

**UNC Shrinkage Forum Minutes**  
**Tuesday 15 July 2014**  
**31 Homer Road, Solihull B91 3LT**

**Attendees**

Helen Cuin (Chair)	(HC)	Joint Office
Lorna Dupont (Secretary)	(LD)	Joint Office
Colette Baldwin	(CB)	E.ON UK
David Simpson	(DS)	Scotia Gas Networks
Geoff Goldie	(GG)	Northern Gas Networks
Gregory Edwards	(GE)	British Gas
Ian Hollington	(IH)	Joint Office
Ian Marshall	(IM)	Wales & West Utilities
John Morrison	(JM)	Northern Gas Networks
Mark Jones	(MJ)	SSE
Peter Morgan	(PM)	Scotia Gas Networks
Roy Malin	(RM)	National Grid Distribution
Steve Armstrong	(SA)	National Grid Distribution

Copies of all papers are available at: [www.gasgovernance.co.uk/sf/150714](http://www.gasgovernance.co.uk/sf/150714)

**1. Introduction and Status Review**

**1.1. Review of Minutes**

The minutes of the previous meeting were accepted.

**1.2. Review of Actions**

**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:** RM explained the process for selecting daily average ratings for CV measurements and observed that not all DNs use a flow rated average through the year. CB asked if an update to compare the differences and confirm the sources could be provided as a post meeting update by 29 August 2014. **Carried forward**

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

**Update:** SA indicated that the DNs would try to seek to provide the same level of information as provided by National Grid Distribution last year, together with some simple explanations for any variations. Work was still being done and it was hoped to review at the next meeting in September, following publication of this year's Shrinkage Assessment. **Carried forward**

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

**Update:** RM believed the report could be released as it stands, but information gathering is continuing and consideration is being given to what might be included. RM will provide the report for publication on the Joint Office website at [www.gasgovernance.co.uk/sf/miscpublications](http://www.gasgovernance.co.uk/sf/miscpublications). **Carried forward**

**SF0401:** *Annual Shrinkage and Leakage Model Review* - All parties to submit elements they would like included in the Model Review to: [david.simpson@sgn.co.uk](mailto:david.simpson@sgn.co.uk)

**Update:** DS confirmed no responses had been received. He reminded that SGN had agreed to co-ordinate the Annual Shrinkage and Leakage Model Review and prepare a paper; the intention will be to circulate an initial draft towards the end of the summer. Shippers were encouraged to provide comments no later than the end of July so these can be taken into account. **Carried forward**

**SF0402:** SGN (DS) to summarise responses to Action SF0401 for consideration/review at the July meeting.

**Update:** See Action SF0401, above. **Carried forward**

## 2. AGI Venting and IFI Project Update

*National Grid Distribution* - Referring to the data collection activities, RM explained that National Grid Distribution has employed GL Noble Denton to collect information. Collection in two Networks should be concluded by the end of November, and the remaining two Networks by end of March 2015.

*Northern Gas Networks* - GG confirmed that NGN was also conducting surveys and was looking at using a standardised template to ensure the appropriate data required is collected and avoided the need for repeat surveys.

*Scotia Gas Networks* - DS confirmed that SGN was also collecting data and would welcome a standard template.

*Wales & West Utilities* - IM confirmed WWU was undertaking surveys.

There was a brief discussion relating to the data items being collected. It was noted that 'operational pressure of control system' was not always easy to determine. It was recognised that the collection of any piece of information that could be used to provide an estimate of venting was an improvement on the current state.

RM observed that National Grid Distribution was collecting additional asset data and would enquire and confirm what data was being collected and if a standard form was being utilised. The DNs agreed to work offline to produce an acceptable template and co-ordinate standardised data collection.

## 3. Shrinkage Leakage Model Review

DS confirmed there was no further update other than that given for Action SF0401, above.

### *Leakage Model*

To refresh the forum's knowledge and understanding of the Leakage Model RM then drew attention to the [Shrinkage Model Review presentation](#) provided by National Grid Distribution (previously delivered at a meeting in June 2011).

RM outlined the background and the 5 main elements that made up the model, each of which were then explained in more detail.

### *Low Pressure Leakage, including service leakage*

MJ believed further improvements could be made to improve the Shrinkage and Leakage estimates as he believed DNs are underestimating estimates, based on outdated methodologies, and in comparison to other countries statistics, eg for Ireland (which was more than double that for GB). RM observed it was always very difficult to make comparisons because of the variations between countries and suggested that MJ might like to provide details of the Irish statistics for comparison and discussion.

### **Action SF0701: *Shrinkage and Leakage* - Provide details of the equivalent statistics for Ireland.**

CB stressed the importance of getting it right, drawing attention to the focus now being placed on reducing the levels of unidentified gas and the costs to the industry. Parties considered theft and the inability to quantify unknown elements.

### *Low Pressure Mains*

RM explained that the accuracy of the MEG figures were unknown. Not every network is treated with MEG, and as pipes are replaced fewer are treated with MEG.

### *Low Pressure Services*

The results of the 2002/03 leakage tests were briefly discussed; there was no evident explanation but MJ believed the calculation was getting less accurate and it would be useful to ascertain the original assumptions. SA observed the numbers of the types of joints were reducing so accuracy should be improving; 2002 saw a big reduction in PE leakage estimates because of different jointing mechanisms; only steel increased (degradation levels are unknown and there is no replacement programme). RM added there was a decade of improvement between the two tests, and referred to innovations such as 'peelable pipe' leading to improved mains joints and lower leakage rates.

### *Medium Pressure Leakage Model*

RM explained that there was no pressure adjustment within this model. There was a brief discussion relating to the iGT networks and cathodic protection.

RM indicated that medium pressure leakage has not been tested to the same degree; systems will typically leak at a fixed rate per kilometer; leakage above that rate is detected and fixed. MJ reiterated his concerns that the original assumptions, on which most of this model is still based, were flawed and therefore shrinkage is always under-estimated. It is no longer a monopoly situation and it is important that it becomes more accurate.

Testing was discussed. MJ reiterated his belief that assumptions were not now substantiated by any tests. RM explained the costs associated with the low and medium pressure leakage tests (the last one cost circa £10m so to do one now might cost circa £15m at least). A proper study would have to be undertaken to assess the costs involved.

RM confirmed National Grid Distribution was looking at doing some Medium Pressure work to see if a pressure related factor could be established and if the methodology could then be changed to take account of this and any other adjustment factors. Medium Pressure is a less robust mechanism and it is not certain whether it over or under estimates the leakage. It is one of the areas where improvements are being sought, but over a longer term.

CB explained that domestic Shippers were seeking more clarity, distinction and accuracy relating to the elements that comprised 'unidentified gas'. RM suggested it could be the theft element of shrinkage that is inaccurate there was always a great degree of 'unknown' relating to theft – potentially equal in size to the leakage itself. MJ reiterated that shrinkage inaccuracy always seems to be under rather than over estimated.

#### *AGI Venting Model*

The DNs were actively trying to improve this through the data collections.

#### *Interference Damage Model*

GG indicated that Interference Damage was something that all DNs acknowledge needed to be addressed. RM briefly explained the elements and the different leakage rates associated with each element. National Grid Distribution records incidents, splits them into one of the 4 categories and the emissions rate is assessed accordingly.

MJ had found the presentation to be very useful and thanked RM. RM added that a visit to a DN could be arranged if Shippers would also find that helpful.

RM strongly encouraged parties to respond to the Shrinkage and Leakage Model Review so that views can be taken forward.

### **4. Low Pressure (LP) Service Modification Update**

SA confirmed that following consultation the DNs had submitted a joint proposal to Ofgem earlier this year. Initially implementation was proposed for 2013/14, however due to timing constraints it has been agreed with Ofgem that implementation will be effective from 01 April for 2014/15 onwards. SA explained that although a formal decision has not yet been issued/received, Ofgem has indicated it is minded to accept. A formal response from Jacob Kay (Ofgem) will continue to be sought, hopefully to be received this month.

### **5. 2013/14 Assessment and Adjustment**

RM confirmed that the Version 1.3 model was being used to do the adjustment. As National Grid Distribution had based the assessment on Version 1.4 this could result in quite a big adjustment of circa £1.1m between the two models. The adjustment would be a credit to the Shippers. RM explained the incentives in relation to the procurement of gas, and the achievement of reductions in Shrinkage and Leakage volumes.

### **6. Proposed Interference Damage Modification**

RM outlined the need for a modification to change the way Interference Damage is estimated. He observed that specific large incidents could have a significant impact year on year, resulting in large windfall gains or losses, because they could be subject to a multiplier of 8. The effects can go against the incentives. Precautions are put in place to try and limit the number of incidents, such as 'dial before you dig', but it was impossible to put any controls in place to limit the volume of an incident. Hence a proposal to limit the calculation to numbers of incidents multiplied by a fixed rate. Recognising the perversities, Ofgem was expecting a proposal by the DNs to create a valid incentive that is more representative. It has been agreed the modification will be raised later on in the year. A draft proposal has been circulated among the DNs and they will be meeting in August.

A Review has to be issued September/October. The intention will be to raise a Interference Damage Modification for 01 December 2014, allowing a month's consultation to be complete by the end of October. RM will provide a further update in September.

## 7. Any Other Business

### 7.1. Smart Metering Review

IM confirmed that no responses had been received in respect of the draft review and the final version will be issued on 31 July 2014 to Ofgem.

### 7.2. Teleconference Experiences

Attendees discussed participation in recent teleconferences and the poor sound quality experienced by those dialling in, and suggested that the standard of the existing teleconference equipment in the Joint Office might be reviewed. A number of delegates requested consideration be given to obtaining a more sophisticated system, which uses microphones similar to those in place at Elexon, to improve the sound quality. HC noted this feedback for further consideration.

## 8. Diary Planning

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

Meeting frequency was discussed and it was suggested that the programme should be reviewed to accommodate changes in the work programme. It was agreed to bring forward the meeting from October to September, and to initiate a programme of 4 meetings (January, March, June and September) going forward, with ad hoc meetings to be convened when necessary.

RM will provide an updated timetable to the Joint Office for publication.

Time/Date	Venue	Programme
10:30 Wednesday 17 September 2014	31 Homer Road, Solihull B91 3LT	Shrinkage Leakage Model Review
10:30 Wednesday 28 January 2015	31 Homer Road, Solihull B91 3LT	<i>To be confirmed</i>
March 2015	Teleconference	<i>To be confirmed</i>
June 2015	Teleconference	<i>To be confirmed</i>
September 2015	31 Homer Road, Solihull B91 3LT	<i>To be confirmed</i>

### Action Table

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
SF0801	19/08/13	2.0	CV measurement - to look to provide a presentation that seeks to identify the different approaches the DNs adopt for	National Grid Distribution (RM)	<i>Post meeting update due by</i>

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
			provision of CV measurements and try to highlight a preferred (best practice) option.		29/08/14 <b>Carried Forward</b>
<b>SF0101</b>	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 <del>16 April</del> 15 July 2014.	All DNs	Due 17/09/14 <b>Carried Forward</b>
<b>SF0103</b>	22/01/14	4.0	<i>IFI Project Information/Report</i> - DNs to consider what information might be released.	All DNs	Report to be provided to JO for publication. Due 17/09/14 <b>Carried Forward</b>
<b>SF0401</b>	16/04/14	1.2	<i>Annual Shrinkage and Leakage Model Review</i> - All parties to submit elements they would like included in the Model Review to: <a href="mailto:david.simpson@sgn.co.uk">david.simpson@sgn.co.uk</a>	ALL Parties	Due 17/09/14 <b>Carried Forward</b>
<b>SF0402</b>	16/04/14	1.2	SGN (DS) to summarise responses to Action SF0401 for consideration/review at the July meeting.	SGN (DS)	Due 17/09/14 <b>Carried Forward</b>
<b>SF0701</b>	15/07/14	3.	<i>Shrinkage and Leakage</i> - Provide details of the equivalent statistics for Ireland.	SSE (MJ)	<b>Pending</b>