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(Send by email)

Dear Roy

Shrinkage and Leakage Model Consultation No. 04

Thank you for giving ScottishPower the opportunity to respond to the above consultation. Our response is non confidential and therefore can be published on the Joint Office website.

Q1 – If the SLM is modified in the manner set out in Section 2.1, should the allowed Shrinkage and Leakage volumes be revised as set out in Tables A1 and A2 respectively?

As a Shipper, ScottishPower is limited in the degree of verification that we can undertake to ascertain whether or not the volumes that have been presented in the table are a reasonable estimate of the level of shrinkage. We understand that the original estimate of service populations was established in the early 1990s and has been updated with further estimates for individual LDZs where deemed appropriate.

The service leakage rates currently in use are based on a leakage survey that took place in 2002/03. This survey was undertaken by National Grid when it owned and operated all distribution networks in the UK. Since DN Sales took place, individual Network Owners have not undertaken their own leakage survey in order to update the assumptions made in the original model.

From the information presented in the consultation, we ascertain that the level of shrinkage appears to be low and therefore conclude that there is limited incentive for Network Owners to undertake a full review of the model assumptions. The AUGE has been appointed to estimate the volume of unidentified gas. Current estimates are that the volume of unidentified gas could be in excess of £200m. It therefore would seem unlikely that overall Shrinkage volumes should be reducing particularly in light of the assumptions that are being made on the level of theft which is present within the market.

We believe that in order to give increased certainty and assurance to the market, DNOs should undertake a full review of the leakage model to determine if it remains fit for purposes. At the present

time Shippers and in particular SSP Shippers and their customers incur the majority of risk in the gas market. This situation cannot be permitted to continue.

Q2 Is it appropriate to include the proposed text set out in Section 2.2 so that the SLM reflects the existing processes for determining Theft of Gas and Own Use Gas volumes within Shrinkage.

As we are unable to verify the assumptions made in the model, we are unable to provide comment on the text to be inserted in the UNC.

CSEP Shrinkage

We are disappointed that Network owners have not pursued this matter more robustly with iGTs. There is a clear obligation within the CSEP NExA for iGTs to provide a record of annual Shrinkage values to Large Transporters by 1st August each year. iGTs have so far failed to provide any information to Large Transporters and the provision of this information has not been pursued. While the level of Shrinkage on iGT Networks may be minimal, factors such as leakage, theft, own use gas etc do occur on iGT Networks. We would therefore request that Large Transporters formally write to iGTs requesting that they provide the required information as obliged under the CSEP NExA.

If you require any further information on the comments made, do not hesitate to contact me.

Kind regards

Marie Clark
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