

# DSC Change Proposal Document

Customers to fill out all of the information in the sections coloured  

Xoserve to fill out all of the information in the sections coloured  

## A1: General Details

|                                 |  |  |   |
|---------------------------------|--|--|---|
| Change Reference:               | XRN5701  |  |   |
| Change Title:                   | Establishing the Independent Shrinkage Charge and the Independent Shrinkage Expert (Modification 0843 / IGT 165) |  |   |
| Date Raised:                    | 16/10/2023   |  |   |
| Sponsor Representative Details: | Organisation:  | OVO Gas Limited  |   |
|                                 | Name:  | David Morley   |   |
|                                 | Email:   | david.morley@OVO.com                                       |   |
|                                 | Telephone:   | N/A  |   |
| Xoserve Representative Details: | Name:  | Ellie Rogers   |   |
|                                 | Email:   | <a href="mailto:uklink@xoserve.com">uklink@xoserve.com</a> |   |
|                                 | Telephone:   | N/A  |   |
|                                 | Business Owner:  | TBC  |   |
| Change Status:                  | <input checked="" type="checkbox"/> Proposal deferred at ChMC 08/11/23   | <input type="checkbox"/> With DSG                          | <input type="checkbox"/> Out for Review |
|                                 | <input type="checkbox"/> Voting  | <input type="checkbox"/> Approved                          | <input type="checkbox"/> Rejected       |

## A2: Impacted Parties

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|--|--|---|
| Customer Class(es):                            | <input checked="" type="checkbox"/> Shipper  | <input checked="" type="checkbox"/> Distribution Network Operator |
|  | <input type="checkbox"/> NG Transmission   | <input checked="" type="checkbox"/> IGT                           |
|  | <input type="checkbox"/> All   | <input type="checkbox"/> Other <Please provide details here>      |
| Justification for Customer Class(es) selection | <p>This change will introduce an Independent Shrinkage Expert (ISE), who will produce an Independent Shrinkage Statement (ISS). Within the ISS, an Independent Shrinkage Charge(s) (ISC) will be proposed, that DNOs and IGTs will be subject to (dependent on Ofgem approval). Based on this and the potential charge, DNOs and IGTs have been highlighted as impacted parties.</p> <p>Shippers have also been highlighted as an impacted party as they may see the results of the ISE work coming through reconciliation</p> |   |

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|  | and those Shippers who are Shrinkage Providers may be required to purchase additional gas as a result of the ISC. |
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### A3: Proposer Requirements / Final (redlined) Change

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| Problem Statement:  | <p>Extract from Modification 0843 – ‘Why Change’:</p> <p><i>Methane is widely accepted to be 84x more potent than CO2 as a greenhouse gas. 16 TWh of methane that enters the gas distribution network is currently unaccounted for. Current rates of methane leaks are estimated off the back of the National Leakage Tests performed in 2002, which have been shown to be inaccurate. Inaccuracies in this test lead to the deficient application of RIIO-GD2. This change seeks to remedy that deficiency.</i></p>   |
| Change Description: | <p>This Change Proposal has been raised to deliver the requirements outlined in <a href="#">Modification 0843</a> and <a href="#">IGT165</a>.</p> <p>Modification 0843 has been raised to incentivise the reduction of greenhouse gas emissions and lower customer bills. This Modification introduces the role of the Independent Shrinkage Expert (ISE) who will establish:</p> <ul style="list-style-type: none"> <li>● the Independent Shrinkage Model (ISM),</li> <li>● the Independent Shrinkage Model Methodology (ISMM), and</li> <li>● the Independent Shrinkage Charge (ISC).</li> </ul> <p>And IGT165 is an enabling Modification which seeks to align the IGT UNC with UNC Modification 0843. It will require that the IGT UNC places an obligation on IGT UNC Parties to:</p> <ul style="list-style-type: none"> <li>● Comply with the ISE as stipulated within the IGTAD; and</li> <li>● Not unreasonably withhold data where such data is requested by the ISE for use in the ISMM.</li> </ul> <p>As a result of the change, the following high-level requirements would need to be met:</p> <ul style="list-style-type: none"> <li>● The Central Data Service Provider (CDSP) will be required to procure and manage an Independent Shrinkage Expert (ISE) on an ongoing basis, who will create an Independent Shrinkage Model (ISM), Independent Shrinkage Model</li> </ul> |

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|  | <p>Methodology (ISMM) and the Independent Shrinkage Statement (ISS).</p> <ul style="list-style-type: none"> <li>• Once the CDSP has successfully procured an ISE It is anticipated that the CDSP will need to provide a representative at the ISE industry meetings. There is expected to be a business / operational representative attending these meetings. These are likely to be every month, plus possible ad hoc additional meetings.</li> <li>• The ISE will use the ISM to allocate Shrinkage model error to both DNOs and IGTs. The ISE Shrinkage model error process will run as per the DNO Shrinkage timeline, to allow the DN Shrinkage Statement and the ISE Shrinkage Statement to be provided to Ofgem at the same time for assessment.</li> </ul> <p>Once the ISM has been completed by the ISE the findings will be submitted to Ofgem. Where there is a difference between the LDZ Shrinkage Quantities (LSQ) estimated by the SLM and the Independent LDZ Shrinkage Quantities (ILSQ) estimated by the ISM, Ofgem approval will be sought.</p> <ul style="list-style-type: none"> <li>• Once the chosen Shrinkage values have been confirmed by Ofgem, the CDSP must upload the approved values into Gemini and ensure the correct daily volume is assigned to the correct DNO <b>AND</b> IGT to allow them to purchase their allocated Independent Shrinkage Charge gas quantity.</li> <li>• The CDSP must ensure the approved Independent Shrinkage Charge values are not accounted for in UIG.</li> <li>• The CDSP must ensure the annual reconciliation (either provided by the DNOs or ISE) is processed in the system with the relevant charges being included in the Amendment invoice using daily System Average Price</li> </ul> |
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|                               | (SAP) prices and/or charged to the relevant DNO or IGT via the Request to Bill (RTB) process.                                |   |
| Proposed Release:             | TBC – the implementation of this change will need to align with the appointment of a party to undertake the role of the ISE. |   |
| Proposed Consultation Period: | <input type="checkbox"/> 10 Working Days   | <input type="checkbox"/> 15 Working Days      |
|                               | <input type="checkbox"/> 20 Working Days   | <input type="checkbox"/> Other [Specify Here] |

#### A4: Benefits and Justification

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| Benefit Description:  | Ongoing improvements to the accuracy of how Shrinkage model error is reported with the investigation and inclusion of IGTs. Resulting in a reduction of (Unidentified Gas) UIG.                                      |
|                       | <i>What, if any, are the tangible benefits of introducing this change? What, if any, are the intangible benefits of introducing this change?</i>   |
| Benefit Realisation:  | If approved by Ofgem, the work to appoint an ISE would need to commence. The benefits of this change could then be seen following the first year of the ISE operation once appointed.                                |
|                       | <i>When are the benefits of the change likely to be realised?</i>  |
| Benefit Dependencies: | Modification 0843 and IGT165 are Authority Decision which means it will be approved or rejected by Ofgem. Work to procure an ISE is not likely to commence until there is a decision to implement the Modifications. |
|                       | <i>Please detail any dependencies that would be outside the scope of the change, this could be reliance on another delivery, reliance on some other event that the projects has not got direct control of.</i>       |

#### A5: Final Delivery Sub-Group (DSG) Recommendations – Removed

(see Section C for DSG recommendations)

#### A6: Service Lines and Funding

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| Service Line(s) Impacted - New or existing | Currently Service Lines exist to account for the provision of data to DNOs for the purpose of shrinkage and the activity to input shrinkage values into Gemini.  |
|  | These existing Service Lines (ASGT-NC-SA10-04, ASGT-NC-SA9-20) come under: <ul style="list-style-type: none"> <li>• Service Areas 10 – Invoicing Customers</li> <li>• Service Area 9 – Customer Reporting</li> </ul> |
|  | Another new Service Line(s) will need to be created to account for the CDSP also inputting shrinkage model error values into Gemini  |

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|  | <p>on behalf of IGTs as well as DNOs (currently this is only actioned for DNOs).</p> <p>Other new Service Line(s) or amendment to existing Service Line(s) maybe be required in relation to ensuring the amount of UIG allocated to Shippers has taken into account the value approved by Ofgem (DNO values or ISE values). Plus, any potential support in terms of provision of data.</p>   |                    |                           |
| Level of Impact                                    | Unclear  |                    |                           |
| If None please give justification                  | N/A  |                    |                           |
| Impacts on UK Link Manual/ Data Permissions Matrix | TBC  |                    |                           |
| Level of Impact                                    | Unclear  |                    |                           |
| If None please give justification                  | N/A  |                    |                           |
| Funding Classes                                    | Customer Classes/ Funding  | Delivery of Change | On-going Budget Amendment |
|  | <input type="checkbox"/> Shipper   | XX %               | XX %                      |
|  | <input type="checkbox"/> National Gas Transmission   | XX %               | XX %                      |
|  | <input checked="" type="checkbox"/> Distribution Network Operator  | TBC%               | XX %                      |
|  | <input checked="" type="checkbox"/> IGT  | TBC %              | XX %                      |
|  | <input type="checkbox"/> Other <please specify>  | XX %               | XX %                      |
| ROM or funding details:                            | <p>A ROM has been provided for Modification 0843 and IGT165. The indicative cost range for the <b>system impacts only</b> are not likely to be less than £175,000 and not likely to be more than £300,000.</p> <p>Please note, this <b>does not</b> include a cost estimate for the procurement and ongoing management of an ISE. The CDSP are unable to provide an estimate at this stage because it is a brand-new role and the potential cost will be unknown until the first phases of the procurement commencement.</p> |                    |                           |
| Funding Comments:                                  | <p>Extract from Modification 0843 – ‘Solution’:</p> <p><i>BR18: Gas Distribution Networks and IGTs will fund the role of the ISE in a split that is so determined by the XRN. Funding areas that will need to be allocated: Gemini development and any other impacted systems, contract establishment, contract variation. The precedent here is that AUGE is 100% Shipper funded.</i></p>   |                    |                           |

Please send the completed forms to: [uklink@xserve.com](mailto:uklink@xserve.com)

# Version Control

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## Document

| Version | Status   | Date     | Author(s)      | Remarks                   |
|---------|----------|----------|----------------|---------------------------|
| 1.0     | Drafted  | 17/10/23 | Josie Lewis    | Initial CP drafted        |
| 2.0     | Deferred | 10/11/23 | Kate Lancaster | Deferred at ChMC 08/11/23 |