

UNC Shrinkage Forum Minutes
Wednesday 16 April 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
Ian Dunstan	(ID)	Wales & West Utilities
Ian Marshall	(IM)	Wales & West Utilities
John Morrison	(JM)	Northern Gas Networks
Mark Jones	(MJ)	SSE
Rawinder Basra*	(RB)	Scotia Gas Networks
Roy Malin	(RM)	National Grid Distribution
Steve Armstrong	(SA)	National Grid Distribution

*via teleconference

Copies of all papers are available at: www.gasgovernance.co.uk/sf/160414

1. Introduction and Status Review**1.1. Minutes**

The minutes of the previous meeting were accepted.

1.2. 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: 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: RM confirmed National Grid Distribution had outsourced inventory/data collection; the exercise was being undertaken to assess equipment for the AGI Venting Report. GG confirmed that NGN had also undertaken an initial survey to confirm numbers and types, however further information on pressure is to be collected. DS confirmed that SGN had surveyed all its sites. IM confirmed that WWU have survey data from all sites, but that some revisits were required.

RM confirmed that venting was estimated previously based on a 1994 report, the calculation details of which are unknown; GL Noble Denton had recently estimated a venting figure that was lower than expected; however, this was based on an incomplete inventory. RM explained that it is intended to produce a more robust estimate of AGI venting and surveys were being undertaken in an effort to identify the number of assets, update information and improve the accuracy. **Complete**

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: RM confirmed that work was still in progress; LP calculation is very convoluted and is still under consideration. A further update will be given in July.

Carried Forward

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

Update: RM confirmed that the report had been produced and, once the level of confidentiality had been checked, it would be released shortly. **Carried Forward**

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

Update: RM provided a Shrinkage Timetable timeline summarising when meetings, consultations, licence obligations, etc need to take place. It was confirmed that the Annual Shrinkage and Leakage Model Review will be done by SGN this year, and the Biannual Shrinkage and Leakage Smart Metering Report will be done by WWU. **Complete**

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.

Update: DS suggested this could be along the same lines as the Assessment and Adjustment Report. RM referred to the items listed on page 5 of the [Shrinkage and Leakage Model Consultation 2013/14 Report](http://www.gasgovernance.co.uk/sf/leakage) published at www.gasgovernance.co.uk/sf/leakage.

Jointing issues and the results of random sampling were briefly discussed. Sampling had been carried out previously in 1992 and 2002. CB questioned the iGT assumption that leakage does not occur on iGT networks. RM explained that with new techniques leakage rates would be very minimal. Service connections to PE pipes had zero leakage rates. At the last national test (not including iGTs) of 850 pipes (90-100 metre length), only 90 PE ones were tested because the variance in the leakage was found to be very small.

MJ asked how this compared with EU networks. RM answered that GB uses the pressure decay method, which is recognised as the best method (and also the most expensive). Other countries use different methods, and it was difficult to compare. It was noted that iGTs do not measure their leakage as it is assumed to be zero. Jointing techniques had improved over the years, and iGT networks were relatively recent installations.

The forum considered fractured cast mains. RM explained the general leakage rates are factored in the model for a 'normal' incident to be addressed (ie 2 hours to find and fix). Actual leakage rates have not been reviewed since the original model was developed. The vast majority of leakage is general pipe leakage, on the assumption that each pipe leaks a small amount. **Complete**

SF0201: DNs to provide a Shrinkage Leakage Model for review at the April meeting.

Update: RM referred to presentation on the [Leakage Model \(provided by National Grid\)](#) at the meeting on 27 June 2011, available to view at www.gasgovernance.co.uk/sf/270611 and it was agreed to review the model at the next meeting in July.

There was a brief discussion on Theft of Gas and what was included, and MJ asked what recourse a Shipper might have if it did not agree with the DNs' assumptions. MJ went on to explain the increased drive and focus on accuracy of allocation across the industry. RM indicated that the industry had the opportunity to express its views during the Shrinkage and Leakage Model Reviews and consultations. MJ pointed out that unaccounted for gas within Irish networks is far less than that in GB networks, and that the GB assumptions might be open to question. CB added that Project Nexus would lead to a much closer reconciliation and poor allocation methodologies will be looked at; there are a number of UNC modifications addressing unregistered/shipperless sites and focusing on making the appropriate parties accountable.

Loss rates/opportunities were discussed (governors, medium pressure system, venting). RM believed that NGUKD's estimate was that 20% was upstream of the LP system. MJ suggested that it would be useful to know the different levels of loss as gas flows down through each system, and asked if this could be included in the Annual Shrinkage and Leakage Model Review to be carried out by SGN. Parties agreed to give thought to items they would like to see included in the review and submit views to DS at SGN, for collation and consideration at the July meeting. **Complete**

NEW ACTION 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*

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

The next three actions were considered together:

SF0202: NGN and WWU to clarify the need to reconsult on the methodology.

SF0203: DNs to consider their position and if necessary follow discussions with Ofgem and provide a joint DN update report.

SF0204: Shippers to confirm that their respective concerns have been suitably addressed.

Update: SA gave a brief background overview. GG confirmed that NGN and SGN had had their figures independently verified by GL Noble and resubmitted to Ofgem. Ofgem had asked them to seek Shippers' views on whether a further consultation was necessary. MJ and CB confirmed that they were satisfied that the figures had been independently verified and that discussions could continue if necessary in regard to any future changes. No further consultation would be necessary. Following agreement that further consultation was not necessary, the DNs indicated that they would submit a joint report to Ofgem, which would also be published on the Joint Office website. All three actions were agreed closed.

Complete

SF0205: National Grid Distribution (RM) to look at how to best provide sub-network level analysis as per the WWU analysis (including identification of negative values and an assessment of the magnitude of any potential differences), subject to GL verification of the WWU approach.

Update: A response had been provided by RM following a reassessment, concluding that the application of the original methodology was robust, and had been independently substantiated as such. As there were no instances of negative service numbers within the National Grid model, there was no requirement for any adjustment to the original methodology for National Grid’s networks and there would be no benefit in adopting a sub-network allocation method. **Complete**

2. 2014/15 Shrinkage Proposals

RM confirmed that following the Shrinkage meeting on 19 February 2014 an agreement had been reached on the 2014/15 Shrinkage model.

DS confirmed that SGN would be following suit in July, and will be reassessing and republishing its proposals. RB confirmed that SGN’s revised Shrinkage values will be sent to Xoserve for inclusion in Gemini.

3. LP Service Modification Update

No further update in addition to the Action updates (Section 1.2 above).

4. Proposed Interference Damage Modification

RM outlined the background to the required modification to the methodology. As part of the calculation, an estimate goes into the Shrinkage/Leakage Volume but concerns had been raised that if that happens in a final year of a Price Control then the figure would get multiplied by 8 under the rolling incentive mechanism, leading to potentially large windfall gains or losses under the incentives. The view was that this was not appropriate, as these are not enduring incidents – they are one-off events; the opposite (no incident) would give a windfall gain. CB agreed that such an event would not be in the DNs’ control. The DNs were of the view they could be incentivised regarding the number of events (they could increase advertising/public education and awareness), but not the *volume* of an event – something over which they had no control.

RM explained that the DNs were therefore looking to raise a modification to the Leakage Model methodology and consult on the proposed change. RM confirmed that it had been discussed with Ofgem, who were supportive of the principle of the change. It was intended to raise the modification by the end of June and this would be discussed at the July meeting.

5. AGI Venting and IFI Project Update

No further update in addition to the Actions updates (Section 1.2 above).

6. Any Other Business

None.

7. Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/Diary

Time/Date	Venue	Programme
10:30 Tuesday 15 July 2014	31 Homer Road, Solihull, B91 3LT	To be confirmed

10:30 Tuesday 14 October 2014	31 Homer Road, Solihull, B91 3LT	To be confirmed
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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)	Carried Forward Update due at 15 July meeting
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	Closed
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 15 July 2014.	All DNs	Carried Forward Update due 15 July 2014
SF0103	22/01/14	4.0	<i>IFI Project Information/Report</i> - DNs to consider what information might be released.	All DNs	Carried Forward
SF0104	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	Closed
SF0105	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	Closed
SF0201	19/02/14	1.2	To provide a Shrinkage Leakage Model for review at the April meeting.	All DNs	Closed

Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
SF0202	19/02/14	2.	To clarify the need to reconsult on the methodology.	NGN & WWU	Closed
SF0203	19/02/14	2.	To consider their position and if deemed necessary following discussions with Ofgem, provide a joint DN update report.	All DNs	Closed
SF0204	19/02/14	2.	To confirm that their respective concerns have been suitably addressed.	Shippers	Closed
SF0205	19/02/14	2.	To look at how to best provide sub-network level analysis as per the WWU analysis (including identification of negative values and an assessment of the magnitude of any potential differences), subject to GL verification of the WWU approach.	NGD (RM)	Closed
SF0401	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: david.simpson@sgn.co.uk	ALL Parties	Pending
SF0402	16/04/14	1.2	SGN (DS) to summarise responses to Action SF0401 for consideration/review at the July meeting.	SGN (DS)	For 15 July meeting Pending