British Gas
Looking after your world

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1st February 2012

Dear Bob,

Gas Distribution Networks 12/13 Shrinkage Proposals

1. Thank you for the opportunity to respond to the gas distribution networks initial shrinkage proposals for gas year 12/13. This letter relates to all the gas distribution networks and we request you share our letter with them.

2. The initial proposals appear in line with previous years and look reasonable estimates of shrinkage using the leakage model and other assumptions. British Gas asks for consistency that all GDNs use the same own use gas (OUG) percentage of seasonally normal throughput of 0.0113%.

3. The rest of our comments focus on the shrinkage incentive and model, rather than the initial proposals.

4. British Gas believes that effective incentives can reduce the volume of gas lost from the network and we support a strong shrinkage regime. We believe that the shrinkage incentive plays an important role in protecting the environment and customers. However the current incentive does not go far enough to ensure the networks are protecting consumers' safety from theft or ensuring each industry party pays their fair share of costs.

5. With the Shrinkage forum reconvened in 2011 the leakage model is more transparent and the work involved producing the shrinkage proposals and assessment is much clearer. However there are still limitations to the effectiveness of the shrinkage incentive, particularly we need:

    a. better understanding of upstream theft volumes,
    b. a clear methodology of how 'other losses' are calculated and
    c. analysis of the above ground installations and their leakage / venting rates

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6. British Gas is pleased that National Grid has drafted a consultation to further improve the leakage model, as discussed at the Shrinkage Forum on the 6th January 2012, and urges the other GDNs to bring their equivalent data to the next meeting.

7. British Gas has requested that in the next price control, commencing in April 2013, that the shrinkage incentive or its equivalent contains targets for finding and resolving theft of gas and unregistered sites in particular (extracted from our Ofgem response to 170/11 on 20th January 2012):

    a. "Centrica believes that the GDNs need an incentive linking gas shrinkage, upstream theft and unregistered sites, including reporting back on the information passed to them by suppliers. Theft of gas is a significant health and safety risk, not just to the perpetrator but also to their neighbours, passers by and possibly staff and customers."

    b. "Linked to theft is the identification of unregistered sites. Currently all unaccounted for gas (UAG) is picked up by the shippers, in the main RbD shippers, giving no incentive to the GDNs to resolve it. The shrinkage incentives could be linked to unaccounted for gas flowing into the reconciliation process."

8. We hope the comments prove useful and please do not hesitate to contact me if there are any queries, my telephone number is 07789 571365.

Yours sincerely,

Rochelle Hudson
Network Regulation Manager
British Gas
[Via email]