

11th December 2015

**Public Consultation Response**Joint Office of Gas Transporters  
Ground Floor East  
31 Homer Road  
Solihull  
B91 3LT**Consultation Response to Shrinkage Leakage Model Review 2015 Document**

Dear Joint Office,

Engage Consulting welcomes the opportunity to respond to the Shrinkage and Leakage Model Review 2015.

Engage Consulting is an independent consultancy providing expert advice to clients in the energy and utilities sector for over a decade. We specialise in electricity and gas settlements and have worked extensively to develop the current electricity settlement arrangements. Engage has a keen interest in gas settlement, having recently completed an independent study into risks to fair and equitable gas settlement. Our clients include both network operators and suppliers, but this consultation response is independent, represents our own views, and is for publication on the Joint Office website.

As the gas industry moves towards implementation of Project Nexus, we believe there needs to be increased focus on identifying and quantifying all aspects of unidentified gas. It is imperative that the shrinkage and leakage model is as accurate as possible, to reduce to the uncertainty associated with unidentified gas which will be apportioned between shippers by day.

We would like to make the following comments and observations:

- We feel that the extra information published on the GDNs' commitments to refine aspects of the Shrinkage and Leakage model provide welcome visibility on projects currently in progress. However, we would like the information provided to be extended to include a more detailed project plan with key milestones for each project. This level of detail would provide wider industry assurance and an update report could be provided as part of the shrinkage forum meetings. Without a more detailed understanding of each initiative, it is not possible to determine whether the timescales documented are realistic.
- In line with the RIIO-GD1 objectives, we believe that GDNs should be incentivised to reduce all aspects of shrinkage year on year. To provide the gas industry with assurance that the shrinkage model receives the appropriate level of focus, we suggest implementing a way of tracking and reporting inputs to the model and how they fluctuate year on year. We would like to see a 'dashboard' type display including items such as the amount of PPE pipework laid, the number of own use assets and above ground installations, etc.
- We would like to better understand the prevalence of interference damage. We consider that there is potential for improvement in this area of leakage estimation by:
  - Better estimation of the leakage of each incident (kg/hour)



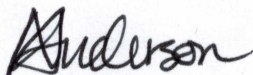
- Better recording of incident duration considering time to fix each leak plus an estimate of time between incident and first response.

Furthermore where interference damage occurs which releases more than 500kg of gas and where the specific value is unknown we would like to understand the rationale for using a default of 500kg. We believe that this could result in interference damage being systematically under reported, and that this element of the methodology is probably in need of improvement.

- We would like to understand whether minutes from joint GDN meetings to review all data inputs into the shrinkage and leakage model will be available publically. Publication would be useful, as we believe the industry understanding of the Shrinkage and Leakage Model could be improved. Publishing these minutes might help interested parties develop their own understanding.

We trust that our comments address the questions set out in the consultation. Please do not hesitate to contact me if you require any clarification on the comments we have made.

Yours sincerely,



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