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17 March 2023.

Sent by email to: matt.marshall@cadentgas.com.

Dear Matt,

Shrinkage and Leakage Model Review 2023 Consultation

Thank you for the opportunity to respond to the above call for evidence. This is a non-confidential response on behalf of the Centrica Group.

The Shrinkage Profiling project should be prioritised:

We welcome the gas distribution network operators (GDNs) progressing the *Shrinkage Profiling* project during 2023-24. Since 2018¹, we have consistently highlighted that the assumed 'flat' shrinkage profile² may lead to the misallocation of volumes between shrinkage and 'unidentified gas'. The misallocation may create the risk of market distortions.³ We recommend the *Shrinkage Profiling* project be prioritised given the potential detriment of the 'flat' shrinkage profile to consumers, shippers and suppliers.

The "Drivers of Change" should be reinstated:

In previous consultations, the GDNs identified those factors that caused year-on-year changes in shrinkage volumes and the magnitude of each associated impact. We consider that the GDNs including this information improved the quality of previous consultations. It is unclear why this information was not included in the current consultation. We recommend that this information is included in the final report for 2023 and is included in all future consultations and final reports.

Additional information should be provided:

In our responses to previous annual consultations, we highlighted that the information included did not allow us to independently assess whether the proposed commitments were focussed on

¹ In our response to the *Shrinkage and Leakage Model Review 2018* consultation and in every subsequent submission.

² The GDNs assume an equal amount of gas is lost through shrinkage in each day across the regulatory year even though shrinkage volumes are influenced by factors that vary across the year.

³ We have also consistently reminded the GDNs of their legal obligation to establish transportation arrangements that secure effective competition between relevant shippers and between relevant suppliers.

those areas which should be treated with priority. The same concern applies to the 2023 consultation. We suggest the following information should be included:

- an explanation of how the projects that the GDNs propose to progress were selected from the list of candidate projects and why those projects were prioritised;
- the potential materiality of the impact of the outcome of each project on shrinkage volumes;
- an estimate cost of delivering each project;
- a timeline showing the expected milestones for each project; and
- a summary of the risks that might each project being successfully completed.

For each project, it would also be helpful if the GDNs explain how they will engage stakeholders, how stakeholders will be involved in project delivery and what might be required of stakeholders.

We hope you find these comments helpful. Please contact me if you have any questions.

Yours sincerely,

Gregory Edwards
Network Regulation Manager
Centrica Regulatory Affairs & Policy