

UNC Shrinkage Forum Minutes
Friday 06 January 2012
31 Homer Road, Solihull B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Lorna Dupont (Secretary)	(LD)	Joint Office of Gas Transporters
Brian Durber	(BD)	E.ON UK
David Simpson	(DS)	Scotia Gas Networks
Derek Wilkinson	(DW)	Wales & West Utilities
John Morrison	(JM)	Northern Gas Networks
Rawinder Basra	(RB)	Scotia Gas Networks
Rochelle Hudson	(RH)	British Gas
Rob Cameron-Higgs	(RCH)	Wales & West Utilities
Roddy Moody	(RMo)	Scotia Gas Networks
Roy Malin	(RMa)	National Grid Distribution
Steve Armstrong	(SA)	National Grid Distribution

Meeting papers may be found at: <http://www.gasgovernance.co.uk/sf/060112>

1. Introduction and Status Review

The meeting was declared quorate.

1.1. Review of Minutes

The minutes of previous Shrinkage Forum (28 September 2011) were accepted.

1.2. Review of Actions Outstanding

SF0601: Transporters to provide a breakdown of 2010 Theft of Gas upstream incidents, ie the number of cases reported, the number of proven cases, an estimate of energy and an LDZ breakdown for consideration at the next meeting.

Update: RCH agreed to provide the WWU information for publication alongside these minutes, following which this action will be closed. **Carried Forward**

SF0801A: Transporters to collate the approaches taken to auditing shrinkage model inputs and outputs, and consider introducing a consistent approach.

Update: This had not yet been co-ordinated, but may be more actively driven by the new licence drafting under the PCR. RB commented that the DNs probably do this on an informal basis. RM noted that under the current licence

conditions Ofgem could insist on formally auditing the current approach. BD suggested there was an argument for formulating some best practice principles and formalising such arrangements, and reiterated that Shippers needed transparency and assurance (particularly relating to inputs) that a consistent approach is followed by the DNs in respect of modelling and methodology. The DNs will consider formulating best practice and report back to the next meeting. **Carried Forward.**

SF0802: WWU and NGN to consider republishing the Shrinkage Assessments in line with National Grid and WWU assessment, in particular sections 2.2 and 2.3.

Update: RB pointed out that the templates used by the DNs had gradually and slightly diverged over time. The DNs were conscious of 'information overload' and were seeking to be more concise. Shippers appreciated this approach, but they would also welcome consistency of presentation capable of easy comparison between DNs. RM pointed out that some parts of the document were UNC controlled and can only be changed through a UNC modification. RM agreed to share the template used by National Grid Distribution with WWU.

Recognising that a considerable period of time had elapsed since this action was originated it was agreed this should be closed and a new action generated. **Closed**

NEW Action SF0101: Ensure that the presentation/publication of all DN information is consistent across all DNs.

SF0803: SGN to provide further background as to what caused the high LDZ Shrinkage Reconciliation credit.

Update: RH confirmed she had received an email but this had not fully answered the queries. RH reiterated her concern relating to the disparity in performance in replacement/Repex forecasts. RB explained what had been done and RMo explained what factors contributed to the difference and the outlined the inherent difficulties in producing forward projections; the figures for 2012/13 will be more accurate. RH will look to review this year's figures and if SGN continue to out-perform then she may raise further questions. **Closed.**

SF0804: Transporters to confirm when the debits and credits will be processed through neutrality invoice.

Update: The DNs confirmed that these had been processed and invoiced in October. **Closed**

2. Discussion

2.1. Proposed Modifications to the National Shrinkage Model (National Grid Distribution)

The Transporters must submit final business plans for RIIO-GD1 in April 2012 and these will include the leakage projections. RMa outlined two proposed changes to the National Leakage Model to improve its accuracy: the updating of the assumptions relating to the low pressure service population, and an updating of the AGI Venting calculation. These would provide for a more accurate and robust estimation of leakage which in turn should be reflected in the baseline allowances. Transporters are required under their current Licence to consult on modifications to the leakage model, a process which takes two to three months.

Low Pressure Service

RMa outlined the background, the current model and the issues surrounding the population assumptions. It was proposed to use a new method of estimating the number of PE and Steel Services and RMa explained this. RH raised concerns regarding bias, and a brief discussion of samples ensued. RMa then described the 2002/03 Leakage Test and how these were carried out. SA pointed out that these were done on a national basis (pre network sales) and did not reflect the circumstances of each network. RMa believed the proposed new model was a better way of estimating the current position, and explained how this would work, indicating the impact on Leakage Assessment for the National Grid Distribution network and the metal service proportion. RH requested that the other DNs provide similar tables (see slides 10 and 11) to indicate the level of impact on Leakage Assessment on each of their networks together with the metallic service proportion.

Action SF0102: Low Pressure Service Modification – Provide tables to indicate the level of impact on Leakage Assessment on each network together with the metallic service proportion.

RMa summarised the perceived benefits of changing to the proposed model. RH asked if the other DNs could replicate this and JM (NGN) believed they could. RMo (SGN) added that in principle he agreed with the methodology as it delivers a better estimate; timescales might be an issue. RCH (WWU) held similar views and concerns to RMo.

RMa confirmed that this proposal would be progressed through formal consultation.

AGI Venting

RMa outlined the background and presented an illustration of the pneumatic control mechanism. It was proposed to use the manufacturers' published data to estimate steady state venting, with a 25% uplift to reflect non-steady state emissions. RMa pointed out that it was difficult to estimate actual emissions used in operation, as these depend on a number of control actions. A typical operating pressure was 70psi (4 Barg) and site specific pressure may be difficult to determine.

National Grid Distribution were reviewing each individual site (130) to establish what equipment was in situ. A table was presented comparing the

proposed and current models and the apparent impact (60% increase in venting estimate). It was noted that chromatographs did not vent nearly as much as Positioners. The 130 sites did not need to be taken out of the leakage calculations.

Leakage assessment cannot be done in the same way for gas holders. BD suggested various ways in which a more accurate assessment of these installations might be performed.

BD also suggested measuring the non- steady state so comparison could be made with the manufacturers' steady state information. This supporting analysis would probably need to be provided to Ofgem. RMa commented that Ofgem were keen on improving the quality of the AGI Venting model and to have a more robust figure for AGI Venting; this was part of the remit followed by creation of an incentive to do something about it. RMa also pointed out that Ofgem did not like the 25% uplift. From a Shrinkage standpoint 25% was good, but from an incentive requirement it was not. SA believed it was probably better to omit this.

RMo indicated that SGN were in process of commencing an assessment of their sites.

Action SF0103: RMa to establish if a more accurate measurement can be taken/captured in respect of routine venting and vented gas.

RM summarised the perceived benefits of changing to the proposed model.

Next Steps

National Grid Distribution intended to consult on the proposed changes. The proposals needed to be independently assessed.

RMa reiterated that having acknowledged there were problems with the current model and having recognised these two areas were reasonably significant in volume terms, they seemed appropriate topics with which to start and were issues that could be addressed relatively quickly and economically.

There were two options regarding implementation and these were briefly discussed, with the consensus in favour of implementation in RIIO GD1.

RMo asked if there was scope to readjust the baseline by 2013. RMa responded that technically it could be adjusted by December. The low pressure service proposal could be progressed and a third consultation could be carried out on the AGI venting when better numbers were available.

DNs needed to agree what types of sites/equipment were to be assessed. RMa suggested looking at holder sites as well; although these were being decommissioned Controllers would still be there. RMa explained what could be included in his new spreadsheet model, which could be flexible to accommodate network differences. It would be looking at the last three years of the PCR period to get it ready for RIIO; there was consensus on this.

RMa agreed to include how gas holders will be dealt with in the consultation, and will speak to Ofgem to advise of the outcome of today's meeting and to ascertain what sort of data they might want to analyse, as the more time to collect whatever was required the more accurate and consistent it was likely to be and more robust for use in setting the next baselines in the PCR.

RMa then drew attention to the fact that National Grid Distribution were not likely to go out to tender again for independent assessment but would use GL Noble Denton as they had constructed the original model. Shippers were asked their views on this approach, and both BD and RH were happy with this always assuming the GL Noble Denton quote was reasonable.

RH suggested that it would be useful if the other DNs would indicate their timescales for collection of information and assessment of sites, equipment, etc.

2.2 2012/13 Shrinkage Quantity Proposals (National Grid Distribution)

RMa presented National Grid Distribution's projection for next year. Leakage was reduced by 66GWh due to better pressure management in the last year and the forecast of anticipated impact of mains replacement.

RH commented on the inconsistent use of the number of decimal places across DN information and RMa explained why in certain instances a specific number of places were adopted.

2.3 Leakage Model Modification Draft Consultation Document

This had been provided in advance of the meeting; RMa indicated that there were no changes to procedures except for SGN, and would be happy to answer any queries that arose.

Responses should be submitted by Wednesday 01 February 2012.

3. Any Other Business

None raised.

4. Diary Planning

It was agreed to arrange a further meeting later in the year, date and venue to be advised.

Action Log: Shrinkage Forum

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
SF0601	28/06/11	1.1	WWU to provide a breakdown of 2010 Theft of Gas upstream incidents ie. the number of cases reported, the number of proven cases, an estimate of energy and an LDZ breakdown.	WWU (RCH)	Carried Forward
SF0801A	28/09/11	1.2	All Transporters to collate the approaches taken to auditing shrinkage model inputs and outputs, and consider introducing a consistent approach.	All DNOs	Carried Forward
SF0802	10/08/11	2.0	WWU to consider republishing the Shrinkage Assessments in line with National Grid and WWU assessment in particular sections 2.2 and 2.3.	WWU (RCH)	Closed
SF0803	10/08/11	2.0	SGN to provide further background as to what caused the high LDZ Shrinkage Reconciliation credit to Scotia Gas Networks.	SGN (RB)	Closed
SF0804	10/08/11	2.0	Transporters to confirm when the debits and credits will be processed through neutrality invoice.	All DNOs	Closed
SF0101	06/01/12	1.2	Ensure that the presentation/publication of all DN information is consistent across all DNOs.	All DNOs	Pending
SF0102	06/01/12	2.1	Low Pressure Service Modification – Provide tables to indicate the level of impact on Leakage Assessment on each network together with the metallic service proportion.	All DNOs	Pending
SF0103	06/01/12	2.1	Establish if a more accurate measurement can be taken/captured in respect of routine venting and vented	All DNOs	Pending

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