

UNC 0843:

Mod Title: Establishing the Independent Shrinkage Charge and the Independent Shrinkage Expert



Proposer: David Morley

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Why change?



- If Daily Metered and Non-Daily Metered volumes are substituted from Total LDZ throughput, there are currently two mechanisms that are used to account for any gas that is missing: Shrinkage and Unidentified Gas (UIG). First Shrinkage is removed from any missing gas and the rest is deemed to be UIG.
- Shrinkage consists of Own Use Gas (OUG), Theft of Gas (TOG), and gas leaks. Underreporting Shrinkage via the Shrinkage and Leakage Model (SLM) damages the environment, as RIIO uses SLM derived values to incentivise shrinkage reduction, and increases Unidentified Gas (UIG). As UIG is a line item in the price cap, this leads to increased customer bills.
- Gas leaks are of specific interest as methane is 84x more potent a GHG than CO₂. Imperial College London notes 35% more gas above London than is currently reported by Gas Distribution Networks (GDN). However, OUG calcs are also shown to be problematic
- Furthermore, for Formula Year 2023/24 Allocation of Unidentified Gas Statement has allocated UIG 8,497 GWh of the forecasted 11,713 GWhs of UIG to contributors. It is arguable that some or all of the 3,216 GWh of unaccounted-for gas is attributable to under-reported Shrinkage levels.

Solution



- To create a independent account of Shrinkage, this modification proposes to create the role of the Independent Shrinkage Expert (ISE)
- The ISE will use methodologies to create an Independent Shrinkage Model (ISM) via which to estimate an independent account of Shrinkage.
- Where there is a difference between the LDZ Shrinkage Quantities estimated by the SLM and the Independent LDZ Shrinkage Quantities estimated by the ISM, the ISE will recommend to the Authority the approval of the Independent Shrinkage Model Multiplication Factor (ISMF) and the Independent Shrinkage Charge (ISC).
- The ISMF will be calculated by dividing Independent LDZ Shrinkage Quantities by LDZ Shrinkage Quantities. E.g. if LDZ Shrinkage Quantities = 10 GWh and Independent LDZ Shrinkage Quantities = 12 GWh, the ISMF would be 1.2 and the ISC would be 2 GWhs.
- If approved by the Authority, Transporters will be obliged to purchase volumes of natural gas to cover the ISC.

Recommended Steps



The Proposer recommends that this modification should be:

- Not subject to Self-Governance because it (i) is likely to have a material effect on: (aa) existing or future gas consumers; (bb) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; (cc) the operation of one or more pipe-line system(s); (dd) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and (ee) the uniform network code governance procedures or the network code Modification procedures;
- Workgroup assessment to develop the modification for 3 months
- Proceed to Consultation



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