

Minutes of the Shrinkage Forum
Tuesday 03 May 2011
31 Homer Road, Solihull B91 3LT

Attendees

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Helen Cuin (Secretary)	(HC)	Joint Office of Gas Transporters
Alec Breen	(AB)	Northern Gas Networks
Alex Ross	(AR)	Northern Gas Networks
John Morrison	(JM)	Northern Gas Networks
Jonathan Wisdom	(JW)	RWE npower
Rawinder Basra	(RB)	Scotia Gas Networks
Rob Cameron-Higgs	(RCH)	Wales & West Utilities
Rochelle Hudson	(RH)	British Gas
Roy Malin	(RM)	National Grid Distribution
Stefan Leedham	(SL)	EDF Energy
Stuart Forrest	(SF)	Scotia Gas Networks

1. Introduction and Status Review

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

2. Review of Minutes and Actions from previous meeting

2.1 Review of Minutes

The minutes from the LDZ Shrinkage Forum held on 08 March 2011 were accepted.

2.2 Review of Actions Outstanding

Action SF0301: Leakage Model - Provide a weblink to appropriate auditors' reports on the Ofgem website.

Update: BF confirmed the link has been provided. **Complete.**

Action SF0302: Leakage Model - Establish what input/output information is used (assumptions, theory, etc) and what information can be shared (with reasons for any exclusions) and consider making available to industry.

Update: Some Network Operators expressed concerns about releasing actual data due to its potential sensitivity, though they were willing to provide the methodology used. JW was concerned about the data used within the model not being disclosed and the reasons behind this. RM believed there was no issue with the model or release of the data. AB confirmed that it may be possible to provide an explanation of where the data comes from, what the data is but suggested the actual data due to its volume may be of limited benefit. It was agreed that the Networks would liaise to provide an update collectively. **Carried forward**

New Action SF0302a: Network Operators to provide a collective update on what information can be provided about the data inputs into the Leakage Model.

Action SF0303: Establish whether the identification of large measurement errors might have an impact on the leakage models/shrinkage process.

Update: RM explained that shrinkage adjustments may only be made for corrections communicated by National Grid NTS to Xoserve prior to 01 October 2008, any meter corrections after this date will not have a shrinkage adjustments applied. He asked about the benefit of applying shrinkage adjustments for meter errors where the total error was 0.031% of the shrinkage volume. It was agreed to consider adding the adjustment to the model and the potential cost for making a change. RM believed with such a small percentage it might not be worth making the change – the cost may outweigh the benefit. It was agreed that Shippers would consider whether they would wish to include a shrinkage adjustment for meter errors.

Complete.

New Action SF0303a: Shippers to consider the costs and benefits of applying a Shrinkage Adjustment to meter errors

Action SF0304: Theft of Gas - Establish what data is available and what can be shared, and what is the impact on shrinkage.

Update: AR referred to the Northern Gas Networks Outstanding Action Update published at www.gasgovernance.co.uk/sf/030511

RH questioned if the information provided was for a full 12 month snapshot or part year and if this could be clarified. SL asked if the number of thefts reported and investigated could be provided to put the data into context.

RM reported that the number of incidents from Xoserve reports show 2500 cases of theft being raised by Shippers, all of which were downstream, with 2200 incidents being raised by DNs of which 1800 were downstream and 400 Network responsibility.

JW asked about the volumes and whether upstream theft involved more volume than the downstream theft. RH was also concerned that there was a gap in the process for theft. SF confirmed that a number of groups are looking at the Theft of Gas process and it should not be in the scope of the Shrinkage Forum to resolve.

JW highlighted that the Electricity market is also looking at theft within the industry and what upstream and downstream electricity theft is. RM asked about the statistics and what the 1% electricity percentage is based on and if there was any correlation with gas theft.

RH questioned the accuracy of the 0.02% figure. RM expressed that National Grid want the correct level of revenue for the correct level of shrinkage gas and theft.

RH explained that a huge amount of money is associated with theft which is currently managed through RbD.

SF asked about what work was being undertaken on gas Theft and Ofgem's impact assessment.

RM explained if there is any evidence to support a different percentage for Theft and that it could be reviewed in the next Price Control Review.

RM believed that there needs to be an industry lead review on Theft of Gas.

RH asked for the other Network Theft of Gas statistics for publishing along the minutes. **Carried Forward.**

3. Incentive Regimes

RM confirmed that the information is available on Ofgem's website or within the proposals on the schemes.

4. Leakage Model

DN confirmed consideration is being given to the provision of data that drives the shrinkage model. See Actions SF0302 and SF0302a.

SL asked about best practice in the industry he explained that within the water industry pressure tests are undertaken by turning off the supply and measuring the pressure during a time where usage would be assumed to be zero. He asked if similar tests can be taken within the gas transportation system. RM suggested it would be more difficult with gas due to pilot lights, other appliances and the risks associated with air entering the system. AB also explained excavations would also cause disruption to the public to gain access to valves or install valves.

RM explained that shrinkage tests were undertaken on mains due to be abandoned where the costs of excavation can be covered within the project. He was not aware of any cross industry tests. AB explained shrinkage tests that have been undertaken in the past have proved to be very accurate he believed these to be at 95%. SL questioned the validity of tests that were over 10 years old. AB explained that mains replacement is undertaken based on risk and there has been no evidence of increased leakage with the ageing assets.

SL questioned the use of models that make the same assumptions for each Network when certain areas may have very little theft and other may have more. SF indicated that while a number of assumptions are consistent, the modelling of average operating pressures, a key element influencing the final output, is based on actual system performance across each network, reflecting individual nuances and regional variations. In addition, while the measurement techniques applied within the water industry may not be cost effective in the gas industry, a significant cost and effort is applied on a regular basis to ensuring those network analysis models are validated and proven to be a robust representation of each system.

RM explained that the Shrinkage Model is made up of 95% leakage, 3% theft and 2% own use. RM suggested that the Shrinkage Model is provided for publishing on the Joint Office Website.

Action SF0501: DNOs to provide the leakage model for publication by the Joint Office.

5. Shrinkage Proposal Process

RM explained that the next step will be for an assessment and adjustment for last year and this will be issued towards the end July 2011.

6. Theft of Gas

BF suggested that the group keeps a watching brief of Ofgem's Impact Assessment for theft of gas and Northern Gas Networks provided an invitation for Shippers to provide feedback on the business plans by 31 May 2011 within the Northern Gas Networks Outstanding Action Update published at www.gasgovernance.co.uk/sf/030511

7. Any Other Business

None

8. Diary Planning

10:30, Monday 27 June 2011 at a Solihull venue to be confirmed, primarily to undertake a Shrinkage Model Review

10:30, 10th August at a Solihull venue to be confirmed, primarily to consider the Shrinkage Proposals

Action Log: Shrinkage Forum – 03 May 2011

Action Ref	Meeting Date(s)	Minute Ref	Action	Owner*	Status Update
SF0301	08/03/11	4.0	Leakage Model - Provide a weblink to appropriate auditors' reports on the Ofgem website.	Northern Gas Networks (HT)	Complete
SF0302	08/03/11	4.0	Leakage Models - Establish what input information is used, and what can be shared (with reasons for any exclusions) and consider making available to industry.	Individual DNOs (RM, HT, SF, MP)	Carried Forward
SF0302a	04/05/11	2.2	Network Operators to provide a collective update on what information can be provided about the data inputs into the Leakage Model.	DNOs	Pending
SF0303	08/03/11	5.0	Establish whether the identification of large measurement errors might have an impact on the leakage models/shrinkage process.	National Grid Distribution (RM)	Complete
SF0303a	03/05/11	2.2	Shippers to consider the costs and ebentifs of applying a Shrinkage Adjustment to meter errors	Shippers	Pending
SF0304	08/03/11	6.0	Theft of Gas - Establish what data is available and what can be shared, and what is the impact on shrinkage.	Individual DNOs (RM, HT, SF, MP)	Carried Forward
SG0501	02/05/11	4.0	Joint Office to be provided with the Shrinkage Model for publishing on the Joint Office website.	Joint Office (BF/HC)	Pending