

**UNC Workgroup 0843**  
**Establishing the Independent Shrinkage Charge and the Independent Shrinkage Expert**  
**Tuesday 08 August 2023**  
**via Microsoft Teams**

<b>Attendees</b>		
Rebecca Hailes (Chair)	(RHa)	Joint Office
Ben Mulcahy (Secretary)	(BM)	Joint Office
David Morley (Proposer)	(DMo)	OVO Energy
Charlotte Gilbert	(CG)	BU UK
Colin Wainwright	(CW)	SGN
David Mitchell	(DMi)	SGN
Deborah Sherlock	(DS)	Xoserve (CDSP)
Edd Green	(EG)	Eon Next
Ellie Rogers	(ER)	Xoserve (CDSP)
Fiona Cottam	(FC)	Xoserve (CDSP)
Guv Dosanjh	(GD)	Cadent Gas
Ian Dunstan	(ID)	Wales & West Utilities
Jenny Rawlinson	(JR)	BU UK
Joanne Hanratty	(JH)	Northern Gas Networks
Josie Lewis	(JL)	Xoserve (CDSP)
Julie Chou	(JC)	Wales & West Utilities
Magali Aurand	(MA)	Guidehouse
Matt Marshall	(MM)	Cadent Gas
Richard Tester	(RT)	Xoserve (CDSP)
Sandi Bradshaw	(SB)	Xoserve (CDSP)
Shiv Singh	(SS)	Cadent Gas
Steve Mulinganie	(SM)	SEFE Energy
Tom Stuart	(TSt)	Wales & West Utilities
Tracey Saunders	(TS)	Northern Gas Networks

*This Workgroup meeting will be considered quorate provided at least two Transporter and two Shipper User representatives are present.*

*Please note these minutes do not replicate/include detailed content provided, therefore it is recommended that the published material is reviewed in conjunction with these minutes. Copies of all papers are available at: <https://www.gasgovernance.co.uk/0843/080823>*

*The Workgroup Report is due to be presented at the UNC Modification Panel by 16 November 2023*

**1. Introduction and Status Review**

Rebecca Hailes (RHa) welcomed all parties to the meeting.

**1.1 Approval of Minutes (11 July 2023)**

The minutes from the previous meeting were approved.

## 1.2 Approval of Late Papers

There were no late papers to approve for this meeting.

## 1.3 Review of Outstanding Actions

**0701:** IGTs (MB) to provide feedback from IGT Workstream on 13 July

**Update:** Charlotte Gilbert (CG) advised the Workgroup that Michelle Brown (MB) was unavailable and so had looked back at the minutes of both the previous Workgroups to understand the scope of the Action, believing it potentially relates to IGT use of the Gemini system, but was not entirely clear.

Dave Morley (DMo) shared that an IGT UNC ~~mirror-enabling~~ Modification had been created, IGT165, and that it was intended to ensure IGTs complied with any data requests issued by the Independent Shrinkage Expert (ISE) and suggested keeping this action open to facilitate subsequent IGT related conversations, which he hoped could all be held in this Workgroup. He added that funding arrangements will be taken care of as part of the XRN related to the Modification, and advised it was intended to be DNO funded.

RHa advised that the funding decision would be expected to be discussed and agreed upon in the DSC Change Management Committee, thereby ensuring all Parties were involved and not surprised by funding allocations. Ellie Rogers (ER) concurred that this was normally the case and where the final vote on the matter was cast, but having earlier conversations in its regard ahead of that was always helpful. RHa asked if an XRN number had been raised for this Modification, which ER replied had not yet been done as the requirements were not sufficiently progressed to enable this.

Jenny Rawlinson (JR) commented that whilst she understood that discussion of the bulk of the mechanisms proposed under this Modification would occur in this Workgroup, there was a need to have a comprehensive understanding of the Modification by the IGTs. Whilst she and CG were in this meeting, the rest of the IGT workstream would need to be across the matter to ensure IGT165 was approved. DMo acknowledged JR's comments, noting that he understood the IGT165 conversations had been pushed back to next month which worked for him, and that he was happy to discuss the particulars with IGT representatives further offline as required.

RHa asked when the next IGT Workstream meeting in September was, which JR confirmed to be scheduled for 14 September.

Ian Dunstan (ID) shared his impression that the Action related to the issue surrounding the Modification's requirement for IGTs to purchase shrinkage gas, and that this was where the Gemini debate came into the equation as the means and mechanisms to do this were not in place.

ER agreed, adding that the Gemini system had functionality to allow DNOs to add their daily shrinkage, via a Shipper acting on their behalf. As part of any system Change for this Modification, this mechanism will need to be replicated for IGTs and some of the focus in the IGT space is needed to explore this. She stated that she was not yet clear on how this would be made possible as, contrary to DNOs, it is possible for multiple IGTs to operate within the same LDZ, which would need to be addressed in the assignment of shrinkage within a solution that would also work within the systems available.

**Post Meeting Note: Shrinkage model error referenced as just "shrinkage" is incorrect. Shrinkage model error is not Shrinkage**

JR confirmed that her reading of the previous Workgroup minutes matched these comments and that she was concerned with the Proposer's view that the solution mechanism would be developed in the UNC Modification when these are all key aspects that would need to be addressed and understood within the IGT Workstream and in IGT165.

DMo highlighted that he had split out the ISC Charge for GDN and IGT charges and that how they would work is in the Business Rules (BRs), noting that they would be independently calculated for each IGT specifically.

JR asked to clarify if this meant that the mechanism would drill down to individual supply points.

DMo confirmed ~~that this was the intention, with~~ the calculation working from the initial figure of all the gas that is missing, from which Shrinkage is subtracted, resulting in the means with which to separately calculate the GDN ISC and IGT ISC.

JR affirmed that it would be helpful to walk through that process in the IGT UNC Workstream and how it would work.

RHa asked if the purchasing mechanisms had been developed to which DMO confirmed that the mechanisms for GDNs would ~~mirror~~ use the existing functionality used by GDNs. RHa questioned if this was detailed in the IGT UNC Modification, which DMO acknowledged it was not, being detailed in the UNC Modification only. JR responded that this would need to be detailed in the IGT165 discussions, as there was no similar mechanism in the IGT UNC so discussing it in detail with the IGTs would be important.

DMo shared that he had the understanding from a conversation with Anne Jackson (AJ), that the powers to enact this requirement were already in the IGTAD, and as such the IGT UNC would only require a couple of lines of Legal Text confirming the obligation for IGTs to comply with ISE requests and the specifications for IGT payments would be covered with a reference to the IGTAD. He observed that there were differing views on what was required within the IGT UNC that needed exploring.

RHa suggested that AJ may have been talking about the Legal Text for the UNC Modification but would leave it to the IGT Constituency to resolve.

DMo summarised the outstanding question to be if the IGT payment mechanism details are required in the IGT UNC. This will be progressed with the IGT-UNC.

**Action carried forward.**

## 2. Amended Modification

The Workgroup reviewed the amended Modification, starting from Section 5 Solution.

The Proposer advised that a Mission statement had been added following suggestions from the last Workgroup, stating that it was relatively high-level and enquiring if the Legal Text provider needed more detail.

RHa asked if the Independent Shrinkage Expert (ISE) *removes* Shrinkage or identifies it, noting the Mission statement states a purpose was to incentivise parties to reduce it. The Proposer confirmed it was intended to remove shrinkage *error* from Unidentified Gas (UIG).

The Proposer talked through the Business Rules (BRs) in Section 5, noting with BR1, Procurement, that he had now split out the Independent Shrinkage Model (ISM) and Independent LDZ Shrinkage Quantities (ILSQ).

IVG was removed as it was considered an unnecessary additional term.

Under BR3, Methodologies, clause 3.2 now stipulates that these may or may not be desk-based and clause 3.5 permits the use of third parties, adding that cost-benefit analysis may be required.

The Proposer added that the recent news that Digital Platform for Leakage Analytics (DPLA)<sup>1</sup> now had funding, reduced the potential need for this clause in his view, but the clause remains to provide the facility for the ISE to decide.

Sandi Bradshaw (SB) asked for clarification that the cost-benefit analysis was to justify the additional expenditure, noting that as part of the tender, any such costs would need to be part of their total inclusive costs, irrespective of how they collate them. ER added this was so the Parties were aware of the third-party involvement upfront and the costs were known.

RHa accepted the commentary and asked the Proposer if the cost-benefit discussion in BR3 was intended to be for the tendering process.

The Proposer suggested that it was probably more about contract variation.

ER expanded that the procurement document would encourage bidders to provide the full details of their costs in delivering the service. Anything beyond that would need to be justified and go to the Subcommittee to consider and accept as a contract variation. She added that hopefully, this would not happen as bidders would be encouraged to provide everything upfront.

SM asked if was sitting in the wrong cost as it enabled something outside of the scope and created a mechanism to do that but did not sit nicely in the BRs. ER responded that she had been thinking along similar lines, especially in reference to the DSC Subcommittee and suggested there may be a need to create a DSC Subcommittee to review the matter.

The Proposer suggested this could be done by moving the new Clause text to 3.4. which ER agreed made sense. RHa advised that a separate BR was needed to create the Subcommittee and define what it is used for. The Proposer agreed to do so under a new clause 3.4.2. RHa asked for clarification regarding the commentary about GDNs abstaining in 3.4, which the Proposer explained was based upon assumptions made off the back of discussions in the last Workgroup.

RHa felt there was a need for more detail about who the Subcommittee would include, and questioned the commentary about GDNs as, with them to pay for the process, she did not see why they would abstain. Historically, she advised, the only time GDNs abstained was to assist with CSS bid group activity and they were not asked to do so, deciding on the action themselves. GDN representation confirmed this to be the case.

RHa offered to discuss the issue offline with the Proposer and to include Bob Fletcher as the Chair of DSC Contract Management Committee.

**New Action 0801:** RHA to discuss DSC Contract Management Subcommittee with Proposer and Bob Fletcher

The Proposer advised that BR4 splits out the IGT ISC and GDN ISC. FC asked for confirmation that the measures given were expressed in kWh, not money, which the Proposer confirmed was the case and RHA advised to state as such within the text.

FC then asked if the Proposer expected the DNOs to be paying the price cap charge or the prevailing on-the-day cost and what if there was a difference. The Proposer asked how it currently worked for a Shipper to acquire gas for LDZ shrinkage. The Workgroup Participants found they were unable to provide a confirmed answer to this question, and an action was placed on the DNOs to confirm how the price is set when they purchase gas for LDZ Shrinkage.

**New Action 0802:** DNOs to confirm how the price is set for LDZ Shrinkage gas.

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<sup>1</sup> DPLA: Digital Platform for Leakage Analytics. The DPLA project is funded by Ofgem and Innovate UK through the new Strategic Innovation Fund (SIF). See also slide 18: <https://cadentgas.com/nggdwsdev/media/Downloads/reports/Our-Digitalisation-Action-Plan-June-2023.pdf>

FC explained that she asked the question as this was a new charge and to understand how it would be costed is not clear, though she took the point that DNOs are somehow already buying gas so presumably have the means to do so. The Proposer advised that BR8 detailed this process.

Tom Stuart (TS) asked if CSEPs are being deducted from the GDN ISC, as he noted the IGT ISC is being calculated separately. RHa confirmed that this was specified in BR4.2

The Proposer explained that, after the discussions held in the last Workgroup meeting, the text for BR5 Recommending the ISC, now details that if the value differences were positive the ISE will recommend to the Authority approve the ISC. He added that BR6 addresses negative ISC values, confirming that they would not apply, with the GDN ISC and then IGT ISC separated to enable each to be different.

RHa raised the time period rule, where an absence of an Authority decision four weeks prior to the start of the financial year saw the ISC being applied, asking if this had an equivalent somewhere else in the Code. The Proposer did not think this was the case, with the text originating from an earlier discussion about ensuring the CDSP had sufficient time to process the values.

RHa thought it necessary to provide sufficient time for an Authority decision, which would not necessarily be fast, with such a time allowance built into the Framework. The Proposer agreed, stating that he hoped to be able to amend it to something like a week, which RHa questioned was sufficient for an Authority Decision. The Proposer countered that it was an iterative process with an earlier provision in the process.

**New Action 0803:** RHa to invite Ofgem (Vic Tuffen) to the next Workgroup meeting

The Proposer talked through BR 8 Recovery of ISC, stating that the same mechanism used to purchase gas for Shrinkage would be used with daily ISC (the Yearly GDN divided into 365 equal parts) which the CDSP will load into Gemini. He believed the BR was sufficiently developed and clear, though invited any questions or queries.

ER responded that it gave a high-level view, but it would be necessary to provide more detail for the ROM and, excluding procurement, she believed BR 8 was the key rule to scope what was needed.

The Proposer advised BR12 ISE Data Retrieval had been amended and asked the Workgroup for a view as to what was thought of word 'unreasonable' in reference to UNC Parties withholding data from the ISE. Colin Wainwright (CW) speculated that there may be concerns regarding very large data sets but noted it would just be pipeline data, with no personal data elements, so should not be a problem to provide. RHa noted that Xoserve manage very large data sets, and therefore it may be worth exploring how that is managed.

CW stated that he could only speak for SGN but was happy to assist concerning the data discussions adding that there was also the complexity of the models considering volumes, pressures etc., stating that whilst the DNOs all use the same information it is through different repositories and analysis software, and was uncertain if there were any similar challenges in the data itself.

RHa asked if any of the other DNOs had views, to which Julie Chou (JC) confirmed she did not have anything to add given that it was unknown what they were to be asked for, which the Proposer acknowledged.

SB asked where the data was being sent and stored, asking if this had been specified. The Proposer replied that this was for data to be stored and operated on by the ISE rather than in CDSP systems, before asking if the ISE would expect CDSP to hold the data. SB asked in response if the Proposer would want the CDSP to hold it on the ISE's behalf.

RHa shared her understanding that it was not the kind of data that the CDSP normally holds in that it would not be down to meter-point level and was possibly covered by the previous

Workgroup IP question discussions. The Proposer stated he would consider the issue and get back to the Workgroup with a view.

The Proposer shared that the BR covering Appeals had been removed as it related to Ofgem and so will use the existing process rather than set up a new one.

He added that BR18 Independent Shrinkage Statement could be modified by the UNCC and asked if that needed changing, which RHa did not think was necessary. No other Workgroup Participants offered comment. SM asked if there should be a reference to more granular data, which the Proposer acknowledged and committed to amending.

The Workgroup discussed BR19, which the Proposer recognised was likely to be contentious in that it specified the funding allocation of the ISE.

ER asked if, by making this a Business Rule, how the Modification would flow through to the DSC Change Management Committee, where funding was normally agreed upon after discussion, including taking any feedback from Workgroups into consideration. As a BR, she queried, would the lawyer be writing the funding into Code.

The Proposer explained his view that if he did not specify the funding in the Business Rules it would be pushed back onto Shippers. ER replied that she could not recall this happening before, aside from one incident that was mandatory.

RHa asked if there was any precedent of 100% Shipper funding being put into Code, which ER did not think so, as funding was normally set by the DSC Service Lines funding structures.

The Proposer shared that the 'Further solution notes' were for the avoidance of doubt statements and not for legal drafting.

RHa asked the Legal Text provider to consider if they would now accept a Legal Text request at the next meeting, on the basis of the Proposer providing an amended version of the Modification.

David Mitchell (DM) stated he would approach the Lawyers with the amended Modification and get a good steer to provide at the next Workgroup.

<p><b>New Action 0804:</b> Legal Text provider (DM) to consider accepting a Legal Text request at the next Workgroup.</p>
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### 3. Framework Overview

DmO requested that the Workgroup focus initially on Appendix 2, the '*Framework for the Appointment and Operation of an Independent Shrinkage Expert*' which was intended to become a UNC Related Document, as the Workgroup did not review it in full in the last meeting. He explained that it was to be the means by which the CDSP would appoint the ISE, adding that he had received advice from the Legal Text provider that this was a document that he, as Proposer, needed to produce.

DmO thanked the CDSP for all the feedback he had received to ensure the Framework worked and advised that he had made their advised amendments to the best of his ability, which he was keen for the Workgroup to review.

DmO began with Part One of the Preamble, the Development of Rules in which he had added information on how Ofgem will be able to instruct use of the ISC, should they approve it.

ER and SB explained that the CDSP wanted to ensure that Ofgem had all that they felt was required to be able to make a decision, for example, if there were specific criteria that Ofgem needed to be met, then it was essential to ensure the provider produces the information required.

Steve Mulinganie (SM) recommended that the wording focused on information that would be provided that Ofgem could use if they wished.

ID shared that there is a requirement on DNOs in their licences at a very high level as to what information must be provided to the Authority, and asked if it was worth reviewing this.

RHa advised that there was already a lot of reference material appended to the Modification at the end of the Modification regarding requirements, which DMO confirmed were the rules that Ofgem currently used to approve Shrinkage and leakage values.

SM stated that he understood the text discussed was the GDN licence conditions for approval of Shrinkage value changes and was what the Networks were required to do to change them, which was analogous to what the Modification intended to do here.

DMO commented that whilst he could make changes to the sentence, it seemed, in the context of what had been discussed, especially regarding Ofgem's initial approval of the Modification, somewhat superfluous. SM agreed.

DMO accordingly stated that the decision to delete the discussed references to Ofgem requirements had been made and requested that this be recorded in the minutes, asking if the CDSP were comfortable with this.

ER shared that whilst she thought it reasonable that the Workgroup wanted to know what Ofgem thought, she recognised that the industry rarely got such insight, adding that the CDSP was just concerned by the possibility of providing insufficient information for an Authority Decision, but understood the commentary made in response.

JC asked about the text mentioning negative balance figures being produced for the Transporters, and the stated decision that the ISC would not apply. DMO advised that this was covered in the Business Rules (BRs), adding that there had been an Action on the GDNs on this issue which they had not responded to.

DMO confirmed that if a negative value was produced it would not be applied.

DMO continued the review of Appendix 2, advising of some general house-keeping amendments in the Main body text under Definitions, and noted the added defined terms for the Committee's reference.

ER commented that this had been part of the discussions in the July Workgroup when considering what body should be named in the Modification to be best placed should it prove required to review a proposed contract variation request made by the ISE. Potentially a DSC Contract Management Committee subcommittee that would require Non-Disclosure Agreements (NDAs) due to the contractual nature of the discussions required.

RHa acknowledged this could be a DSC Contract Management Committee Sub-Committee and asked after the use of the word 'ad-hoc' in the description. DMO explained that this was meant to infer that the Sub-Committee would not hold regular meetings and would be stood up when required. RHa and ER agreed it would indeed need to be a formal Sub-Committee with the NDA requirement.

RHa also advised that if the Sub-Committee was not assembled until a contract variation review was required it might be several months until it was in place, especially if NDAs needed to be agreed.

DMO noted this and stated he would amend the text accordingly, before moving on to the next section of the Framework and sharing that the National Leakage Tests (NLT) was not to be replaced by the ISE, and an 'avoidance of doubt' statement in the Framework confirmed this, whilst noting that new or updated versions of the NLT could be produced by the GDNs if desired, with the Framework confirming the principles of impartiality, net-zero, accuracy and the best outcomes for end-consumers. He acknowledged the discussions on these principles at the last Workgroup and shared that he had added further bracketed text on these for clarity.

ER asked to clarify that whilst the ISE could make recommendations for changes to the National Leakage Tests, it could not enforce them.

DMO confirmed that the National Leakage Tests (2002) would indeed continue to exist, though if the GDNs did want to make updates or improvements to assist in addressing shrinkage model error it was within their power to do so.

ER added her understanding that the ISE was also not mandated to use the NLT either and could use whatever means deemed appropriate, which DMO confirmed.

RHa stated that she presumed that the ISE would use more than just a desktop exercise. ER responded that it would be down to the parties tendering for the ISE role and they would put their cases for the use of desktop and field exercises, as such it would depend on who bids and what approaches they choose to use. DMO confirmed this to be the case.

RHa advised that the vires of the UNC was GB only and not the UK, as it does not cover Northern Ireland. She added that the Net Zero law is UK-wide.

JC suggested reference to the NLT could be quite leading and asked if it should be specifically mentioned. DMO responded that he had originally left any reference to the NLT out, but the GDNS had advised him to include it, asking if he was now getting advice to the contrary.

JC responded that it was important that GDNs be able to approach their obligations in accordance with their preferences.

SM observed that he did not think it did any harm including reference to the NLT, especially as it had been recently confirmed that the Digital Platform for Leakage Analytics (DPLA) had been funded.

DMO stated he was happy to provide what is required, though asked parties to review previous requests in the Workgroup minutes before requesting changes.

JC suggested that references to the NLT could lead the ISE to focus there and reduce the incentive to develop their own approach.

RHa commented that the ISE will be the experts so should be able to make their own determinations.

SM shared his recollection that it was requested to be included for information purposes only.

ID suggested that the key aspect was that the ISE needed to produce something that could be demonstrated to the Authority as better and an improvement for Ofgem to accept it. DMO agreed and stated that he would ensure this was included in the text.

DMO then reviewed changes made to 3.1.1.d in the Framework which covered the new studies into leakage analytics and other relevant industry developments.

SM advocated that such research should be evidenced within the Independent Shrinkage Statement (ISS), noting that defining developments as 'relevant' was a challenge, though he guessed it was the ISE's right to choose how to approach this. He felt it would be necessary to consider the developments that had been made to assess their relevance, which seemed a broad requirement, potentially meaning the ISE would need to set out what had been done in the assessment for both records and costs. Mindful of this, he questioned if the current wording worked or if 'relevant research' would be better.

DMO agreed that 'relevant research' made sense, postulating that if new ground was being explored, the ISE would need to assess it, and even should it prove not to be relevant they would still need to let the industry know that this was the case.

SB noted it would be useful to track such assessments and thereby have the traceability year on year to enable later review and reassessment should a development later prove to become more relevant and need revisiting.

DMO acknowledged this, stating that he would add research traceability to the clause. He visited 3.2.2(a) to advise he had decapitalised 'interested parties' with 3.2.2(b) defining them as the 'Prospective ISE'. SM subsequently noticed that the term was still capitalised in 3.2.5 which DMO acknowledged needed amending.

DMO shared that, given the principles were defined elsewhere in the Framework he was proposing that 3.3 be deleted.



RHa asked if all the parts of 3.3 were covered elsewhere, which DMo confirmed was the case in sections seven and eight, though he needed to double-check that the requirement of 3.3.2 for the ISE to publish the ISS was also given elsewhere.

SM observed that if all the requirements were indeed elsewhere in this document, then 3.3 would be superfluous and not required.

DMo shared that he had made a note to add the ISS publishing requirement if it is not already elsewhere to enable the deletion of clause 3.3.

SB noted that the Stakeholder Evaluation Panel will assess the tenders and ensure a key range of cost and core criteria are set up that each response will need to be ticked off and scored against, with the stakeholders assisting the CDSP in producing these criteria.

DMo advised that the biggest potential cost would be Direct Air, though with the DPLA now having secured funding, the ISE should hopefully be able to use that. SB acknowledged this, adding that the criteria would be an opportunity to throw out those looking to make maximum revenue for models outside of expectations.

ER suggested that the more expensive models were more likely to be field exercises. RHa thought clause 3.1.1.e would help in this regard and asked if the contract tendered would be for a year.

SB explained that the contract term would be part of the Stakeholder Evaluation Panel decision-making, though would need a period longer than just one year to get a view of consistency whilst ensuring that a crossover point exists to understand where the work is costing too much against the values given, enabling the Stakeholder Evaluation Panel to reject outrageous/overinflated bids.

SM asked if it would be advisable to request that 'value for money' be set as part of the procurement process.

ER thought that this would be covered by the Stakeholder Evaluation Panel, and she was therefore going to suggest that it did not go into the Framework to give the opportunity for the Stakeholder Evaluation Panel to decide the best approach. She added that the CDSP have had such Panels in place for a lot of procurements, and whilst this was a brand-new role, much of this work has been done by the CDSP many times before.

DMo added that an earlier version of the Modification provided a proposed term in square brackets, but he had subsequently removed it to enable the CDSP to manage the contract through the Stakeholder Evaluation Panel.

SM agreed, advising that the industry had held a recent discussion of the PAFA and recognised that appointing someone for the first time was part of the responsibility of the Stakeholder Evaluation Panel to best understand the most beneficial mix.

SM asked if there was anything about conflicts of interest, noting the possibility of parties that are already providing services to the industry that, in looking to provide this service, could be at risk of having such conflicts of interest, with the questionable expectation on parties to challenge their own work. He asked if this was included in the Framework or if it would be part of the tendering arrangements.

DMo advised that he had added the requirement to 4.1.1 in the section on the tendering process that interested parties must declare conflicts of interest, asking if this was sufficient. SM commented that he thought the text was adequate.

SB asked for thoughts as to whether there were benefits in the provision from a party who already delivers other services. SM felt that it was important for the provider to be seen to be completely independent and not compromised in any way, this needed to be very clear.

RHa asked if the Workgroup was sure that there were parties in existence who could fulfil this role.

SB responded that the question was why it would be advisable to not necessarily remove parties who provide other services straight away, to enable them to demonstrate if they can manage the additional service and what benefits exist, adding that it was part of the tender process to keep it as open as possible and ask questions, score parties etc. to give the widest opportunities whilst ensuring it is managed carefully.

SM shared his experience that the use of 'Chinese walls' within organisations intending to demarcate differing interests did not work. He suggested that when considering the purpose of the role it was important to be very clear on this matter, but he was happy if this was done as part of the procurement management work with the Stakeholder Evaluation Panel able to choose to procure or not.

DMo confirmed that interested parties must declare a conflict of interest, proposing to leave the issue there for the Stakeholder Evaluation Panel to make its own determinations.

ER asked, in terms of the 'interested parties' as detailed in Clause 4.1.1, which states that the tender documents will be made available to all 'interested parties'; did that limit the distribution or visibility of the tender, in that did it go out to 'everyone' or a specific group.

SB confirmed that her understanding was that it would be made available as a public tender. This would include the requirement to complete a pre-release check that, if they tick sufficient boxes to be a valid party, they will get access to the full tender document. This was the standard setup of a publicly available tender.

RHa noted the Framework stated it was a publicly available tender. SM suggested it was perhaps the tender invitation that was public. RHa explained that she was questioning this as the AUGER tender was not publicly available. SB advised it used the same model.

DMo amended the text to read 'publicly available tender invitation document'.

In reviewing 4.1.2 (b) DMo commented that he had removed the text regarding the cadence of the production of the ISMM and ISM from the Modification, suggesting it could be addressed in a later Modification if the industry chose to do so. He added that amending Clause 4.1.2 (c) to make information available rather than provide it was a housekeeping change, noting that he would also delete the date and replace it with 'deemed appropriate'.

4.1.5 (b) had an example added to help explain the requirement for a rationale.

4.1.5 (c) had an added clarification to data as being collated by the ISE, retrieved from Parties or the CDSP and commentary about methodologies that the ISE might undertake.

4.1.5 (d) was to be deleted, though ER noted that, especially if there was any suggestion of field exercises, the CDSP would seek clarification of how long it would be valid for, and this would all be considered within the procurement exercises anyway, including the timeline for such work such as how long it would take and how long the data last for, the latter she felt would be important to note.

SB agreed, stating that if it had not been specified it would need to be understood what time period it would be deemed appropriate to leave it to the ISE to undertake their work, be it 5 years or 6 months.

DMo acknowledged the commentary, resolving to leave 4.1.5(d) in place, noting that it states the 'likely time' required anyway.

4.1.5 (f) saw the removal of the ISM and ISMM specification of any Code Party queries of the tender. RHa suggested that it might not be necessary to specify who queries the tender and thus remove the reference to 'Code Party.' SB acknowledged the comment noting it was possible to have interested parties other than tenderers.

ID stated he could see nothing in the text about demonstrating competence to do the work, asking if this was something that should be detailed there.

SB felt this was something that would come out of the Stakeholder Evaluation Panel work as part of the tender drafting and what 'specifically qualified' needs to be in the tender descriptions.

SM noted that the Framework details what is required and thus was it not implicit that whoever discharges this role needs to be capable of delivering accordingly.

RHa suggested that Clause 3.1.1a) seemed to cover this requirement.

ID acknowledged the commentary, noting that someone who proposes a huge field exercise would need to demonstrate very different qualifications to those parties proposing just desk-based solutions. DMo felt this commentary was important and asked that it be included in the minutes.

SM asked who sits on the panel, suggesting it would be Shippers as the funders of the Change.

RHa stated she believed it was covered somewhere, with the Panel definition nominated by the DSC Contract Management Committee deciding who would be participants.

SM stated he believed the proposal was to be Shipper-only funded.

RHa advised that it was originally DN funded, had then been considered for Shipper funding only, but had then finally reverted to being DN funded. This had been part of the discussions around contract variations and who would pay for them. She added that assuming that DNOs were able to pass through the costs, which she said was not clear to her, they would be paying for it, before noting that it was never fully made Shipper-funded at any point.

DMo reviewed clauses 4.1.6, confirming that the Stakeholder Evaluation Panel was to work in conjunction with the CDSP to set the evaluation criteria, and clause 4.1.7 then describes how the criteria would be used to contract the ISE by one month prior to formal activity is required.

DMo talked the Workgroup through how clause 4.1.8 excluded the first year of ISE operation and was intended to consider continuation after a year had been completed.

RH asked after the intended period of appointment. ER noted that in the very first tender activity, as in the first time it is ever done, there would be no incumbent ISE, ISM or methodology in place and that this was what was referred to here. By comparison in all subsequent procurements, it would be possible to decide whether to maintain the current ISM, ISMM and/or ISC.

DM clarified and offered to add 'In the event the retendering deadline is not met' which Workgroup agreed with.

The Workgroup discussed whether UNCC should approve rolling over the existing ISC and the Proposer agreed to consider whether UNCC is the right body to do so or whether Ofgem should have a role, bearing in mind that Ofgem generally prefers the industry to manage its own processes.

The Workgroup also discussed 5.1.1.3 with the ISE providing a 'GB' wide (not UK) service and clarification that the contributor would be broken down by LDZ as a minimum, which should help GDNs and IGTS target reduction. The Workgroup recognised that IGTs need more granularity as to their allocation per IGT, agreeing with the Proposer that the ISE must provide data to enable this clear allocation. Several DNs wished for more granularity than LDZ level from the ISE for DNs to support the benefits the Modification is proposing to address, relating to tackling customer cost and effecting emissions reduction.

The Proposer confirmed after much questioning that he would re-word 5.1.1.3 and the ISE will provide as much detail as they can provide through the methodology statement and other publicly available data, but the charging would be at the LDZ level. Clear mechanisms and the charging for IGTs must be worked out at the IGT workstream, bearing in mind both the 19GWh figure and that IGTs do not currently deal with Gemini. SM noted therefore that an IGT rep would be required on the Stakeholder Evaluation Panel for ISE selection.

The Workgroup briefly discussed whether this Modification was aimed at dealing with a safety-related leakage issue, but the Chair clarified that is an HSE issue and not a matter for the UNC.

The Proposer wished to go back to the benefits of the Modification and offered to reverse the framing of the Modification (stating that it was phrased as suggested by the GDNs, though GDN representation in the Workgroup was uncertain this was the case) and put it back to accuracy.

SM commented that the idea is not to box the expert in as to where they can look; and whilst there are areas of perceived value it is for the expert to go where they wish to go and see what can be delivered. The intention is to put an independent party in place and point to potential areas of benefit, but they may or may not arise, depending on what the expert chooses to do.

It was clarified that the wording of the proposal was for the Proposer to decide. The Workgroup will get a chance to comment through the Workgroup report when the Modification is more stable.

The Proposer then explained the following changes:

5.1.2 clarification that the ISE may consider, rather than take into account, issues raised by stakeholders.

5.1.9.1 added a clause that the ISE will include in the tender what costs they forecast they will incur to collect data.

5.9.2.3 Specifies that data not included in the tender bid should be approved by the DSC Contract Management Committee.

5.1.14 was discussed as it specified IP management, and this is not normally managed outside of the tender process – thought it would be beneficial to share across parties.

The Workgroup concluded that the CDSP would probably own any IP and would be a matter for the contract between the CDSP and the Party contracting to provide the ISE. There was some concern expressed regarding the inclusion of these matters in a contract not generally viewable and therefore potentially buried, though it was recognised this would be for the Stakeholder Evaluation Panel to consider. The Workgroup further discussed access to data required for the work of the ISE noting that DNOs may need access to the data.

5.1.13 The ISE will undertake that all commercially sensitive data provided to it by parties is not passed on, noting there is a later point below that non-sensitive data can be produced where justification is provided.

RHa suggested that the publishing of the draft ISMM in clause 7.1.3 for “commentary and consult” did not seem complete. Whilst the Proposer highlighted that consultation loops existed in the timetable, RHa proposed the document clarifies that it is the ISE that consults, and the code parties respond, otherwise it may be taken to mean that the Code Parties are doing the consulting.

7.1.4 is intended to clearly state that the methodologies used must be led by the principles listed. It was noted by the Workgroup that principles were provided earlier in the document.

7.1.5 specifies that the DSC Contract Management Sub Committee are empowered to agree to any variations.

In reviewing Section 8.1.1 RHa questioned detailing dates when they would be specified in the framework, suggesting it could not be amended unless the framework was also altered, asking if a particular year or scenario was the aim.

ID noted that clause 8.1.2b states that the methodology used by the ISE must be suitable, asking if it also needed to be required to be ‘better’ than the current figure, suggesting that otherwise, the outcome could just be a parallel process with no distinction other than was just being different and that it was important for the Authority to see that this was an improved option.

SB asked if this was a requirement that needed to be added to the tender requesting that they provide justification.

ID added that whilst it is almost inferred if the ISE are coming up with a different answer, they will need to explain why it is a better answer.

SB noted that whilst the ISE will talk the answer through with the Stakeholder Evaluation Panel, a business case justification as to why decisions were made and accepted by the group would add weight.

ID suggested that the Stakeholder Evaluation Panel would also need to understand why the ISE answer is better and not just different.

The Proposer asked if this would be addressed by explaining why the current ISM was deficient.

ID responded that the focus would be on why the ISE answer is better, citing the need to explain to Ofgem why they should consider it over what is already in place.

The Proposer responded that if the best model proved to be the current one then the ISE and/or Authority have it within their purview to retain it. He asked that this discussion be captured in minutes adding that he did not think it was necessary to say why the current Shrinkage and Leakage Model isn't suitable.

The Proposer shared that Clause 9.4 had the unnecessary additional term 'IVG' removed.

Section 10 provides the timetable for the creation of the ISS, and the Proposer discussed altering Step 2 to late May to add more time, and DMO suggested that for Step 5 it was potentially not necessary to specify that the ISE present and publish the proposed ISS with the requirement probably being just publication. RHa asked if the Code Administrator would publish, to which The Proposer agreed.

Step 7 specifies 21 calendar days and, noting the latest date for delivery was early January, RHa asked if the period included Christmas, asking how it compared to the AUGE process.

FC shared that the first AUGE report is due on 31 December with 22 days allowed after that. ER added that with the AUGE everything is geared to the start of the Gas Year, 01 October whereas the ISS must meet the GDN Licence timetable which is based on the financial year.

RHa questioned the suitability of publishing at the start of December, citing from experience the unpopularity of consulting over the Christmas period, noting that the Ofgem Moratorium period starts on or around 18 December, and adding that whilst UNC consultations have been issued later than that, they have proven unpopular with limited responses.

Acknowledging this the Proposer suggested moving the process back to 01 November. Workgroup Participants compared this to the SLM timings, which CW confirmed was timed for the end of February, with a 'drop-dead' deadline of 31 March. RHa noted that this was a totally different process, which CW agreed with.

The Proposer elaborated on the idea of pushing Step 5 to November, making 07 December the deadline for consultation responses, with the ISE then having from that date until mid-January to consider the responses. RHa confirmed that it was the Proposer's decision but was worth considering, asking if the published material was just the shrinkage statement or if there was intended a package of documentation. The Proposer confirmed that the statement would provide the assessment and all the backing information and data.

RHa asked when the statement becomes the Independent Shrinkage Charge, which the Proposer explained was in step 13.

JC questioned if Step 13 specified that Authority approval be issued by 01 April, which the Proposer confirmed, stating that the column on the furthest right was the latest date for delivery. JC aired that she understood that the CDSP would need to be informed a month before to allow time to set the values up in the system.

RHa agreed that, whilst recognising the nuances would be better explored when the XRN is developed, there did not appear to be time allowed for the CDSP to load the figures into the system if Ofgem sign-off is on 01 April.

ER shared that, despite not being personally involved in the process, she was confident that setting up the Shrinkage values in the CDSP systems was not a within-day process, adding that whilst it did not take months, lead time was required for checks, validation, and testing. Her

advice was to allow a couple of weeks to make sure the values are in the system properly and ready to go. She reiterated that she was not on the operational team responsible for the work but a within-day basis felt risky and made her very uncomfortable.

The Proposer suggested that if the import of values was completed after the day they are applicable from, the CDSP could always amend the values retrospectively.

ER replied that she did not know that there was such a facility, with no recollection of a Subject Matter Expert (SME) saying it was possible.

When the Proposer highlighted that UIG variations occur as and when meter reads come into the system, ER explained that UIG was a balancing factor whereas ISE is a fixed amount, to which Fiona Cottam (FC) added that the CDSP did require time to set the Shrinkage values for the financial year, which were not subsequently revisited later.

RHa asked where the shrinkage model timetable featured in UNC, which FC confirmed to be UNC Section N3.1 with N3.1.8 stating the value should be confirmed no later than 15 March.

Rha advised the Proposer to review the timetable with the CDSP so that it works within the requirements and reflected that the Workgroup was essentially asking for the ROM. ER agreed this seemed the case, though added that she was somewhat hesitant to suggest as such given the current need to explore the IGT Part. When RHa submitted a route forward could be to provide the ROM in two parts, ER committed to take the suggestion away to consider how they might fit together.

The Proposer noted that the Workgroup had then reached the end of the framework, to which JC responded that it did not appear to include the reconciliation process, which the Proposer accepted and pledged to add.

#### **4. Consideration of IGT Impacts**

IGT Impacts were discussed in the review of the Amended Modification and Framework Overview above in Items 2 and 3.

#### **5. Next Steps**

- Review Amended Modification.
- Request Legal Text.
- Consider Rough Order of Magnitude (ROM) request status.
- Development of Workgroup Report

#### **6. Any Other Business**

No other business was raised.

#### **7. Diary Planning**

Further details of planned meetings are available at: [www.gasgovernance.co.uk/events-calendar/month](http://www.gasgovernance.co.uk/events-calendar/month)

Workgroup meetings will take place as follows:

<b>Time / Date</b>	<b>Paper Publication Deadline</b>	<b>Venue</b>	<b>Workgroup Programme</b>
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10:00 Wednesday 27 September 2023	5pm 19 September 2023	Microsoft Teams	<ul style="list-style-type: none"> <li>Review Amended Modification.</li> <li>Request Legal Text.</li> <li>Development of Workgroup Report</li> <li>Consider Rough Order of Magnitude (ROM) request status.</li> </ul>
10:00 TBC 24/25 October 2023	5 pm TBC October 2023	Microsoft Teams	<ul style="list-style-type: none"> <li>Legal Text Review</li> <li>Development of Workgroup Report</li> </ul>
TBC November 2023	5 pm TBC November 2023	Microsoft Teams	<ul style="list-style-type: none"> <li>Completion of Workgroup Report</li> </ul>

**Workgroup 0843 Action Table**

Action Ref	Meeting Date	Minute Ref	Action	Reporting Month	Owner	Status Update
<b>0701</b>	11/07/23	2.0	IGTs to provide feedback from IGT Workstream on 13 July	August 2023	IGTs	<b>Pending</b>
<b>0801</b>	08/08/23	2.0	RHA to discuss DSC Contract Management Subcommittee with Proposer and Bob Fletcher	September 2023	JO (RHa & BF) and Proposer (DMo)	<b>Pending</b>
<b>0802</b>	08/08/23	2.0	DNOs to confirm how the price is set for LDZ Shrinkage gas.	September	DNOs	<b>Pending</b>
<b>0803</b>	08/08/23	2.0	RHa to invite Ofgem (Vic Tuffen) to the next Workgroup meeting	September	JO (RHa)	<b>Pending</b>
<b>0804</b>	08/08/23	2.0	Legal Text provider (DM) to consider accepting a Legal Text request at next Workgroup.	September	LT Provider SGN (DM)	<b>Pending</b>