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## Corona Energy Response to Shrinkage Leakage Model Review

Thank you for the opportunity to respond to the consultation on the Shrinkage Leakage Model Review. We do not consider our response to be private and confidential.

### Introduction

Corona Energy (CE) is a shipper and supplier of gas and electricity to the non-domestic market. Our customers range from micro-businesses and SMEs through to large industrial and multi-site customers. Our multisite customers consist of large commercial organisations (such as national retailers) as well as government departments and local authorities which are supplied through a number of framework agreements. CE is also a member of ICoSS (the Industrial & Commercial Shippers & Suppliers) trade body.

### Summary of our response

In this response we set out our expectation that shippers and transporters undertake a thorough review of the current regime to ensure it is robust and equitable to restore confidence that the process provides an accurate view of shrinkage in the market and does not contribute towards Unidentified Gas (UIG). In our view this review



should operate alongside the review currently being undertaken by shippers to improve Unidentified Gas (UIG) which is extremely challenging for shippers.

As the GDNs will be aware since the implementation of the new settlement regime under Project Nexus the volatility of UIG has been substantially higher in both volume and scale than expected. One of the potential contributory factors to this volatility, along with daily read errors and deficiencies in the NDM calculation, would be any inaccuracies in the current shrinkage calculation (either positive or negative).

Though the current process has been in place for a considerable time under the control of the GDNs, it is clear that since the implementation of Project Nexus the rest of the industry is now impacted by any error through UIG costs. A number of industry changes have been raised to attempt to address the likely causes of UIG, looking at areas such as increasing the number of reads submitted by smart & AMR sites, increased incentives on submitting daily meter reads, etc. There is also a significant piece of work being undertaken by Xoserve to attempt to improve settlement accuracy and understand the causes of the system issues.

The one area which is not being examined is shrinkage. It is therefore appropriate that a thorough review is undertaken now, looking at the fundamental underpinnings of the shrinkage process, the data used in the shrinkage and leakage model and also whether the current level of transparency in the process is appropriate.

The goal of this review is so that the whole market should be in a position to satisfy itself that the process undertaken is robust and even-handed, and going forward, the focus can move from this area of settlement to other areas that may be causing the volatility in the UIG process. To ensure that this confidence continues, we suggest that an annual review process is implemented, where an independent expert looks at the process to ensure it is accurate. This could be in the same manner as the Measurement Error Notification Guidelines (where an impartial expert is appointed), or through enhanced transparency of the current process by granting shipper access to the model.

If these changes were to be implemented, it would address any perceptions that the current shrinkage process is not undertaking a wholly accurate assessment of Unidentified Gas and avoid the current issues that have been recently experienced



with the AUGE where an independent expert questions the accuracy of the shrinkage regime.

### Summary

The industry is currently addressing UIG which has been extremely challenging for shippers since Nexus went live on 1 June 2017. In our view the transporters must undertake a thorough and transparent review of shrinkage and the leakage model as soon as possible.

Should you wish to discuss this response with me please contact me directly.

**Tim Hammond**

Regulatory Affairs Gas & Electricity

