

Legal & Regulatory
1st Floor, Lakeside West
30 The Causeway
Staines
Middlesex
TW18 3BY

24th December 2013

Joint Office of Gas Transporters
GDN Shrinkage Representatives
[Via email]

Dear Joint Office,

1. Thank you for the opportunity to respond to the Shrinkage and Leakage Model (SLM) Consultation No. 1; consultation on the GDNs' SLM review 2013/14. This is a non confidential response on behalf of British Gas. As the GDNs each produced a report based on National Grid Distribution's report I have written this response to all the GDNs rather than the individual companies.
2. The SLM has a significant impact on Suppliers' energy allocation and as such we feel that the SLM processes, which although have improved in transparency over recent years, could be improved further to ensure that ultimately end consumers are not overpaying for their network charges or energy via reconciliation.
3. We are aware that customers will either pay for higher shrinkage costs within the price control or via energy allocation, i.e. Reconciliation by Difference or the Allocation of Unidentified Gas processes. Therefore we feel more information needs to be shared with gas shippers, suppliers and ultimately consumers, to aid understanding in what actions the gas transporters have taken to receive their incentive payments. At the moment neither the new Shrinkage and Leakage Model report nor the initial / final proposals help to inform the industry on what has been achieved in the year or what was expected to be achieved in terms of mains replacement, pressure management or innovative engineering, for example.
4. We note that some assumptions within the SLM date back almost 20 years and feel that the SLM report should list and review each and every assumption within the shrinkage and leakage model, specifying what the current assumptions are and when each assumption was last reviewed. The report should then build on this information by helping users understand

what would be involved in checking each assumption and the sensitivity around changes using a specified range.

5. For example, what are the current assumptions around venting rates by type of equipment, when was that assumption decided, when last reviewed and what impact does this assumption have on shrinkage, if flexed by +/- 10%? A timetable for reviewing each assumption could then be agreed within the Shrinkage Forum and Gas Shippers / Suppliers could help with prioritising items.
6. We would also like to know more about Own Use Gas (OUG), such as what other equipment, buildings etc. are covered by the percentage. For example, within OUG are all the depots metered, reconciled and correctly paid for? Perhaps we could discuss at the next Shrinkage Forum in January.
7. We feel that more transparency is required from the Shrinkage and Leakage model and the new report, and hope to work with the gas community, via the Shrinkage forum to bring about the required changes, ensuring customers receive value for money and environmental emissions are managed.
8. Please do not hesitate to contact me if you have any questions.

Yours faithfully,

Rochelle Harrison
Network Regulation Manager
British Gas

07789 571365

Rochelle.Hudson@Centrica.com