

SHRINKAGE FORUM
Minutes
Thursday 23 March 2006
Elexon Offices
350 Euston Road, London

Attendees

Tim Davis	(Chair)	(TD)	Joint Office
Lorna Dupont	(Secretary)	(LD)	Joint Office
Padraic O'Connell		(PO)	Bord Gais Network
Hilary Downes		(HD)	Bord Gais Network
Mike Young		(MY)	BGT
Peter Dickinson		(PD)	Ofgem
Liz Spierling		(LS)	Wales & West Utilities
Marie Clark		(MC)	Scottish Power
Jonathan Dennett		(JD)	National Grid
Graham Wood		(GW)	BGT
Chris Warner*		(CJW)	National Grid
Brian Stoneman		(BS)	Northern Gas Networks
Simon Howe		(SH)	Npower plc
Clive Whitehand		(CW)	Advantica
David Gower		(DG)	Advantica
Alex Travell		(AT)	E.ON/PowerGen
Mo Rezvani		(MR)	Scottish & Southern Energy
Stephen Courtney		(SC)	Scotia Gas Networks
Julian Skinner		(JS)	Scotia Gas Networks
Robert Cameron-Higgs		(RCH)	Northern Gas Networks
Phil Lucas*		(PL)	National Grid
Gareth Evans*		(GE)	Total Gas & Power
Jonathan Dixon*		(JDi)	Ofgem
Mick Curtis*		(MCu)	E=MC ²
Mitch Donnelly*		(MD)	British Gas Trading
Savita Shaunak*		(SS)	EDF Energy
Steve Nunnington*		(SN)	xoserve

* Attended for Supplementary Item only

Supplementary Item – “Significant Escapes of Gas from the System”

Prior to the Shrinkage Forum a joint discussion took place involving interested parties from both the Distribution Workstream and the Shrinkage Forum.

SH introduced the topic, detailing the incident at Inverkeithing that had highlighted a potential weakness in the process for calculating and accounting for the loss of gas that occurs in such incidents. Shippers were concerned that the cost of the escaped gas might be inappropriately included as part of the RbD charge for domestic

Shippers, which in effect would mean that gas not consumed by either consumers or Shippers would be paid for by them.

JS believed it to be both an RBD and a Shrinkage issue, and explained that the 'other losses' within the Shrinkage Factor includes this type of loss, and that the Shrinkage Factor for 2007/08 will therefore reflect the estimated volumes lost at Inverkeithing. JD advised that the loss was calculated using the duration of the incident and an estimate of the flow rate, and that around 400-500 tonnes per annum is generally lost through this type of event. The loss for National Grid networks annually was estimated at 100,000 tonnes and, seen against this figure, the estimated loss at Inverkeithing was not significant.

MY understood that an allowance was already made within Shrinkage, but questioned whether this incident fell within accepted bounds or outside of them. JS confirmed that this was the only incident of this size that Scotia had experienced since 2001.

Shippers questioned what incentive a network would have to stop leakage as quickly as possible, and how a volume calculation for the Shrinkage Factor was subsequently arrived at.

JS emphasised that the paramount driver for the network was public safety, not financial impacts. Fluid flow equations were necessarily used to make an assessment of volume lost, as the volume escaped clearly cannot be metered. JD and JS were in agreement that a network would take into account the following factors: the length of the event and how long it took to secure the situation (the job arrival time and time taken to complete), the size of the pipe, the pressure and the apportionment between pressure tiers, and estimated flowrate through the hole. LS added that incidents are reported under RIDDOR and that data relating to these incidents is used to feed back into and validate equations.

AT asked how many incidents might be expected and Wales & West Utilities responded with 20, and National Grid with 33 (in the last year). JS was not certain as to how much had escaped at Inverkeithing but it was thought that it was around 60,000 therms a far smaller impact than, say, demand forecast errors. In JD's opinion, this should be considered to be minor in comparison with the annual loss.

SH reiterated that his concern was with the principle of accounting and adjustment for this type of event and that there was still a level of uncertainty about how the calculation of deemed escaped gas is arrived at.

LS stated that in managing the networks safely, networks endeavoured to recover some of the costs of lost gas from third parties, but that there were other issues arising from this, ie how are third parties to be incentivised not to damage mains; what sort of costs are to be recovered and are they then to be taken out of the Shrinkage Factor, as it is really a consequential loss; and whose costs are actually being recovered. JD commented that under English law the recovery of consequential loss was very difficult to achieve and almost never happens in practice. In many instances the legal fees would exceed the costs able to be recovered so, in effect, nothing happens. LS felt that there may need to be further debate on this area.

SH confirmed that he was satisfied to leave this topic for the present.

Following the closure of this Item the Shrinkage Forum proceeded as normal.

1. Introduction and Status Review

1.1 TD gave an introduction.

1.2 The minutes from the LDZ Shrinkage Forum held on 14 December 2005 were accepted.

1.3 TD reviewed actions from the previous meeting (see Action Log).

Action SF001: SC outlined the requested backward looking figures and TD sought assurance from the Shippers that they now had the requested feel for the scale.

The Shippers confirmed that they were reassured about the proposed move to a forward-looking methodology.

Action SF002: MY advised that the Theft of Gas reports had been delayed by the outcome of the ERA and ENA reports, but were likely to be issued in the next few weeks after the consultation paper on ToG from Ofgem.

Action SF003: This was covered separately under agenda item 2.1 (see below).

Action SF004: This was deferred until the next meeting (22 June 2006).

Action SF005: This was covered separately under agenda item 2.3 (see below).

2. Topics

2.1 Gas Safety Regulations Cut Off Information

In fulfilment of **Action SF003** JD gave a presentation (enclosed) on behalf of National Grid and a discussion ensued. MY commented that although this presentation quantified unmetered sites and the period of unmetering, potential forms of theft were unmetered sites and unregistered sites.

JD pointed out that 'resolved' does not mean 'meter removed' and that this was because a subsequent occupier may require gas.

A compromise situation was arrived at in order to take account of the needs of the future occupier who may require the gas supply, so the supply was left 'live' and the meter was capped. JD confirmed that it was not known if gas was actually being offtaken. Capping a meter could not automatically be equated with theft. However, if theft were to be discovered when the premises were visited then it would be reported to xoserve. LS commented that the networks monitor the timescales and the sites are advised in advance of intention to isolate at the end of the twelve-month period.

No statistics were available as to how many of this type of site actually resulted in being designated a ToG occurrence. The majority of the sites involved were thought to be domestic but some may be designated I & C, and MY thought that these could also therefore be a potential for instances of ToG being accounted for within RbD, which was not appropriate.

JD stated that reported theft was included in the Transporters' 0.02% factor, but MY countered this, remarking that this was unreported theft and was therefore included within RbD. MY reiterated that reducing the amount of theft was the Shippers' objective. JD affirmed that prompt isolation of a site when due would aid this.

TD pointed out that proving an actual number was difficult, and in terms of the total number of supply points on a network the numbers put forward were not significant.

SH asked whether any detailed notes of site visits were kept, ie the state of the site (derelict, empty, etc). LS commented that it was a GS(M)R requirement that this work was carried out, and that only work carried out on the network's asset was actually recorded. No details of the state of the site were recorded unless it was demolished. JD restated the process leading up to isolation and pointed out that problems with gaining access to site could significantly delay the cut off date. Correspondence was kept in the event that access warrants may be required.

The other Transporters were not currently in a position to supply figures to the Forum.

Action SF006: LS to check (with xoserve) how many meters expected to be disconnected under the Gas Safety Regulations are subsequently found to be flowing gas.

2.2 2004/05 Assessment and Adjustment

In fulfilment of **Action SF005** JD gave a presentation on behalf of National Grid and a short discussion ensued. JD emphasised that the figures were provisional and National Grid's final assessment and adjustment figures would be issued by the end of March. The other DNs confirmed they would also issue their final figures by the end of March.

2.3 Advantica Own Use Gas (OUG) Project

CW (Advantica) gave the enclosed presentation on the Own Use Gas (OUG) Project.

The presentation was concerned with preheated own use gas, and reviewed the model developed in 2000 and the recommendations made in 2002, the Shippers' concerns, potential solutions, and some initial recommendations to move the project forward.

An overview of the model was discussed, raising questions in relation to the robustness of data and the impact of missing elements, on what basis the assumptions had been made, and the validation of the proposed model.

It was established that not all the preheaters were of the same design, and that those installed/replaced within the last 5 years were the most efficient.

CW confirmed that a scaling factor was used to compensate for missing or unusable data. In the 1980s work done by the Midlands Research Station to establish a range of efficiencies identified that many preheaters were operating at well below their badged efficiency, and a subsequent programme was devised to improve efficiencies through regular maintenance. This programme supports the estimates of efficiencies currently used by Advantica.

Validation of the 2000 model was based on efficiency assumptions and a limited amount of consumption data, but this was deemed sufficient to create a starting point.

AT queried why the available meter readings were apparently so inaccurate – was this due to being manually read? CW advised that there was a variety of reasons, eg some units had ‘clocked’ and were not corrected, other units were not those that were physically on site, etc. SH was concerned at the low percentage of sites (42 per cent) with usable readings.

Action SF007: Advantica (CW) to check the number of sites for which preheater meter readings were supplied.

Post Meeting Update: *CW confirmed that there were 77 sites with preheater metering data. These were NTS sites out of the 260 PRSs overall from which Advantica received on-site telemetry data.*

SH wanted to know whether an AQ could be ascertained for each site where there was a meter attached. JD commented that sites were likely to vary considerably, from domestic boiler size to a quite considerable consumption. Larger installations were most likely to be on NTS Offtake sites, but not all were telemetered.

SH was keen to establish which sites were metered and the variation in size. MY was concerned that some of the consumptions may be so large as to warrant being metered rather than applying an estimation methodology. MR queried whether Advantica should revisit the source data to establish its current value. CW stated that Advantica could look at the preheater survey details, which may give different information, and look at the distribution of the larger sites.

Discussion moved on to Advantica’s summary of the Shippers’ concerns and the possible mitigations.

AT questioned whether preheater efficiencies deteriorate over time. JD confirmed that this was not the case on the ‘water side’. Antifreeze prevented any furring, and the water is not exchanged. It was emphasised that there is regular maintenance programme for all sites and not just water bath heater sites.

There was concern regarding temperature and MR queried whether the heating regime was the same throughout the year. JD confirmed that it was.

SH was interested to know whether the geographical nature of sites was taken into account within the model. CW confirmed that the whole of Great Britain had been reviewed for preheaters, and localised factors had been calculated and accounted for - the model applied across all. It was also recognised that different practices within LDZs could affect the model.

Shippers agreed that the summary reflected their concerns and no additions were necessary.

The Forum considered the initial recommendations and debated the priorities, in view of the tight timescales imposed by the June date for formulation of the initial proposals for OUG percentages.

Following this, and although there was some concern that dataloggers may not record the preheated gas, it was agreed that it was sensible for Transporters to begin to collect meter readings from all sites that were metered and visited. The data was not required for the next meeting but should begin to be collected for future use.

It was also agreed that the Transporters should provide more detailed information on each site (size and composition), to be available for discussion at the next meeting.

Action SF008: Transporters to begin to collect meter readings from all pre-heater sites that are metered and visited.

Action SF009: Transporters to provide more detailed information on each preheater site (size and composition), to be available for discussion at the next meeting.

PD stated that Ofgem would be interested in a cost/benefit analysis of metering the larger sites and in any efficiencies that could be identified.

3. Any Other Business

3.1 Independent Gas Transporters (iGTs) and Shrinkage

MY would like this topic added to the agenda for the next Shrinkage Forum.

Action SF010: Joint Office to add iGT Shrinkage to agenda for next meeting.

4. Date and Content of Next Meeting

The next Shrinkage Forum meeting (Transporters' presentations of their Initial Proposals) has been arranged for 14.00hrs on 22 June 2006 at the Elexon Offices, 350 Euston Road, London.

Shrinkage Forum	Date	Time	Venue
Initial Proposals (Transporters' Presentations)	Thursday 22 June 2006	14:00	Elexon Offices, 350 Euston Road, London
Final Proposals	Thursday 10 August 2006	14:00	Elexon Offices, 350 Euston Road, London
Issues and Ideas	Thursday 14 December 2006	14:00	Elexon Offices, 350 Euston Road, London