

Shrinkage Forum Minutes
Monday 13 November 2017
Lansdowne Gate, (Xoserve), 65 New Road, Solihull, B91 3DL

Attendees

Helen Cuin (Chair)	(HC)	Joint Office
Kully Jones (Secretary)	(KJ)	Joint Office
Adam Pearce	(AP)	ESP
Dean Pearson	(DP)	Northern Gas Networks
Gregory Edwards	(GE)	British Gas
Ian Dunstan	(ID)	Wales & West Utilities
Joanne Parker	(JP)	Scotia Gas Networks
Kirsty Steel	(KS)	Scotia Gas Networks
Matt Marshall*	(MM)	Cadent
Mark Perry	(MP)	Xoserve – agenda item 5
Peter Morgan*	(PM)	SGN
Rebecca Hailes	(RH)	Joint Office
Robert Wigginton	(RW)	Wales & West Utilities
Shahin Ali	(SA)	Wales & West Utilities
Tim Hammond	(TH)	Corona Energy

**via teleconference*

Apologies

Angela Love	(AL)	Scottish Power
Kirsty Dudley	(KD)	E.ON

Copies of all papers are available at: <https://www.gasgovernance.co.uk/SF/131117>

1. Introduction and Status Review**1.1. Approval of Minutes (30 August 2017)**

The minutes of the previous meeting were approved.

1.2. Actions Outstanding

0801: DNs to provide a link to the OXERA Report for information.

Update: The report was published <https://www.gasgovernance.co.uk/Shrinkage/SLSM> (3 November 2016 Estimation of network leakage with smart meters (Oxera Report)). **Closed**

0802: iGTs to explain their approach to Shrinkage for the next meeting.

Update: AP provided a brief overview confirming that the only obligation on iGTs is to provide annual shrinkage factor to GDNs. For the last 10 years this has been set as a zero factor. Independent analysis has verified this to be negligible based on GDN. He suggested the need to check the methodology, assumptions and in terms of materiality what the impact would be on the 5.5m supply points. RW confirmed that this is a similar position for Wales and West Utilities and that they would be undertaking analysis in the New Year which could be shared with the group. He also provided feedback from a recent meeting which discussed why iGTs have zero factor and supported this assumption on the basis that the pipes are completely plastic so leakage is not a factor. It was agreed that this action can be closed with the potential for AP to provide an update at the March 2018 meeting. **Closed**

0803: Shrinkage Forum to consider the Shrinkage Methodology and associated percentages with justification explanation, its accuracy and if it is capable of standing up to critique.

Update: Addressed within the Shrinkage and Leakage consultation so this action can be closed. **Closed**

0804: DNs to provide a response on the aspects highlighted in the AUGE Report and associated justifications and consider the matters raised in the GL Noble Denton Letter and the Imperial College Study for inclusion in the consultation document and specific narrative.

Update: Addressed within the Shrinkage and Leakage consultation so this action can be closed. **Closed**

0805: DNs to consider the provision of the Shrinkage Model including data (in an anonymised form) and provide a view on whether this could be provided upon request.

Update: Considered under agenda item 3.0. **Closed**

0806: DNs to include within the Shrinkage and Leakage Report Consultation: the factors that contribute to Shrinkage of asset types; Incentive Shrinkage Values and Actual Shrinkage Volumes, illustrating the variance between 2015/16 and 2016/17.

Update: Addressed within the Shrinkage and Leakage consultation so this action can be closed. **Closed**

0807: DNs to provide an explanation of Pressure Management for the November meeting.

Update: Considered under agenda item 4.0. **Closed**

2. Shrinkage and Leakage Report Consultation Update

PM provided an update of the Shrinkage and Leakage Model Review consultation. He confirmed that the consultation ended on 9 November and 2 responses had been received from Corona Energy and ICoSS. DNs will consider the responses and produce a collective report for publication by 31 December.

3. Shrinking Methodology Accuracy

SA stated that the accuracy of the shrinkage model is considered as part of the annual review including consideration of the factors within the shrinkage model that could be improved.

ID explained that they have 2 outstanding questions in respect of the AUGE report:

- i) Whether pressure impacts the NP network
- ii) Permeation from P pipes – trying to understand why certain types of leakage are identified/not identified

He suggested that there were concerns that the report produced by GL Noble Denton was under-estimating the level of shrinkage.

A brief discussion then took place in relation to Action 0805 as to whether DNs could provide anonymised data to shippers. SA informed the group that the Shrinkage model includes a number of in-house checks and assurances but Transporters had concerns about requests for a populated model without an understanding of how the data would be used or if it might inadvertently give an individual shipper a commercial advantage.

JP reiterated this concern and asked if specific issues could be identified so that Transporters could consider any sensitivities associated with releasing data. It was agreed that requests would be reviewed on a case by case basis. In response, GE on behalf of Centrica explained the difficulties associated with the regulatory team's requirements for data access. He stated that they are required to comment on shrinkage matters but in the absence of actual data this is an abstract exercise. He also stated that it would be preferable to not have to rely on GDNs for data but be able to conduct their own internal analysis.

Action 1101: DNs to produce a compressed and aggregated Shrinkage model on LDZ basis for Shippers to consider.

4. Explanation of Pressure Management

SA provided an overview of a presentation on pressure management in response to Action 0807 <https://www.gasgovernance.co.uk/SF/131117>. He briefly explained that network pressures are managed to maintain adequate pressures for customers; to reduce leakage and help minimise gas escapes. He also described the 3 different types of pressure management:

- Fixed pressure;
- Pre-set daily clock profile and
- Profile pressure control.

A brief discussion took place on calculating average system pressure. JP emphasised the importance of accuracy of pressure to provide an accurate Shrinkage model. She stated that data reads are taken every 6 mins for every district governor resulting in large datasets and therefore resulting in a large data analysis exercise if data is needed.

In response to a number of questions, it was confirmed that

- Slide 9: Actual pressure data graph - the pressure increases shown by the high peaks in the summer months are likely to be to enable maintenance work to be carried out.
- Slide 9: In relation to the table on reporting, it is possible to identify the pipe material.
- Slide 9: Definition of average relates to the average pressure across the governors for each year. It is not weighted but the actual pressure recorded in the governor.

In addition, JP stated that Transporters recognised that there is not always visibility of all the activities undertaken by Transporters until queries are received which then help to increase transparency of the work of the assurance process. GE confirmed that the 2 key areas of concern are system pressure and mains replacement. In response to what more could be done to improve transparency and visibility, it was agreed that a deep dive was not necessary at this stage but JP would provide an explanation of the end to end process for mains replacement. In addition, DNs collectively would produce worked examples using actual data to describe the process and assurances undertaken.

Action 1102: DNs to produce a briefing pack of materials in relation to Shrinkage that could be published on the JO website.

5. UIG process and how it interacts with shrinkage

MP provided an overview of slides 9-23 of the Xoserve Presentation titled *UIG Awareness* which for ease of reference can be accessed here <https://www.gasgovernance.co.uk/SF/131117>.

He stated that these slides had been used by the CDSP at a main industry event to raise awareness of UIG issues and mitigations. The specific focus for the Shrinkage Forum meeting was on calculation and sharing in the context of how shrinkage volume interacts with UIG.

MP provided a brief background highlighting that the key requirement for the Project Nexus changes was the need for a Universal Meter Point. The previous reconciliation by difference arrangements were removed by an industry modification and a new requirement to derive UIG at the point of allocation has been introduced.

The following key points/comments/questions were raised during the presentation:

- a. Slide 10 - UIG has replaced NDM as the balancing figure for daily gas allocation.
- b. Slide 12 - In response to a question from JP, it was confirmed that the diagram is not to scale and that LDZ shrinkage is a small factor in the total LDZ calculation.

- c. Slide 12 - Shrinkage volumes are set ahead of the gas year. UIG will vary dependent on the volume of NDM and DM energy. An assessment is made at the end of the gas year on the level of shrinkage.
- d. Slide 12 - Since 1 June UIG has been positive. In response to a question why UIG should be negative, it was stated that this could be data errors or due to over estimation under certain weather conditions (especially in the 'shoulder months' April to May or September to October) where the NDM algorithm might be inaccurate.
- e. Slide 13 - Column titled "What Didn't Change". The 4th bullet should read "Daily LDZ Shrinkage figure hasn't changed" and not "Daily NDM Shrinkage figure hasn't changed".
- f. Slide 15 - MP clarified that the weighting factors are set by AUGE.
- g. Slide 18 - In response to a question about transparency, MP confirmed that an independent expert undertakes a consultation exercise with industry before finalising the weighting factors for each Gas Year.
- h. Slide 22 - There is on-going work to ensure that CSEPs are correctly mapped to LDZs.
- i. Slide 22 - In relation to DM measurement errors, incorrect DMs have a knock-on effect on UIG. ID stated that inaccurate AQs could also underestimate the NDM market. The extent of these errors will be discussed at the DESC meeting on 21 November 2017.

6. Terms of Reference

HC enquired if the forum had a Terms of Reference (ToR) and suggested the group may wish to consider the creation of a ToR to set the scope of meetings. It was agreed that the ToR be reviewed in the context of the scope of the Shrinkage Forum meetings to ensure they are clear about the role and purpose of the group.

Action 1103: Shrinkage Forum members to review the Terms of Reference.

7. Any Other Business

None raised.

8. Diary Planning

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

Time/Date	Venue	Programme
10:30, Tuesday 19 December 2017	Teleconference	Shrinkage and Leakage Report Consultation Update
10:30, Wednesday 28 March 2018	Teleconference	AiGT shrinkage analysis update
10:30, Wednesday 29 August 2018	Joint Office	
10:30, Wednesday 21 November 2018	Joint Office	
10:30, Tuesday 18 December 2018	Teleconference	

Action Table (as at 13 November 2017)					
Action Ref	Meeting Date	Minute Ref	Action	Owner	Status Update
SF0801	30/08/17	2.0	DNs to provide a link to the OXERA Report for information.	DNs	Closed
SF0802	30/08/17	2.0	iGTs to explain their approach to Shrinkage for the next meeting.	iGTs	Closed
SF0803	30/08/17	2.0	Shrinkage Forum to consider the Shrinkage Methodology and associated percentages with justification explanation, its accuracy and if it is capable of standing up to critique.	All	Closed
SF0804	30/08/17	3.0	DNs to provide a response on the aspects highlighted in the AUGE Report and associated justifications and consider the matters raised in the GL Noble Letter and the Imperial College Study for inclusion in the consultation document and specific narrative.	DNs	Closed
SF0805	30/08/17	4.0	DNs to consider the provision of the Shrinkage Model including data (in an anonymised form) and provide a view on whether this could be provided upon request.	DNs	Closed
SF0806	30/08/17	4.0	DNs to include within the Shrinkage and Leakage Report Consultation: the factors that contribute to Shrinkage of asset types; Incentive Shrinkage Values and Actual Shrinkage Volumes, illustrating the variance between 2015/16 and 2016/17.	DNs	Closed
SF0807	30/08/17	5.0	DNs to provide an explanation of Pressure Management for the November meeting.	DNs	Closed
SF1101	13/11/17	3.0	DNs to produce a compressed and aggregated Shrinkage Model on LDZ basis for Shippers to consider.	DNs	Pending
SF1102	13/11/17	4.0	DNs to produce a briefing pack of materials in relation to Shrinkage that could be published on the JO website.	DNs	Pending
SF110S	13/11/17	6.0	Shrinkage Forum members to review the Terms of Reference.	All	Pending