

UNC Workgroup 0843 Minutes
Establishing the Independent Shrinkage Charge and the Independent Shrinkage Expert
Thursday 27 April 2023
via Microsoft Teams

Attendees

Rebecca Hailes (Chair)	(RH)	Joint Office
Helen Bennett (Secretary)	(HB)	Joint Office
Andy Clasper	(AC)	Cadent
Ben Mulcahy	(BM)	Joint Office
Charlotte Gilbert	(CG)	BU-UK
Clare Manning	(CM)	E.ON
David Mitchell	(DMi)	SGN
David Morley	(DMo)	Ovo Energy
Ellie Rogers	(ER)	CDSP
Fiona Cottam	(FC)	CDSP
Guv Dosanjh	(GD)	Cadent
Harry Hailwood	(HH)	Brook Green Supply
Hursley Moss	(HM)	Cornwall Insight
Jenny Rawlinson	(JR)	BU-UK
John R Harris	(JRH)	CDSP
Kathryn Adeseye	(KA)	CDSP
Kevin Clark	(KC)	Utilita
Lee Greenwood	(LG)	British Gas
Louise Hellyer	(LH)	TotalEnergies Gas & Power
Nick King	(NK)	CNG Services
Oorlagh Chapman	(OC)	Centrica
Phil Lucas	(PL)	National Gas Transmission
Tom Stuart	(TSt)	Wales & West Utilities
Apologies		
Steve Mulinganie	(SM)	SEFE Energy Limited
Tracey Saunders	(TS)	Northern Gas Networks

The Workgroup Report is due to be presented at the UNC Modification Panel by 20 July 2023.

Please note these minutes do not replicate/include detailed content provided within the presentation slides, therefore it is recommended that the published presentation material is reviewed in conjunction with these minutes. Copies of all papers are available at: <http://www.gasgovernance.co.uk/0843/270423>

1.0 Outline of Modification

DMo explained that the purpose of this Modification is to enable the more accurate allocation of Shrinkage to Gas Distribution Networks (GDN) by the enabling of incentivising the reduction of greenhouse gas emissions and the introduction of the Independent Shrinkage Expert who will establish:

- **An Independent Shrinkage Model (ISM),**
- **An Independent Shrinkage Model Methodology (ISMM),**
- **An Independent Shrinkage Multiplication Factor (ISMF); and an**
- **Independent Shrinkage Charge (ISC)**

For detail such as Why Change and Solution, please refer to the Modification published at: <https://www.gasgovernance.co.uk/0843>

The Modification is proposed as Authority Direction with a Workgroup Assessment concluding in July 2023.

Workgroup Discussion:

When Tom Stuart (TSt) asked if there is any evidence to support the current rates of methane quoted in the Why Change section of the Modification, DMO clarified this is detailed in the appendix to the Modification.

TSt suggested that the Shale Gas evidence, (which can be found in the appendix of the Modification *(2019) Environmental baseline monitoring for shale gas development in the UK: Identification and geochemical characterisation of local source emissions of methane to atmosphere* <https://doi.org/10.1016/j.scitotenv.2019.134600>), is not relevant to Shrinkage, DMO agreed to remove this from the Modification.

When TSt asked if the charge would be proportionally applied across the DNs, DMO clarified that the role of the ISE is independent, therefore, how the charge is applied would be for them to decide, if the ISE considers the charge is best split by locality, that is what they can implement.

New Action 0401: Proposer (DMo) to consider regionalisation of the charges.

Jenny Rawlinson (JR) asked for consideration to be given to the cost of introducing the ISE and the new process, against what would be recovered by DNs.

When RH asked, SGN; Wales & West Utilities and Cadent advised, at the moment, they are not considering raising an alternative to this Modification.

DMo agreed to update Workgroup on why National Gas is out of the scope of this Modification.

New Action 0402: Proposer (DMo) to provide the rationale as to why National Gas is out of the scope of this Modification.

It was noted that the Shrinkage Forum is not a UNC Forum, therefore a Shrinkage Sub-Committee, similar to the AUG Sub-Committee, may be required.

Ellie Rogers (ER) confirmed that the Rough Order of Magnitude (ROM) provided for Modification 0831 - *Allocation of LDZ UIG to Shippers Based on a Straight Throughput Method*, includes the cost-saving element if the AUGE were to be removed. The ROM can be found published here: www.gasgovernance.co.uk/0831/230323.

TSt sought clarification that the process that will be used to review ISE recommendations to amend or make a change to the SLM will include an assessment of the recommendations put to Ofgem and a review carried out by Ofgem of the existing process.

DMo clarified that Licence obligations will not be impacted by the implementation of this Modification.

Deborah Sherlock (DSh) asked if there will be an Appeal Process put in place if an Ofgem decision is not agreed with. DMO advised he is happy to include a process in the Modification.

New Action 0403: Proposer (DMo) to consider an Appeal process for the authority approval mechanism.

New Action 0404: Proposer (DMo) to consider how the ISE and AUGE will interact to avoid dual governance.

New Action 0405: Proposer (DMo) to update the Modification in line with Workgroup discussions.

When asked, Workgroup participants agreed that a joint Workgroup with IGTs should be considered.

DMo clarified he is considering raising an IGT Modification.

2.0 Initial Discussion

2.1. Issues and Questions from Panel

2.1.1. Impact on price control incentives

New Action 0406: Proposer (DMo) to prepare a Proposer’s response to answer the question raised at UNC Modification Panel, ‘Impact on price control incentives’.

2.2. Initial Representations

None received.

2.3. Terms of Reference

As matters have been referred from Panel a specific Terms of Reference has been published alongside the Modification at www.gasgovernance.co.uk/0843

3.0 Next Steps

RH confirmed that consideration of action updates will form the discussion at the next Workgroup meeting.

4.0 Any Other Business

None.

5.0 Diary Planning

Further details of planned meetings are available at: www.gasgovernance.co.uk/events-calendar/month

Workgroup meetings will take place as follows:

Time / Date	Paper Publication Deadline	Venue	Programme
Wednesday 10:00 03 May 2023	5 pm 24 April 2023	Microsoft Teams	Consideration of Action updates
Thursday 10:00 25 May 2023	5 pm 16 May 2023	Microsoft Teams	Standard Agenda including any Modification Workgroups relating to Distribution Workgroup

Action Table (as of 27 April 2023)

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
0401	27/04/23	1.0	Proposer (DMo) to consider regionalisation of the charges.	April 2023	Proposer (DMo)	Pending
0402	27/04/23	1.0	Proposer (DMo) to provide the rationale as to why National Gas is out of the scope of this Modification.	April 2023	Proposer (DMo)	Pending
0403	27/04/23	1.0	Proposer (DMo) to consider an Appeal process for the authority approval mechanism.	April 2023	Proposer (DMo)	Pending
0404	27/04/23	1.0	Proposer (DMo) to consider how the ISE and AUGÉ will interact to avoid dual governance.	April 2023	Proposer (DMo)	Pending
0405	27/04/23	1.0	Proposer (DMo) to update the Modification in line with Workgroup discussions.	April 2023	Proposer (DMo)	Pending
0406	27/04/23	2.0	Proposer (DMo) to prepare a Proposer's response to answer the Panel question, 'Impact on price control incentives'.	April 2023	Proposer (DMo)	Pending