

Licence condition	Relation to ISE	ISE BR Ref	Issue	Query
4.4.7 The licensee, together with all other DN Operators, must have in place a Shrinkage And Leakage Model approved by the Authority.	DN Operators will continue have an SLM and methodology in place. The ISE will produce the Recommended SLM (RSLM) and the Recommended SLM Methodology (RSLMM) separately and deliver it to DN Operators and Ofgem for consideration. DN Operators also will have a choice to provide their own SLM and methodology or use the RSLM and RSLMM. The ISE Business Rules (ISE BR) will allow, via the provision of parity with Special Condition 4.4, DN Operators to fulfil their obligations under licence condition 4.4 to provide an SLM and SLM methodology, in the event that the DN Operators wish, in agreement with the Authority, to fulfil their obligations to provision an SLM and SLM methodology via the provisioning of an RSLM and RSLMM.	1	No	
4.4.8 The licensee must have in place a methodology to apply the Shrinkage And Leakage Model in a way that is consistent with all other DN Operators, such that the resulting Shrinkage and Leakage volumes are comparable.	DN Operators will continue have an SLM and methodology in place. The ISE will produce the Recommended SLM (RSLM) and Recommended SLM Methodology (RSLMM) separately and deliver it to DN Operators and Ofgem for consideration. DN Operators then have a choice to provide their own SLM and methodology or use the RSLM and RSLMM.	2	No	
4.4.9 The Shrinkage And Leakage Model and the licensee's methodology must be designed to facilitate the accurate calculation and reporting of Shrinkage and Leakage.	DN Operators will continue have an SLM and methodology in place. Proving how the DN Operators SLM and methodology are more accurate than the RSLM and RSLMM would presumably need to be achieved to ensure that the DN Operators are complying with their licence obligations stipulated in 4.4.9.	3	No	
4.10 The licensee must, by 31 July in each Regulatory Year, make publicly available and provide to the Authority a report that sets out:	The ISE will deliver the Recommended SLM and recommended methodology within good time for DN Operators to be able to produce this report	4	No	How much time do DNOs need to produce this report?
4.4.11 Subject to the provision of at least 28 days' notice by the Authority, the licensee must allow the Authority, or a duly authorised representative of the Authority, such access to the licensee's staff, records and facilities as the Authority may reasonably require, for the purpose of establishing to the Authority's reasonable satisfaction that: (a) the Shrinkage And Leakage Model complies with the requirements of this condition; and (b) the licensee is complying with its methodology for the Shrinkage And Leakage Model.	No interaction	5	No	

<p>4.4.12 The licensee must not make any modification to the Shrinkage And Leakage Model except where it is directed to do so by the Authority under Part D.</p>	<p>On receipt of the SLM and the RSLM, Ofgem choose to modify the SLM by replacing it with the RSLM, unless the RSLM has been used by GDNs as the SLM.</p>	<p>6 No</p>
<p>4.4.13 The licensee must not make modifications to its methodology for the Shrinkage And Leakage model where the changes would have a material impact on the calculation of Shrinkage volumes under the Shrinkage And Leakage Model, except where it is directed to do so by the Authority under Part D.</p>	<p>On receipt of the SLM methodology and the RSLMM, Ofgem choose to modify the SLM methodology by replacing it with the RSLMM, unless the RSLMM has been used by GDNs as the SLM methodology.</p>	<p>7 No</p>
<p>4.4.14 The licensee must keep the Shrinkage And Leakage Model under review, and propose such revisions to it as may be appropriate in order to ensure that it maintains or improves the accuracy of its calculation of Shrinkage and Leakage.</p>	<p>The ISE will similarly keep the RSLM under review. DN Operators <u>may</u> recommend to the ISE revisions to the RSLM that enable the maintenance or improvement of the accuracy of the RSLM.</p>	<p>8 No</p>
<p>4.4.15 The licensee, together with other DN Operators, must annually review their methodologies for the Shrinkage And Leakage Model to verify the comparability of the Shrinkage and Leakage volumes produced by each DN Operator.</p>	<p>The ISE will similarly keep the RSLMM under review. DN Operators <u>shall</u> recommend to the ISE revisions to the RSLMM that enable the maintenance or improvement of the accuracy of the RSLMM.</p>	<p>9 No</p>
<p>4.4.16 The licensee must, together with the other DN Operators, submit a report to the Authority on or before 31 March in each Regulatory Year, which must include:</p>	<p>The ISE will submit a report, as part of the RSLMM, to Ofgem detailing how they have complied with: a) keeping the RSLM under review to ensure the ISE maintains or improves the accuracy of its calculation of Shrinkage and Leakage; b) how the ISE has annually reviewed their RSLMM for the RSLM</p>	<p>10 No</p>
<p>(a) details of how they have complied with paragraphs 4.4.14 and 4.4.15; and (b) any representations relating to the workings of the Shrinkage And Leakage Model that have been submitted by Gas Shippers and other interested parties.</p>		
<p>4.4.17 Before proposing any revisions to the Shrinkage And Leakage Model or its methodology, the licensee must:</p>		
<p>(a) consult other DN Operators, Gas Shippers and other interested parties for their views on whether the proposed revisions would better achieve the objective set out in paragraph 4.4.9;</p>	<p>Revisions to the RSLM or the RSLMM must consider:</p>	
<p>(b) allow them a period of not less than 28 days in which to make representations;</p>	<p>(a) consultations with DN Operators, Gas Shippers and other interested parties for their views on whether the proposed revisions would better achieve the objective set out in paragraph 4.4.9 of <u>Special Condition 4.4 of the Gas Transporter Standard Conditions</u>;</p>	
<p>(c) together with other DN Operators, consider whether the proposed revision requires review by an independent expert, and if so, appoint such an expert to provide a report setting out their opinion on the extent to which the proposed revisions to the Shrinkage And Leakage Model would better achieve the objective set out in paragraph 4.4.9; and</p>	<p>(b) allow them a period of not less than 28 days in which to make representations;</p>	
<p>(d) during the period of 28 days beginning with the date of the close of that consultation, make publicly available and submit to the Authority a report in accordance with paragraph 4.4.18.</p>	<p>(c) during the period of 28 days beginning with the date of the close of that consultation, make publicly available and submit to the Authority a report.</p>	<p>11 No</p>

- (a) the revisions proposed, including the original form of those revisions if they changed as a result of the consultation under paragraph 4.4.17;
- (b) any impact on RIIO-GD2 Outputs;
- (c) the non-confidential representations (if any) that were made to the licensee by other DN Operators, Gas Shippers or other interested parties and not withdrawn;
- (d) either:
 - i. a copy of the independent expert's report required by paragraph 4.4.17(c); or
 - ii. an explanation of why the DN Operators did not consider it appropriate to appoint an independent expert;
- (e) an explanation of how the proposed modifications would better achieve the objective set out in paragraph 4.4.9; and
- (f) a timetable for implementing the proposed modifications, including the

4.4.19 If requested by another person, the licensee must provide all the non-confidential information reasonably required to enable them to propose a change to the Shrinkage And Leakage Model, even if the licensee does not agree that the modification better meets the objective set out in paragraph 4.4.9.

4.4.20 The Authority will:

- (a) approve the revisions proposed by the licensee;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

4.4.21 Except where the Authority otherwise consents, the licensee must, together with other DN Operators, and before the end of the period of 12 months beginning with the date of implementation of a modification to the Shrinkage And Leakage Model, appoint an independent expert to review and report on that implementation.

4.4.22 The licensee must, together with other DN Operators, ensure that the independent expert's report prepared under paragraph 4.4.21 is made publicly available, and that a copy of that report is sent to the Authority.

- (a) the revisions proposed, including the original form of those revisions if they changed as a result of the consultation;
- (b) any impact on RIIO-GD2 Outputs;
- (c) the non-confidential representations (if any) that were made to the ISE by other DN Operators, Gas Shippers or other interested parties and not withdrawn;
- (d) either:
 - i. a copy of the independent expert's report required by paragraph 4.4.17(c); or
 - ii. an explanation of why the DN Operators did not consider it appropriate to appoint an independent expert;
- (e) an explanation of how the proposed modifications would better achieve the objective set out in paragraph 4.4.9 of the

If requested by another person, the ISE must provide all the non-confidential information reasonably required to enable them to propose a change to the RSLM, even if the ISE does not agree that the modification better meets the objective set out in ISE BR Ref 3.

The Authority will:

- (a) approve the revisions proposed by the ISE;
- (b) reject the proposed revisions; or
- (c) reject the proposed revisions and give recommendations as to alternative revisions that it considers should be made.

Except where the Authority otherwise consents, the ISE, and before the end of the period of 12 months beginning with the date of implementation of a modification to the RSLM, appoint an independent expert to review and report on that implementation.

The ISE must ensure that the independent expert's report prepared under ISE BR Ref 15 is made publicly available, and that a copy of that report is sent to the Authority.

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