decide by a majority vote on whether to:

- (a) maintain the current RSLM for another year; or

(b) grant additional time to the ISE on the understanding that any additional time granted will not jeopardise the publication of the RSLM.

4.1.9 Alternatively, by unanimous vote, to apply a RSLM and RSLMM that The Committee decides as appropriate;

4.1.10 Once the tender process has been completed and the Gas Transporters and Shippers have contracted with an interested party to be the ISE, the Gas Transporters, Shippers, and The Committee will review the tender process, and incorporate any updates that are believed are required to this document.

5. Generic Terms of Reference for Appointed ISE

5.1 This section will include the main principles the ISE will operate under, once appointed.

5.1.1 The ISE will create the RSLM by developing appropriate, detailed methodologies (the RSLMM) and collecting necessary data.

5.1.2 The decision as to the most appropriate methodologies and data will rest solely with the ISE taking account of any issues raised during the development and compilation of the RSLM.

5.1.3 The ISE will determine what data is required from Code Parties (and other parties as appropriate) in order to ensure appropriate data supports the creation of the RSLM.

5.1.4 The ISE will determine what data is available from parties in order to ensure appropriate data supports the creation of RSLM, if deemed appropriate by the ISE, and parties should provide data where requested.

5.1.5 The ISE will determine what relevant questions should be submitted to Code Parties, and any other parties as deemed appropriate by ISE, in order to ensure appropriate methodologies and data are used in the creation of RSLM.

5.1.6 The ISE will use the latest data available where appropriate.

5.1.7 Where multiple data sources exist the ISE will evaluate the data to obtain the most statistically sound solution, will document the alternative options and provide an explanation for its decision.

5.1.8 Where data is open to interpretation the ISE will evaluate the most appropriate methodology and provide an explanation for the use of this methodology.

5.1.9 Where the ISE considers using data collected or derived through the use of sampling techniques, then the ISE will consider the most appropriate sampling technique and/or the viability of the sampling technique used.

5.1.9.1 The ISE will either procure services for the collection of data or collect their own data,

5.9.1.2 Procurement activity will be managed via UNCC.

5.9.2.3 Approval for costs above and beyond the original scope should be approved by the UNCC.

5.1.10 The ISE will present the RSLM in draft form (the "Draft RSLM"), to Code Parties seeking views and will review all the issues identified and submitted in response.

5.1.11 The ISE will provide the Draft and final RSLM to relevant stakeholders for publication.

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5.1.12 The Authority's final determination in this process shall be binding.

5.1.13 The ISE will undertake to ensure that all data that is provided to it by all parties will not be passed on to any other organisation, or used for any purpose other than the creation of the RSLM, and ensure that they are following GDPR and taking consideration of commercial sensitivities and intellectual property.

5.1.14 Intellectual property - should this be managed by CDSP on behalf of Shippers and Transporters

6. Responsibilities for the creation of the ISE

6.1 CDSP

At the end of each ISE year, regardless of any RSLM outcome, the CDSP shall seek feedback from the industry, including the ISE, on the activities and performance of the ISE and industry for the creation of the RSLM.

The CDSP shall produce a report for The Committee

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6.2 Code Parties provision of data or information to the ISE

Where, the ISE requests data from Code Parties for the purpose of preparing the RSLM and RSLMM, the Code Parties shall use reasonable endeavours to provide the information requested within the timescales requested. Such timescales having being previously notified to the Code Parties.

Non-compliance with requests shall be escalated to the Committee/Authority.

6.3 Code Parties Raising issues for consideration during the consultation period.

Code Parties may submit topic areas for consideration by the ISE during the consultation process. The submission must include a clear explanation of the topic, the reasons why this topic is relevant to the RSLM, any accompanying data or suggestions as to how the data may be obtained by the ISE. Each topic submitted by a Code Party will be published (including the details of the Code Party) to the industry as part of the ISE's consultation response.

The ISE will provide a response to the topic detailing whether it is in or out of the scope of work and the rationale to support this.

6.4 Code Parties Raising issues for consideration outside of the consultation period.

Code Parties may submit topic areas for consideration by the ISE outside the consultation process. The submission must include a clear explanation of the topic, the reasons why this topic is relevant to the ISE, any accompanying data or suggestions as to how the data may be obtained by the ISE. Each topic submitted by a Code Party will be published (including the details of the Code Party) to the industry as part of the ISE's consultation response.

The ISE will log the topic and will consider it during the development of the next

applicable RSLM and RSLMM

6.5 The Committee – ISE submissions review actions

6.5.1 The ISE shall submit documents to the Gas Transporters, e.g. SLM, to The Committee for approval. The Committee shall act in accordance with 7.1.8 when approving the RSLM.

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6.6 Provision of and publication of data

A copy of all data and information requests from the ISE will be published to the industry as and when the request is made e.g. date, information request, request made to, data required by.

A record of all responses by organisation name (not anonymised), will be maintained and published. The report will show the response as one of “provided”, “not provided” (i.e. request acknowledged but reason for no provision provided), or “no response to request”.

Where applicable, a copy of the data provided to the ISE by the Gas Transporters and Shippers will be provided to the industry, in a suitable format. Where data is confidential or commercially sensitive, the fact that the data had been provided will be published, an organisation may request a copy of the information pertaining to them from the Gas Transporters and Shippers.

6.7 The CDSP, or similarly suitable regulated body, as decided by the Committee, shall procure the ISE on the Committee’s behalf.

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7. Creation of RLSMM

7.1 This section covers the activities and timescales for the creation, submission to The Committee and publication of the RSLMM by the ISE.

7.1.1 The ISE will use appropriate methodologies for the calculation of the RSLM

7.1.2 The ISE will justify the appropriateness of these methodologies within the RSLMM

7.1.3 The draft RSLMM will be published on date so that Code Parties are able to provide commentary and consult

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7.1.4 methodologies will be lead by principles of:

- impartiality,
- emissions reduction,
- accuracy, and
- best outcomes for end-consumers.

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7.1.5 costs for methodologies will justified

7.1.5.1 Cost Benefit Analysis will be undertaken and consulted within the Committee

7.1.5.2 It is envisaged that the activities undertaken within the DPLA will be the bulk of the cost.

8. Creation of RSLM

8.1 This section covers the activities and timescales for the creation, submission to The Committee and publication of the RSLM by the ISE.

8.1.1 The ISE must provide a Draft RSLM, including the methodology, to the Joint Office for presentation and publication no later than [31st May] each year. This date can be amended by the ISE as appropriate, and agreed with the Committee via a consultation.

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8.1.2 The Draft RSLM and presentation must detail:

- (a) How the ISE has adhered to the Generic Terms of Reference and to any other relevant provisions within its contract;
- (b) The methodology used by the ISE, and why such a process was suitable;
- (c) The data has been collated so far for such use, and the methods to be used for acquiring any further data; and
- (d) Draft data and methodology for use in populating the RSLM.

8.1.3 Once published, any responses to the ISE must be received by the Gas Transporters and Shippers within 42 calendar days. The Gas Transporters and Shippers will then provide these responses to the ISE as they are received or no later than [30th June]. This date can be amended by the ISE as appropriate, and agreed with the Committee via a consultation.

8.1.4 The ISE will consider any submissions made, and will provide feedback for discussion at the meeting, which is to be held as soon as possible after the 15th July.

8.1.5 The ISE will review the RSLM in light of any comments (received in 7.1.3 & 7.1.4), and will adjust the RSLM where it believes appropriate.

8.1.6 The Draft RSLM document, as revised by the ISE in accordance with 7.1.4, will be republished by the 15th September on the Joint Office of Gas Transporters website.

8.1.7 The ISE will arrange a meeting to discuss the Draft RSLM (as revised), along with any changes made, to be held as soon as possible after the Draft SLM, as revised has been published.

8.1.8 Once the Draft RSLM (as revised) document have been published, the Gas Transporters and Shippers will organise a meeting with The Committee and the ISE for approval of the final document before the 1st November. The Committee shall approve the Draft RSLM, in the form presented by the ISE, unless they unanimously agree changes to any part of the document. Any changes directed by The Committee in this fashion will be implemented by the ISE immediately. The approved Draft RSLM will be treated as the final RSLM.