

**UNC Shrinkage Forum Minutes**  
**Wednesday 22 January 2014**  
**Consort House, 6 Homer Road, Solihull B91 3QQ**

**Attendees**

Helen Cuin (Chair)	(HC)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
David Simpson*	(DS)	Scotia Gas Networks
David Wylie*	(DW)	Scotia Gas Networks
Derek Wilkinson*	(DWi)	Wales & West Utilities
Geoff Goldie	(GG)	Northern Gas Networks
Ian Marshall*	(IM)	Wales & West Utilities
John Morrison	(JM)	Northern Gas Networks
Marie Clark*	(MC)	ScottishPower
Mark Jones	(MJ)	SSE
Oliver Jago	(OJ)	RWE npower
Rawinder Basra*	(RB)	Scotia Gas Networks
Rochelle Harrison	(RH)	British Gas
Roy Malin	(RM)	National Grid Distribution
Steve Armstrong	(SA)	National Grid Distribution
Steve Edwards*	(SE)	Wales & West Utilities

\*via teleconference

Copies of all papers are available at: [www.gasgovernance.co.uk/sf/220114](http://www.gasgovernance.co.uk/sf/220114)

**1. Introduction and Status Review**

**1.1. Review of Minutes**

The minutes of the previous meeting were accepted.

**1.2. Review of Actions Outstanding**

**SF0801: Best Practice/Licence Obligations: CV Measurements** - National Grid Distribution (RM) to look to provide a presentation that seeks to identify the different approaches the DNs adopt for provision of CV measurements and try to highlight a preferred (best practice) option.

**Update:** Deferred until July 2014. **Carried forward**

**SF0802: AGI Venting Report** - DNs to provide an AGI Venting report progress update including their respective asset assessments, supported by a percentage indicator where possible.

**Update:** Status update provided; see item 4.0. **Carried forward.**

**SF0803: 2012/13 Shrinkage Assessment and Adjustment** - British Gas (RH) to provide an indication as to what type and level of supporting information relating to the 2012/13 shrinkage assessment and adjustment, she would like to see provided.

**Update:** RH explained the problems that Shippers have in understanding the numbers presented and making comparisons and judgements due to a lack of supporting information. She suggested that the Networks could consider providing additional information to indicate:

- what was the expected mains replacement over the year;
- what was actually replaced;
- what pressure management was in place; and
- sources/assumptions that relate to/support/contribute to the Neutrality numbers.

It would also help Shippers' understanding if something similar to the Regulatory Reporting Pack (RRP) could be provided. **Complete**

**New Action SF0101: 2012/13 Shrinkage Assessment and Adjustment - DN's to consider what supporting information/explanations can be included/provided, and provide a draft for discussion at the meeting on 16 April 2014.**

**SF0804: Diary Planning** - National Grid Distribution (RM) to advise when the AGI Venting information is ready, and thereafter for the Joint Office (BF/HC) to seek to arrange a subsequent meeting.

**Update:** Meeting held 22 January 2014. **Complete**

RM gave a [presentation](#) providing an update on the 2014/15 Shrinkage Proposals; Low Pressure Service Modification; AGI Venting Update and the Review of SLM Review Consultations.

## 2. 2014/15 Shrinkage Proposals

The proposed Shrinkage Quantities had been calculated using two versions of the Leakage Model: version 1.3 is the current approved model, and version 1.4 includes the Low Pressure (LP) Service modification – this version had yet to be approved. Shippers' views were being sought so that a decision could be made as to which one should be used as the leakage model basis for the 2014/15 Shrinkage Proposals. A table comparing the results for the two models was displayed, and RM commented that there could be a £2.6m adjustment for SSP Shippers made through the Neutrality Invoice if the version of the leakage model used as the basis of the Shrinkage Proposals was different to the version that is the approved model when the end of year assessment is carried out.

## 3. Low Pressure (LP) Service Model

RM outlined the background, explaining that the revised model for 2013/14 had been proposed in anticipation of the model change being approved by Ofgem. The report had been sent and this approval was still anticipated; however, Ofgem had raised two concerns regarding the process (not the methodology) which the Networks were now addressing:

- the data provided by WWU and NGN had not been subject to independent verification; and
- why the levels of adjustments/results were slightly different across the networks (a greater understanding of why this was the case was required).

SE explained that WWU and NGN had been assured that using the same methodology as used by National Grid there would not be a need for verification. However, NGN and WWU are now commissioning independent reviews of their leakage models and proposed baseline changes. NGN expects its review to be completed by the end of February. Variance analysis was also being provided.

SE emphasised that version 1.3 is the current approved version and the licence obligation is to use the approved model. Whilst he believed that there would not be a problem using version 1.4 it was necessary to note that version 1.4 had not yet been approved by Ofgem and this should be borne in mind when considering which version to use. To use Shrinkage numbers based on version 1.4 at this time without having yet received formal approval might require derogation. In the meantime, if there was a clear view on which version would be preferred then perhaps a recommendation could be made to Ofgem.

RM explained the variance analysis formula. The leakage relating to metallic service connections to metallic mains is 4.5 times greater than for plastic services (connections to plastic mains have a zero leakage factor). To compare networks it was necessary to apply a number of normalising factors, and a graph illustrating the effect across the LDZs was displayed and discussed. There was a good correlation between the Networks when all factors had been taken into account. Results are consistent with the data that is input and reported to Ofgem. In discussion it was noted that North Thames LDZ had more PE services than originally assumed, and that in the past different regions had different replacement regimes. Plastic to plastic connections do not leak according to the latest findings. There was no information/data to indicate that there would be any predictable degree of deterioration in such connections, but it was recognised that there was some permeability at a very high pressure. RM agreed to provide the variance analysis spreadsheet.

Once the independent surveys have been done for WWU and NGN It was expected that the proposals would be resubmitted to Ofgem for approval by April 2014.

Assuming version 1.4 is approved, using this version for the Shrinkage Proposals would ensure charges are as close as possible and would avoid an associated adjustment. Using version 1.3 the Networks would be buying too much gas; using version 1.4 improved the estimate. RH noted that version 1.3 was the approved model, but conversely would not like to see the £2.6m Neutrality Invoice hanging over.

If version 1.4 is approved, it was observed that Ofgem would reset the baseline incentives, but the financial impact of this would take effect in two years. This will not change the Networks' performance against incentives. The Networks were largely immune from any impact; the £2.6m would be felt across RbD Shippers

It was suggested that any decision made should be based on whether version 1.4 offered a better representation of leakage and shrinkage than version 1.3. The Networks believed version 1.4 to be a better representation.

RH believed that Shipper representation (4 large Shippers) at this meeting was not sufficient or wide enough to make a decision on which version to agree. MC preferred to see a verification of numbers and feedback from Ofgem before moving to version 1.4. SA suggested that the Networks might 'sound out' Ofgem to see if it would be happy to permit the use of version 1.4. How to involve the smaller Shippers in this decision was discussed. MJ clarified what charges the Shippers would pick up. RM confirmed there was no monetary value stated in the proposals. Referring back to the comparison table (slide 3) RM explained the impacts – from a Shipper's point of view different sets of Shippers can be affected depending on what is used, and adjustment at the start or end of a period can affect Shippers differently. RM reiterated that a decision needs to be reached

before 01 March 2014 (assuming no other objections were raised relating to the proposals).

The Shippers present indicated they were unable to commit to a decision at this point.

It was then agreed that RM should clarify the steps that need to be undertaken to progress the proposals and provide an outline in advance of the next meeting. A teleconference meeting will be arranged (19 February 2014) to consider the position and reach agreement on whether to use version 1.3 or version 1.4.

**Action SF0102: *Leakage Models* - RM to clarify the steps that need to be considered and undertaken to progress the proposals and provide an outline in advance of the next meeting (teleconference, 19 February 2014).**

#### **4. Above Ground Installation (AGI) Venting and Innovation Funding Initiative (IFI) Project Update**

RM indicated that the report recently received from GL Noble Denton had given rise to some concerns over the robustness/accuracy of National Grid's current site/equipment inventory. National Grid is in the process of commissioning GL to carry out an inventory of its sites.

RM confirmed that National Grid was not ready to make a change to the Leakage Model at the moment based on the current status of its asset information in respect of pneumatic control equipment and the assumptions previously made, as these appear to be fewer in number and venting less than at first thought; some assets may have been adjusted and now operate at lower pressures and therefore are not venting as much gas. National Grid needed to be more confident that it had up-to-date information before it considers making any change.

RH drew attention to other Network assets that may have meters, eg "warming up beds" and the Networks' own sites, and requested that these are also included in the inventories. RM indicated that he was checking with Procurement to see if there were any procurement contracts in place that might lead to discovery of any inadvertent omissions.

The Networks were not expecting to make any changes in respect of AGI venting in the short term. Further updates will be provided in due course.

It was requested that 'Above Ground Installation (AGI) Venting and Innovation Funding Initiative (IFI) Project Update' be included as a standing agenda item so that progress can be followed.

It was questioned whether the IFI Project information/report could be released. The Networks will consider this.

**Action SF0103: *IFI Project Information/Report* - DNs to consider what information might be released.**

#### **5. Review of Shrinkage and Leakage Model (SLM) Review Consultations**

RM provided a brief review of the Shrinkage and Leakage Model Review Consultations and the outcomes.

The intention is to provide a Joint DN report on the 2013/14 consultations and to make future SLM Reviews/Consultations a joint DN process. The Shippers welcomed this approach and RM indicated he would check with Ofgem on its interpretation of the Licence in this respect.

RH asked if the DNs could provide a timetable of events to assist Shippers to understand the requirements throughout the year.

**Action SF0104: Shrinkage and Leakage Model Review Consultations - Provide a timetable of events throughout the year for publication on the Joint Office website.**

RH explained that a model was available with ‘dummy’ data so that Shippers can see how the model works. Input details can be changed but not the methodology.

**Action SF0105: Shrinkage and Leakage Model Review Consultations - DNs to consider and provide a view on the level of data that could be published to increase visibility and Shippers’ understanding of, and confidence in, the model.**

RM had identified a number of areas for development that could form the basis of a work plan for next year’s model review and these were briefly outlined. RM was also engaging with other industry groups on areas of overlapping interests, e.g. Theft of Gas. RM observed that at present there is no mechanism to address CSEP Shrinkage and this does not form part of the DN Shrinkage estimates. It was noted that iGTs were not measuring leakage and this may require further consideration going forward.

MC asked about the timescales for the work plan. RM believed it would be addressed, in time for the next review in September 2014. Shippers indicated that firstly they would like a better understanding of all the assumptions in the Shrinkage and Leakage model so that Shippers could be confident that the model was not fundamentally flawed, and secondly to review the low pressure leakage rates. Noting this, RM observed that the Shrinkage and Leakage Model referred to in the Transporters’ Licence is both a spreadsheet and a document outlining the assumptions. RM indicated that the assumptions had been presented at previous Shrinkage Forums (post meeting note: 27 June 2011, presentation available on JO website) but agreed that these should also be included within the Shrinkage and Leakage Model Review. RH added that she would like a view from National Grid of what could be done and what it might cost for further consideration.

**6. Any Other Business**

None.

**7. Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/Diary](http://www.gasgovernance.co.uk/Diary)

The next meeting will take place via teleconference at 09:30 on Tuesday 19 February 2014.

**2014 Shrinkage Meetings**

Time/Date	Venue	Programme
09:30 Wednesday 19 February 2014	Via teleconference	Consideration of the 2014/15 Shrinkage Proposals, LP service modification and agree to use either version 1.3 or 1.4
10:30 Wednesday 16 April 2014	Solihull – <i>venue to be confirmed</i>	To be confirmed

### Action Table – Shrinkage Forum

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
SF0801	19/08/13	2.0	<i>CV measurement</i> - to look to provide a presentation that seeks to identify the different approaches the DNs adopt for provision of CV measurements and try to highlight a preferred (best practice) option.	National Grid Distribution (RM)	<b>Carried Forward</b> Update due in July
SF0802	19/08/13	3.1	<i>AGI Venting Model Change</i> - provide an AGI Venting report progress update including their respective asset assessments, supported by a percentage indicator where possible.	All DNs	<b>Carried Forward</b>
SF0803	19/08/13	3.3	<i>2012/13 Shrinkage Assessment and Adjustment</i> - to provide an indication as to what type and level of supporting information relating to the 2012/13 shrinkage assessment and adjustment, she would like to see provided.	British Gas (RH)	<b>Closed</b>
SF0804	19/08/13	5.0	<i>Diary Planning</i> - To advise when the AGI Venting information is ready, and thereafter for the Joint Office (BF/HC) to seek to arrange a subsequent meeting.	National Grid Distribution (RM) & Joint Office (BF/HC)	<b>Closed</b>
SF0101	22/01/14	1.0	<i>2012/13 Shrinkage Assessment and Adjustment</i> - DNs to consider what supporting information/explanations can be included/provided, and provide a draft for discussion at the meeting on 16 April 2014.	All DNs	<b>Pending Update</b> due 16 April 2014
SF0102	22/01/14	3.0	<i>Leakage Models</i> - RM to clarify the steps that need to be considered and undertaken to progress the proposals and provide an outline in advance of the	National Grid Distribution (RM)	<b>Pending Update</b> due 19 February 2014

<b>Action Ref</b>	<b>Meeting Date</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner</b>	<b>Status Update</b>
			next meeting (teleconference, 19 February 2014).		
<b>SF0103</b>	22/01/14	4.0	<i>IFI Project Information/Report</i> - DNs to consider what information might be released.	All DNs	<b>Pending</b>
<b>SF0104</b>	22/01/14	5.0	<i>Shrinkage and Leakage Model Review Consultations</i> - Provide a timetable of events throughout the year (for publication on the Joint Office website).	All DNs	<b>Pending</b>
<b>SF0105</b>	22/01/14	5.0	<i>Shrinkage and Leakage Model Review Consultations</i> - Consider and provide a view on the level of data that could be published to increase visibility and Shippers' understanding of and confidence in the model.	All DNs	<b>Pending</b>