

UNC Shrinkage Forum Minutes
Monday 18 March 2024
via Microsoft Teams

Attendees

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|-----------------------------|-------|-------------------------|
| Yvonne Reid-Healy (Chair) | (YRH) | Joint Office |
| Harmandeep Kaur (Secretary) | (HK) | Joint Office |
| Alex Green | (AG) | ESP Utilities Group Ltd |
| Andy Clasper | (AC) | Cadent |
| Arianna Organo | (AO) | Guidehouse |
| Charlotte Gilbert | (CG) | BU-UK |
| Colin Wainwright | (CW) | SGN |
| Curtis Hayes | (CH) | Cadent |
| Daniel Heller | (DH) | Cadent |
| Edward Allard | (EA) | Cadent |
| Gregory Edwards | (GE) | Centrica |
| James Hill | (JH) | Engage Consulting Ltd |
| Julie Chou | (JC) | Wales & West Utilities |
| Kieran McDade | (KM) | Cadent |
| Magali Aurand | (MA) | Guidehouse |
| Matt Marshall | (MM) | Cadent |
| Penny Griffiths | (PG) | CDSP |
| Paul O'Toole | (PO) | NGN |
| Oorlagh Chapman | (OC) | Centrica |
| Simon Holden | (SH) | IADS Co |
| Sophie Dooley | (SD) | Engage Consulting Ltd |
| Steve Mulinganie | (SM) | SEFE |
| Tom Stuart | (TS) | Wales & West Utilities |

Shrinkage Forum meetings will be quorate where all four Distribution Networks and at least two Shippers are in attendance.

Please note these minutes do not replicate detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of papers are available at: <https://www.gasgovernance.co.uk/sf/180324>

1.0 Introduction and Status Review

Yvonne Reid-Healy (YRH) welcomed all parties to the meeting.

1.1. Apologies for Absence & Note of Alternate

No apologies were received.

1.2. Quoracy Status

The meeting was deemed to be quorate.

1.3. Approval of Minutes (22 November 2023 and 22 January 2024)

The minutes of the previous meeting were approved.

1.4. Review of Outstanding Actions

1102: GDNs to consider introducing Profiling into the current Shrinkage and Leakage Model and whether this is a feasible report in the January 2023 Meeting.gr

Update: The update for the action was provided under item 2.3. **Closed.**

1103: Catch up with MM around bi-monthly update that GDNs committed to in order to get this back in play.

Update: The Workgroup agreed to close this action further to YRH's conversation with Matt Marshall (MM) and open a new action for GDNs to hold bi-monthly meetings with the Shippers.

Closed.

Action 0301: GDNs to hold bi-monthly update meetings with the Shippers to update them on DPLA.

1104: DPLA - MM to share strawman presentation with Joint Office for distribution and, to allow members (and non-members) to add comments/suggestions.

Update: The project team provided an update in December and January. Action closed and kept as a standard agenda item. **Closed.**

1105: YRH to speak to MM and GE in relation to the bi-monthly updates and strawman presentation.

Update: YRH confirmed that this action is completed. **Closed.**

2.0 Specific Topics / Project Updates

2.1 Digital Platform for Leakage Analytics (DPLA) Update

Daniel Heller (DH) is leading the DPLA project and introduced the team which includes Guidehouse members who are providing digital consultation on the project.

DH presented the first part of the presentation providing the background information for the DPLA project and the direction it is heading in. DH explained that the DPLA project has stemmed from the need to reduce carbon emissions and the DPLA project is a step in that direction. The DPLA is the next generation of Shrinkage Model which uses the updated technologies to understand what the emissions are from asset to asset. DH confirmed that Cadent along with Guidehouse are the networks for this project, however, all gas distribution networks, and National Gas are partnering in the project.

DH presented a plan for the project noting that the DPLA project is clearly defined with a well-considered plan that ensures the progress is tracked, challenged, and evolves as required. DH noted that Cadent is focused on transitioning from fully modelled to fully observed leakage reporting before the commencement of RIIO-GD3 and presented the step-by-step project plan.

Simon Holden (SH) queried where the asset-to-asset emission data would come from. DH confirmed that the DPLA project will provide a view of the exact pipe and, the exact location that the leak is coming from using the advanced leak detecting system. SH noted that DH is modeling what the expected emissions are and not the observational measurements. DH noted that data will come from observable detection equipment. SH queried whether assets include pipelines and the ancillary such as pre-heating. DH confirmed that it does emissions monitoring of pre-heating is part of the technology trial.

SH asked DH to clarify that they are monitoring assets on all sites. DH confirmed they are under a certain program. Matt Marshall (MM) noted that Kieran McDade will be providing further updates on technologies under trial and explained that the gas we are burning as part of the pre-heating will be counted.

Magali Aurand (MA) presented the Detailed System Architecture part of the presentation and explained how the detection will work. MA presented a graph of how the DPLA combines the innovation of novel sensing technologies, machine learning, and hydraulic modeling techniques. Characteristics of DPLA presented are as below:

- Makes use of existing network asset and operational data, as well as new data from in-field gas leakage measurements.
- Data is fed through a varied suite of models utilising different approaches to leak detection, quantification, and localisation.
- An expert system analyses the outputs from all models and infers the best solution/result.
- The user interface and dashboard allow end users to interact with the leaked data in a range of formats.

David Morley (DM) queried whether the data would be usable by third parties for example an Independent Shrinkage Expert (ISE). Edward Allard (EA) explained that the expert could work with the industry to collect the data they believe is useful and helpful for the model. EA noted that they wish to ensure that any data shared by DPLA has gone through the relevant checks before it is shared.

DH added that the answer to DM's question depends on the type of data needed as Cadent will share anything legally under GDPR conditions. DM confirmed that his query relates to the External data and analytics ingested into cloud data historian' which MA confirmed is being fed into the system. DM responded that there is some data they cannot share such as certain members of pipe networks. DH asked that DM send an email explaining the data he is concerned about so they can determine whether it can be shared.

Gregory Edwards (GE) queried the approach to data sharing and asked where the boundaries between what can and cannot be shared. GE asked that Cadent confirm what they plan on sharing.

DH explained that some of the information is secured due to security reasons and the impact they can have on the UK. DH noted that the data is restricted, however, Cadent are operating in line with the Ofgem data agreement.

Kieran McDade (KM) presented slides relating to the DPLA Technology. KM confirmed that the DPLA platform is being designed so it is technology agnostic and is focusing on the following areas for the trials:

- Proactive Escape Detection
- Continuous Monitoring
- Pipeline Surveys
- Satellite
- Sensors and Handheld
- Vehicle Mounted

David Morley (DM) queried whether the transition from methane to hydrogen will have any complicating impact on Satellite Detection. KM explained that they would be able to ask for hydrogen and methane data and they anticipate covering a wide area, putting up with false negatives. DH explained that the technology being used will be able to identify whether natural gas or biodegradable methane is being used. DM queried how granular the data from satellites can go. DM confirmed that it can go to 0.2 kg/hour or 3.3 to 3.8 meters.

SH noted that DH referred to continued monitoring whereas KM has mentioned that monitoring will be done over a certain period and asked for clarification. KM explained that for the period of the trial, there will be sensors fixed at a site for a set period. KM noted that they will also cover a range of above-ground installations.

SH queried whether the technology being used will be able to identify all types of emissions.

KM confirmed that the technology will be able to identify all types of emissions.

SH asked whether the data will be made available. DH agreed to discuss the policy around data sharing with their Data Manager and confirm what can be shared.

Action 0302: Cadent (DH) to ascertain from the Data Manager what are the principles that restricts the project from sharing data.

Steve Mulinganie (SM) suggested that a Statement of Principle may help in relation to open data, to understand what data can and cannot be released. DH agreed to review Ofgem's policies and procedures set by Ofgem. DH explained that the data is triaged based on the type of data and they are as open with the data as they legally can be. SM asked that Cadent provide a policy document and confirm the reason for not sharing the data.

Simon Harris (SH) reinforced SM's point and noted that Cadent needs to be aware of what similar information is already out there. DH proposed inviting Cadent's data expert to the next meeting to provide further information.

Yvonne Reid-Healy (YRH) queried whether the policy will be collaborative with all the DNOs signing it or whether there will be a separate policy for each DNO. YRH noted that this is a joint venture and asked whether having a joint policy would be helpful. DH agreed to confirm and revert to the Workgroup.

Action 0303: Cadent (DH) to ascertain whether the written policy regarding data sharing is from Cadent or the DNs as a collaborative policy.

GE explained that each network holds its data policy based on the open data principles with the key principle being that all data is perceived to be open by default. DH provided a link to Cadent's external website which provides their Digitalisation Strategy and Action Plan: <https://cadentgas.com/about-us/responsibility/open-data/digitalisation-strategy-and-action-plan>.

SM noted that a visible common principles approach to this project would be very helpful.

DM questioned how the data feeds into the models and if there is a layer of independent analytics. EA confirmed that there is a reference to this question part 4.

EA presented the last part of the presentation which covered the UNC impacts. EA noted that Cadent have taken the point raised in the previous meetings about transparency into account and have completed a full assessment of the impact on UNC.

The UNC impact from code perspective:

- Project Workstream 6 regularly impact assessment
- Current UNC landscape vs modifications in flight
- The importance of collaboration

The UNC impact from a benefits perspective:

- The feedback from historic engagement
- An opportunity for a new way of working and improved industry confidence

EA highlighted the importance of stakeholder engagement in the project, particularly in the UNC. EA confirmed that Cadent recognise the importance of transparency and accessibility and asked the Forum what their preferred ways of engagement are. EA noted that they want to work with the industry and make sure they are heard.

David Morley (DM) repeated the question of whether there will be independent adjudication of data. EA explained that the data will be gathered and added to the DPLA model built by Guidehouse. The model will be published for criticism and feedback. EA noted that Cadent need to understand whether there is a need to audit the data. EA stated that consultation will achieve transparency to some point. DM disagreed with EA and noted that the Shrinkage Forum is in place for transparency, and it has not worked.

DH noted that they will be working with different organisations as part of the project and the key thing with DPLA is to validate the quantification of gas lost. DPLA is the platform that will process information. DM noted the information provided by EA and DH and expressed the need for independence of data.

GE expressed disagreement over the point that as the project progresses, Cadent will consult with the stakeholders. GE queried the extent to which the stakeholders are being involved in the project. GE explained that the reason he is asking is because they were told that the stakeholders would be actively involved in the project and that has not happened. GE highlighted the risk of Shippers funding the project, Cadent delivering it with issues that could have been avoided had stakeholders been involved. GE queried how Cadent can ensure that Shippers are actively involved.

EA recognised the need for Shipper engagement and noted that this may be an opening for that opportunity. EA proposes discussing possible opportunities with the team to ensure a balance is achieved between getting the project right the first time and hitting the mark with completion. EA noted that they will take feedback from different forums into account to determine what the engagement activity can be.

DH added that DPLA is a government-funded project (OFGEM, UKRI). DH noted that Cadent want to learn more about what the stakeholders want. GE clarified that the Government and Ofgem are not paying for this project, Shippers and Network Users are funding it. GE expressed concern over the risk of having to redo things when it is first completed without Shippers' involvement. GE noted that stakeholder involvement will give Cadent a better product.

DH stated that this is out of Cadent's control and Ofgem and UKRI have set the framework for the project and how it is funded. GE reiterated that network users are funding the project via network charges.

SM noted that Cadent say they want engagement, however, when asked how the engagement will be done, Cadent say that Ofgem has set out the rules and they deadlines to achieve. SM noted that if Cadent want to rebuild trust, they need to go the extra mile by engaging the networks and providing details and transparency. GE added that there is nothing in the rules preventing the Shippers and networks from being involved, instead, the framework encourages engagement.

SH noted that the forum needs to recognise that there is a dissonance between the words from Cadent. SH noted that there are requests for engagement but when feedback is provided in relation to no engagement, it is not being addressed. SH suggested Cadent take action away to deal with using GE's request for involvement and DM's suggestion around an independent audit.

DH stated that he cannot confirm the terms and conditions as he does not have the information to hand. DH noted that Cadent wants to engage and work with Shippers and Networks, however, he cannot confirm what that would look like at this stage.

YRH reminded the Forum that a year ago, it was promised that there would be an up-front conversation before any action was taken and the input from the Forum would be considered. YRH summarising the Forum's views noted that they wish to be a part of the pre-action process rather than being updated on what has been completed. YRH stated that Cadent need to confirm what collaboration means and what the content in the project pack around collaboration is to ensure that Shippers and Networks are engaged pre, during, and post-action. YRH also noted that the Shrinkage Forum might need more meetings to discuss this.

EA agreed to take this away as an action.

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| <p>Action 0304: Cadent (EA) to design a structured engagement plan for Shippers to be involved in the project research and development.</p> |
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DH noted that Cadent are engaging in bilateral conversations with Shippers. GE responded that Cadent offered Centrica an engagement session which they attended, however, it was more of an information session rather than consultation and engagement. DH explained that the session was held to provide an update on the status and begin engagement. DH also noted that the involvement of more people makes the delivery of the project more difficult. DH asked who would take the lead from the Shippers to ensure that the project runs smoothly bearing in mind that everyone will have a vested interest.

SM noted that a sub-committee may be the best method of achieving this, however, the challenge with that would be finding people. DH agreed to consider how the project evolves as part of the above action. YRH agreed to look at JO resources and add further forum meetings if needed.

Action 0305: JO (YRH) to look at resourcing and availability if needed for additional engagement meetings.

GE referred to one of the slides in the presentation that mentioned the plan to roll out the platform and asked what the plan for rolling out around Cadent LDZ and other LDZs is. DH responded that the project deadline is March 2026 and as part of the next price control submission, this needs to be rolled out as part of the price control. DH noted that Cadent wants to get this implemented as fast as possible across all networks.

2.2 Own Use Gas (OUG) Update

Colin Wainwright (CW) provided an update confirming that they are targeting for the conclusion of the Stage 3 review. CW confirmed that they continue with Stage 3 and they have requested further data from SGN. GDNs have received a request for temperature data which they are busy gathering. CW confirmed that they will do an update email and share the Final Project Report.

SH queried what the output further to the report is. CW confirmed that the final report will recommend any changes to the percentage of gas that we use. SH asked how the recommendation would be decided upon. CW stated that he is unsure, but it may come from Ofgem and it might go to consultation. SH asked CW to get confirmation on the process.

Action 0306: SGN (CW) to confirm the output of the Final Report on Own Use Gas (OUG) and advise how the recommendations for change are decided upon and implemented.

2.3. Shrinkage Profiling

CW provided an update on Shrinkage Profiling confirming that Matt Marshall (MM) has carried out some work on this and agreed that there is a process that could be applied, however, this may not be in SGN's power. MM confirmed that Cadent have received representation in relation to this further to the last forum. In the last forum, advising that the topic should be dealt with as a separate project.

GE confirmed that the response was from Centrica and noted that profiling investigation can be carried out as a separate project. SM noted that reflectively apportioning of volume could only be done with a Modification. GE noted that the industry would rely on the GDNs as to how they would apportion volume.

EA noted that Cadent has been considering the options considering the feedback and they can provide an update in the next meeting. EA stated that Cadent need to complete their own internal meter work and share the information with transporters for feedback. EA confirmed that they can provide an update in September or before answering the question about the Modification. CW noted that SGN CW confirmed that SGN will need to respond to Centrica's response to the consultation and will provide an update in the next Forum meeting.

Action 0307: Cadent (MM) to confirm whether a Modification is required further to the review of Shrinkage Profiling to make amendments to the apportionment of volume.

EA noted that if the Modification needs to be raised, they will not have approval on this by September, however, they will provide an update on whether there will be a Modification.

Julie Chou (JC) noted that the Shrinkage Profiling element has not progressed as quickly as it should have as it has been stuck on what the strategy should be. JC noted that she does not understand the impact on GDNs in terms of the processes and what the realistic strategy is. Paul O'Toole (PO) noted that they understood that the exercise of profiling would not impact the procurement of shrinkage. GE explained that in terms of windfall gains and losses, the issue was not about the reference price for GDNs to purchase gas rather than actual volumes. Secondly, it is not about changing how GDNs purchase gas and it has previously been recognised by GDNs. The point for consideration is how gas is treated.

JC noted unclarity around what is required of GDNs. GE explained that the starting point is to understand how the profile is shaped. GE suggested that JC have a conversation with MM (Cadent) about what WWU would need to do if the new strategy is adopted. GE further explained if JC's question is how the profile would be used in gas settlements, that is where a Modification comes into play.

PO asked whether CDSP could explain the process. CW agreed.

3.0 Any Other Business (AOB)

None raised.

4.0 Diary Planning

Shrinkage meetings are listed at: <https://www.gasgovernance.co.uk/SF>

All other Joint Office events are available via: www.gasgovernance.co.uk/events-calendar/month

| Time / Date | Paper Publication Deadline | Venue | Workgroup Programme |
|-----------------------------------|-----------------------------------|-----------------|---------------------------|
| 10:00 Monday 23 September 2024 | 17:00 Friday 13 September 2024 | Microsoft Teams | Standard Workgroup Agenda |
| 10:00 Monday 25 November 2024 | 17:00 Friday 15 November 2024 | Microsoft Teams | Standard Workgroup Agenda |

Shrinkage Forum Action Table

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Due Date | Status Update |
|------------|--------------|------------|--|----------|----------|---------------|
| 1102 | 23/11/22 | 2.3 | GDNs to consider introducing Profiling into the current Shrinkage and Leakage Model and whether this is a feasible report in the January 2023 Meeting. | JO (YRH) | Sep 2024 | Closed |

Shrinkage Forum Action Table

| Action Ref | Meeting Date | Minute Ref | Action | Owner | Due Date | Status Update |
|------------|--------------|------------|---|-------------|----------|----------------|
| 1103 | 12/10/23 | 1.4 | Catch up with MM around bi-monthly update that GDNs committed to in order to get this back in play. | YRH | Jan 2024 | Closed |
| 1104 | 12/10/23 | 2.1 | DPLA - MM to share strawman presentation with Joint Office for distribution and, to allow members (and non-members) to add comments/suggestions. | Cadent (MM) | Jan 2024 | Closed |
| 1105 | 22/11/24 | 1.4 | YRH to speak to MM and GE in relation to the bi-monthly updates and strawman presentation. | YRH | Jan 2024 | Closed |
| 0301 | 18/3/24 | 1.4 | GDNs to hold bi-monthly update meetings with the Shippers to update them on DPLA. | GDNs | Sep 2024 | Pending |
| 0302 | 18/3/24 | 2.1 | Cadent (DH) to ascertain from the Data Manager what the principles that restricts the project from sharing data are. | Cadent (DH) | Sep 2024 | Pending |
| 0303 | 18/3/24 | 2.1 | Cadent (DH) to ascertain whether the written policy regarding data sharing is from Cadent or from the DNs as a collaborative policy. | Cadent (DH) | Sep 2024 | Pending |
| 0304 | 18/3/24 | 2.1 | Cadent (EA) to design a structured engagement plan for Shippers to be involved in the project research and development. | Cadent (EA) | Sep 2024 | Pending |
| 0305 | 18/3/24 | 2.1 | JO (YRH) to look at resourcing and availability if needed for additional engagement meetings. | JO (YRH) | Sep 2024 | Pending |
| 0306 | 18/3/24 | 2.2 | SGN (CW) to confirm the output of the Final Report on Own Use Gas (OUG) and advise how the recommendations for change are decided upon and implemented. | SGN (CW) | Sep 2024 | Pending |
| 0307 | 18/3/24 | 2.3 | Cadent (MM) to confirm whether a Modification is required further to the review of Shrinkage Profiling to make amendments to the apportionment of volume. | Cadent (MM) | Sep 2024 | Pending |

