



2 Leasons Hill  
Orpington  
Kent  
BR5 2TN

Modification Panel Secretary  
Joint Office of Gas Transporters  
First Floor South  
31 Homer Road  
Solihull  
West Midlands  
B91 3LT

06 May 2008

Dear Julian,

**Modification Proposals: 0203 Revision to DN Shrinkage Regime.**

Thank you for the opportunity to comment on Modification Proposal 0203. Scotia Gas Networks supports implementation of Modification Proposal 0203.

The proposal has been raised to align the UNC with the 2008 - 2013 Gas Distribution Networks Price Control Review conclusions and Licence amendments whereby Ofgem has set a fixed volumetric allowance for Shrinkage for each LDZ. As a result the UNC requires to be amended to remove all references to LDZ Shrinkage Factors and replace them with LDZ Shrinkage Quantities and reclassify LDZ vented gas from own use gas to unaccounted for gas.

SGN fully supports the Proposer's recommendation that implementation should take place on 01.07.08, as this would enable publication of initial and final proposals on the new basis, albeit full implementation of the new shrinkage regime would not take place until the start of the Gas Year on 01.10.08. If full implementation was to be delayed until 01.10.08 DNs would be obligated to produce a document this summer specifying estimated LDZ Shrinkages Factors as applied under the current regime as opposed to LDZ Shrinkage Quantities to be applied under the new regime.

SGN strongly believe that the calorific value used to calculate leakage should remain constant at the levels used in the 2007/08 Final Shrinkage Factor Proposals. This is because the methane, and thus energy, content of gas varies considerably depending on its source but GDNs have no effective influence on the energy content of gas in their networks.

Maintaining a constant calorific volume would ensure that GDNs report the year on year volumetric variation of gas leakage from their network, not the levels of energy leaked from their network for the volume leaked (over which they have no control over). This would be in line with the assumptions behind the calculation of the shrinkage allowance and the methodology prescribed to calculate leakage volumes in the environmental emissions incentive, both of which are set out in Ofgem's Final Proposals for the current price control period.



Furthermore SGN believe that, with regards to the legal text in section 3.4.1 of the Draft Modification Report for Mod 203V, the sentence 'Not later than 31<sup>st</sup> March in each Gas Year, the Transporters will in respect of the Preceding Year review the assessed LDZ shrinkage for each LDZ established under paragraph 3.3.1, and the estimated LDZ Shrinkage for each LDZ established under paragraph 3.1, and where appropriate undertake a reconciliation in accordance with the LDZ Shrinkage Adjustment Methodology for the purposes of section E7.6' should be revised. This is due to the fact that the estimated LDZ shrinkage, not the assessed shrinkage, is reviewed in the LDZ Shrinkage Adjustment process.

SGN believes implementation of the Modification Proposal, with our amendments detailed above, would better facilitate relevant objective Standard Special Condition A11.1 (c) as changes are required to allow DNOs to fully discharge obligations under licence.

We note there are implications for UK Link Systems. Work is currently underway and planned for implementation for 01.10.08. SGN believe that meeting this deadline is imperative for the efficient and cost effective implementation of the aforementioned shrinkage price control review and licence amendments.

We hope you find these comments helpful.

Yours sincerely

Bali Dohel  
Network Officer  
Scotia Gas Networks  
Direct Tel: 01689 886780  
Mobile: 0787 9434 113  
Email: Bali.Dohel@scotiagasnetworks.co.uk