

**UNC Shrinkage Forum Minutes**  
**Wednesday 10 August 2011**  
**at 31 Homer Road, Solihull B91 3LT**

**Attendees**

Bob Fletcher (Chair)	(BF)	Joint Office of Gas Transporters
Helen Cuin (Secretary)	(HC)	Joint Office of Gas Transporters
Brian Durber	(BD)	E.ON UK
Haren Thillainathan	(HT)	Northern Gas Networks
Rawinder Basra	(RB)	Scotia Gas Networks
Rob Cameron-Higgs	(RCH)	Wales & West Utilities
Rochelle Hudson	(RH)	British Gas
Roy Malin	(RM)	National Grid Distribution

Meeting papers may be found at: <http://www.gasgovernance.co.uk/ShrinkageForum>

**1. Introduction and Status Review**

**1.1. Review of Minutes**

BD provided comments on the previous minutes:

**Section 1.1 Page 2. Action SF0302** - Although it was recognised that the model had been approved by Ofgem, JW wished to understand why the network specific data in the models was considered to be confidential. DW was concerned why National Grid would be prepared to provide the model and data and the model but other Transporters held concerns. It was acknowledged that as the same model is used by all networks, National Grid **would be** reluctant to share the model when **the** other Transporters **had expressed a preference not to share the model.**

**Section 2.0 Page 3.** BD questioned if the frozen RbD Audit funding could be used to finance Shrinkage Model Audit. BD expanded on this comment explaining the need for transparency around the process. The potential of an audit to sense check the process, model and formula workings was discussed. The scope of the audit and model criteria was also considered. It was believed that the requirement for an audit would need to be presented to the UNC Committee. BD requested an action to take this forward. RB confirmed that Shippers are more than welcome to visit Scotia Gas Networks (SGN) to go through the model. RH confirmed that British Gas had gone through the model with Wales & West Utilities (WWU) however she still wished to have a copy of the model to check the arithmetic. RCH explained that the mechanics of the model had been externally audited. BD asked if all the Networks have a requirement to undertake external model auditing, he was keen to receive reassurance from the Networks that audits are taking place.

**Action SF0801:** All Transporters to confirm if external audits have been undertaken on the robustness of the models being used.

The minutes of previous Shrinkage Forum held on 08 March 2011 were accepted.

## **1.2. Review of Actions Outstanding**

**SF0302a:** Each Network Operator to provide a written position on the provision of the Leakage Model and network specific data.

**Update:** RB explained the situation has now changed and that SGN would be prepared to provide a sample model with typical data (not specific network data) upon request and Networks would be willing meet with Shippers on a one to one basis to explain their models. She explained that Network specific data would not be provided. HT concurred with SGNs view. RCH suggested sharing a sample model and taking questions at the next Shrinkage Forum. The group discussed whether a sample model could be published on the Joint Office website. The Networks confirmed that this would be considered collectively. The group agreed if a sample model could be provided before the next meeting on 28 September 2011 this meeting would be used to go through the model and Shippers would provide a list of questions prior to the meeting to aid preparation. **Complete.**

**New Action 0302b:** Each Network Operator to consider the provision of a sample Leakage Model and provide an update by 18 September 2011.

**SF0601:** Transporters to provide a breakdown of 2010 Theft of Gas upstream incidents ie. the number of cases reported, the number of proven cases, an estimate of energy and an LDZ breakdown for consideration at the next meeting.

**Update:** National Grid Distribution reported that during calendar year 2010 there were 358 suspected case of theft investigations with 104 theft detections equating to 21.3 GWh.

Northern Gas Networks reported 50 suspected case of theft investigations with 21 theft detections equating to 2.5 GWh.

RB (SGN) and RCH (WWU) confirmed that data had been collected and that this will be provided as a post meeting update.

RH commented on the amount of gas compared to the number of NGN cases suggesting theft cases can be significant once detected. **Carried Forward.**

## **2. Shrinkage Proposals**

It was confirmed that all the LDZ Shrinkage Assessment and Adjustment papers for 01 April 2010 to 31 March 2011 had been provided and published on the Joint Office website.

RM highlighted that within the National Grid Report an additional column had been provided within Section 2.1.1 in response to an obligation to provide this data. RH enquired how the base line figures are set. RM believed the base line figures are provided within the Licence conditions.

RH commented that some of the Network reports have more detail than others and asked if a common format could be used for reporting. RH asked if WWU and NGN would consider republishing their assessments in line with the format provided by National Grid and SGN.

**Action SF0802:** WWU and NGN to consider republishing the Shrinkage Assessments in line with National Grid and WWU assessment in particular sections 2.2 and 2.3.

RH asked about the size of SGN's credit compared to National Grid's. RM explained what had impacted the assessment referring in particular to the mains replacement, which had been overestimated impacting the assessment and therefore the adjustment. RM explained that demands can also be very difficult to predict. RB confirmed that the SGN adjustment LDZ Shrinkage debit to Shippers was in line with previous years. RH asked for further information on the assumptions made to understand the high figures.

**Action SF0803:** SGN to provide further background as to what caused the high LDZ Shrinkage Reconciliation credit.

It was suggested that it would be useful for future reports to include an explanation of the figures and the influencing factors.

RH asked for clarification on the use of System Average Price (SAP). RM confirmed that the average used is the average between 01 April 2010 and 31 March 2011.

RM confirmed that normally a month is allowed for Shippers to consider the reports before the debits and credits are processed through the neutrality invoice. RH was keen for all debits and credits to be processed at the same time.

**Action SF0804:** Transporters to confirm when the debits and credits will be processed through neutrality invoice.

### **3. Shrinkage Model Review**

No further discussion. See Section 1.0.

#### **Post meeting update provided by National Grid Distribution:**

The following are links to the main Ofgem GDPCR1 leakage/shrinkage documents from previous discussions:

<http://www.ofgem.gov.uk/Networks/GasDistr/GDPCR7-13/Documents1/Shrinkage%20and%20leakage%20for%20GDPCR%20-%20Oct%20Update%20Con.pdf>

<http://www.ofgem.gov.uk/Networks/GasDistr/GDPCR7-13/Documents1/final%20proposals.pdf> – pages 84-89

In addition, a Leakage model Uncertainty Analysis presentation from Shrinkage Forum held in December 2002 is published alongside these minutes at:  
[www.gasgovernance.co.uk/sf/100811](http://www.gasgovernance.co.uk/sf/100811)

### **4. Any Other Business**

None

## **5. Diary Planning**

10:30, 28 September at 31 Homer Road, Solihull, B91 3LT, primarily for a Q&A on a sample Shrinkage Model.

**Action Log: Shrinkage Forum**

<b>Action Ref</b>	<b>Meeting Date(s)</b>	<b>Minute Ref</b>	<b>Action</b>	<b>Owner*</b>	<b>Status Update</b>
SF0302a	04/05/11	2.2	Each Network Operator to provide a written position on the provision of the Leakage Model and network specific data	All DNOs	Complete
SF0302b	10/08/11	1.2	Each Network Operator to consider the provision of a sample Leakage Model and provide an update by 18 September 2011.	All DNOs	Pending
SF0601	28/06/11	1.1	Transporters to provide a breakdown of 2010 Theft of Gas upstream incidents ie. the number of cases reported, the number of proven cases, an estimate of energy and an LDZ breakdown for consideration at the next meeting.	All DNOs	Carried Forward
SF0801	10/08/11	1.1	All Transporters to confirm if external audits have been undertaken on the robustness of the models being used.	All DNOs	Pending
SF0802	10/08/11	2.0	WWU and NGN to consider republishing the Shrinkage Assessments in line with National Grid and WWU assessment in particular sections 2.2 and 2.3.	WWU (RCH) and NGN (HT)	Pending
SF0803	10/08/11	2.0	SGN to provide further background as to what caused the high LDZ Shrinkage Reconciliation credit to Scotia Gas Networks.	SGN (RB)	Pending
SF0804	10/08/11	2.0	Transporters to confirm when the debits and credits will be processed through neutrality invoice.	All DNOs	Pending