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(Send by email)

Dear Roy

Consultation on National Grid's Shrinkage and Leakage Model Review 2013/14

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.

As requested we have provided feedback on the following consultation questions:

Q1 - the areas of the SLM that National Grid has identified for development within this consultation;

We welcome initiatives that seek to introduce increased transparency and improve the estimation of the value of shrinkage, theft and own use gas within the leakage model. However we remain concerned that a full re-evaluation of the Shrinkage and Leakage model assumptions has not been undertaken for over 10 years. While we acknowledge that the estimated costs of re-creating the model appear to be high, we would challenge National Grid and indeed other Transporters to find a more cost effective means of undertaking this exercise and thereby providing assurance to the industry that shrinkage levels are accurate. Indeed we believe that there are probably new means/techniques to undertake a similar leakage survey, as was undertaken in the past, but at a considerably less cost.

The industry is currently experiencing an increased level of scrutiny to in relation to costs with increased transparency and accountability of costs required. Current estimates of the value of unidentified gas could be in excess of £200m. However in recent years the overall estimated volume of network shrinkage coming from the model has been reducing. It is therefore vitally important to Shippers and their customers that assurance can be given that network shrinkage estimations which determine this reduction are correct and if necessary can stand up to verification by an independent auditor. Within their consultation National Grid themselves recognise that more can be done to more accurately estimate the volume of shrinkage, however have said that any extensive revision to the leakage model would be costly. From a Shipper, and ultimately customer, perspective and in the interest of increasing overall accuracy in settlements, we believe it is not acceptable that

improvements which could be made to the estimation model are not fully explored. We find it difficult to justify why National Grid would not have provided details of how much such an exercise would cost, to allow Ofgem and Shippers to determine if undertaking a revision to the model was feasible and value for money. Instead the consultation just talks of any revision being cost-prohibitive, without justifying or explaining how much the exercise would cost.

Q2 - any other areas of the Shrinkage and Leakage Model that can be cost effectively developed to improve the accuracy of the assessment.

As mentioned previously we believe that Transporters should be challenged to find a more economic means of carrying out leakage testing and in particular on LP and MP mains. It has been highlighted that the cost of undertaking the Low Pressure (LP) mains leakage (60% of leakage) testing exercise in 2002/03 was £10m and that to now carry such an extensive leakage survey would be significantly more expensive. However we would question whether or not a similar exercise would be as costly, when technology and techniques have improved over time. ScottishPower believe that the previous cost was associated with undertaking this exercise based on full UK coverage. With the sale of Distribution Networks to other parties, the costs of undertaking such tests would now be shared with other network owners and therefore National Grid would only see a portion of the cost.

ScottishPower believes that given the volume and cost associated with the unidentified gas problem, undertaking an excessive revaluation of the leakage model is warranted. At the very least we believe that the Transporters, including National Grid should get quotes for this exercise and allow a more informed consideration of whether or not it would be beneficial for the industry and customers.

Within the electricity market, the use of half hourly metering provides participants with clear view of network losses. We would encourage Distribution Network Owners to further explore additional measures for estimating/monitoring shrinkage (in particular own use and vented gas), including the evaluation of other leakage techniques and models utilised by Gas Network operators' outwith the UK.

We would also suggest that more needs to be done on considering leakage on PE mains, as presently this is assumed to be zero, but with no substantiation.

CSEP Shrinkage

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. As previously communicated, we would request that National Grid along with the other large Transporters formally write to iGTs requesting that they provide the required shrinkage values as obliged under the CSEP NExA.

Theft
A number of UNC Modifications have been introduced to reduce the number of unregistered and Shipperless sites. While it is important that Shippers are held accountable where customers are being billed by a Supplier and the Meter Point is not registered, we believe that increased Transporter responsibilities are required to investigate illegal connections and take all appropriate measures to ensure that instances of theft are identified and the perpetrators prosecuted. We welcome Transporter involvement within theft discussions and Ofgem's proposed introduction of changes to legislation which incentivise theft detection and investigation.

Q-3 the potential availability of smart metering data that can be used to facilitate or improve the shrinkage and leakage estimation process.

We believe that the installation of smart metering within customer premises will improve theft detection rates. Smart metering data should be made available to Transporters to assist in the determination of

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leakage levels. However we believe that it will be some considerable time before sufficient volumes of data become available which can be realistically used in the assumption of leakage.

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

Yours sincerely

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