IGT | UNC

Workgroup Report

At what stage is this document in the process?

01 Modification
02 Workgroup Report
03 Draft Modification Report
04 Final Modification Report

IGT165:

Independent Shrinkage Expert and Independent Shrinkage Charge

Purpose of Modification:

This enabling modification 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:

- Comply with the Independent Shrinkage Expert (ISE) as stipulated within the IGTAD; and
- Not unreasonably withhold data where such data is requested by the ISE for use in the Independent Shrinkage Model Methodology (ISMM).

The Workgroup recommends that this modification should:

- proceed to Consultation.

The Panel will consider this Workgroup Report on [dd month year]. The Panel will consider the recommendations and determine the appropriate next steps.

High Impact:

Consumers

Medium Impact:

Shippers, Transporters

Low Impact:

None

IGT | UNC

Contents

Any questions?

Contact:
Code Administrator

iGTUNC@Gemserv.com

02070901044

Proposer:
David Morley

David.morley@ovo.com

02070901044

Timetable

This Modification was first considered by the IGT UNC Workgroup in June 2023. Shortly after, the Modification was put on hold whilst the related UNC Modification (UNC0843) was further developed. In February 2025 the IGT UNC Workgroup revisited the Modification, and the timetable was adjusted as set out below.

Modification timetable:

Initial consideration by Workgroup	8th June 2023
Amended Modification considered by Workgroup	-
Workgroup Report presented to Panel	28th March 2025
Draft Modification Report issued for consultation	31st March 2025
Consultation Close-out for representations	23rd April 2025
Variation Request presented to Panel	-
Final Modification Report available for Panel	16th May 2025
Modification Panel decision	23rd May 2025

Commented [TL1]: Adjusted for two bank holidays

1 Summary

What

It is currently estimated that gas lost from the system (i.e., shrinkage) for IGTs is 0. The IGT UNC currently makes reference to the Independent Gas Transporters Arrangements Document (IGTAD) for shrinkage. The IGTAD does not currently set out arrangements for the identification or estimation of IGT Shrinkage or for its allocation among CSEP Users. As a result, shrinkage is estimated to be 0.

For gas year 23/24, the Allocation of Unidentified Gas Expert (AUGE) forecasts that 19 Gwhs of Unidentified Gas is due to IGT Shrinkage. Allocating IGT Shrinkage to UIG rather than by applying a charge to Transporters means that Transporters are not incentivised to ensure that gas leaks from their pipeline system are controlled, damaging the environment. Furthermore, as UIG is a line item in the Price Cap, this has a direct impact on inflating customer bills.

Why

This change should be made to ensure that gas that is lost from the pipeline system is purchased by the party that owns the pipeline system.

How

UNC Modification 0843 (Establishing the Independent Shrinkage Charge (ISC) and the Independent Shrinkage Expert (ISE)) proposes the role of the ISE and the ISC. This IGT Modification ensures that the ISE has jurisdiction over IGT UNC Parties.

2 Governance

Justification for Normal Procedures

This Modification should follow normal procedures and be considered by the Authority for decision.

The Modification:

(i) is likely to have a material effect on:

(aa) existing or future gas consumers; and

(bb) competition in the shipping, transportation or supply of gas conveyed through pipes or any commercial activities connected with the shipping, transportation or supply of gas conveyed through pipes; and

(cc) the operation of one or more pipe-line system(s); and

(dd) matters relating to sustainable development, safety or security of supply, or the management of market or network emergencies; and

(ee) the uniform network code governance procedures or the network code modification procedures; and

(ii) is unlikely to discriminate between different classes of parties to the uniform network code/relevant gas transporters, gas shippers or DN operators.

Requested Next Steps

This modification should:

- be assessed by a Workgroup
- proceed to Consultation

3 Why Change?

Correct ownership - Where the ISE and AUGE agree on Shrinkage volumes, this Modification would remove IGT Shrinkage from UIG, meaning that the party responsible for creating Shrinkage purchases gas to cover it.

Lowering bills - Removing IGT Shrinkage from UIG would have a knock-on impact on the Price Cap, lowering customer bills.

Methane reduction - By allocating IGT Shrinkage to IGTs, this may also serve to incentivise IGTs to lower IGT Shrinkage. Shrinkage mainly consists of methane. Methane is widely accepted to be 84x more potent than CO_2 as a greenhouse gas. Methane reduction aligns with UK government's Net Zero Strategy.

4 Code Specific Matters

Technical Skillsets

Insight and understanding of shrinkage may be useful. Including how it is managed in the UNC and IGT UNC and within the Transporters' regulatory and Licence framework.

Reference Documents

UNC0843 Modification Documentation

AUG Statement 2023/24

5 Solution

Summary of Solution

The solution and business rules for the Independent Shrinkage Expert (ISE) and the Independent Shrinkage Charge (ISC) are covered under UNC0843. In brief, the ISE will forecast the amount of gas that has not been included in the calculation of Shrinkage, and is not UIG, and apply that as a charge to be recouped by pipeline owners.

To enable the ISE to apply the ISC to IGTs:

- BR1: The ISE, as established under 0843, will have jurisdiction over the IGT Pipelines and IGT UNC Parties. Detail on how IGT UNC Parties must comply with the ISE will be contained within the IGTAD, and IGT UNC will enable this to be applied to IGT UNC Parties by stipulating that the ISE will have jurisdiction over the IGT Pipelines and IGT UNC Parties.

- BR2: IGT parties must reasonably comply with any data requests from the ISE.

Workgroup Discussions

June 2025

The Proposer informed the Workgroup that the business rules for IGT165 are contained within UNC0843 and that this Modification should enable IGTs to have the charge applied to them. The proposal is that the ISE will have jurisdiction over the IGT's and their pipelines.

Inclusion of the Independent Shrinkage Expert in the IGTUNC

The Proposer asked the Workgroup if the Independent Shrinkage Expert role needs to be included in IGTUNC Code to ensure that the Expert has jurisdiction over IGTs.

An IGT asked if this aspect of IGT165 is going into the UNC0843 proposal, to ensure that the ISE has authority over the Gas Distribution Networks. The Proposer said that their proposal for the legal text is that UNC Transportation Principal Document (TPD) Section N is amended to state that Gas Distribution Networks (GDNs) will need to pay for the Independent Shrinkage Charge (ISC) and abide by the decisions of the ISE.

The IGT asked if this was a data obligation rather than a charge. The Proposer confirmed that it was both and it will be made explicit in UNC0843 and complying with the data requests and the ISC will be mandatory. They added that IGTs and GDNs would purchase gas to cover the charges. The IGT advised that if these rules are contained in the UNC there will need to also be something in the IGT.

The Proposer asked the Chair about changes to the IGT UNC. The Chair advised that the IGT165 solution design mechanism is missing but Shrinkage is currently covered in Code with the amount set as 0.

There was a further consideration amongst Workgroup about whether the current design needed to be unravelled in both the UNC and the IGT UNC adding that there needs to be consideration of how the charges are applied as the IG TUNC does not cover a gas input mechanism. So, this would be completely new in the IGT UNC as all issues of gas input sit within the UNC. It was also noted that the IGTAD states how shrinkage is dealt with under the UNC and how the IGTs should approach Shrinkage.

The Proposer advised that the charge under UNG0843 would be a new charge. The Chair asked if this was a charge to pay, or would it be new gas going into the network as the IGT UNC cannot force this on IGTs. The Proposer asked if this required new legal text. The Chair said that there is no precedent for legal text of this nature. They added that this would be an unsubstantiated line of text with instructions, but without any legal grounding.

Use of Gemini

The Proposer asked the CDSP how they should go about getting new parties include in Gemini and whether there would be any potential complications.

A representative from the CDSP said that they cannot give a firm answer on how to add new parties to the Gemini system but confirmed that it cannot be done in the IGT UNC. In the UNC Modification, GDNs can simply purchase the gas. The Chair suggested that they could add a line in the IGT UNC, however, the lack of any solution could require IGTs to raise a new UNC Modification.

The Chair added that the Transporters do not use the Gemini platform, and that this could lead to further issues and asked if the payment process could simply be added into the UNC. The Proposer responded that they would need to look more closely at the governance arrangements. The CDSP

Commented [TL2]: IGTs?

asked the Proposer if the Gemini element of the Modification is more for the design section since it has no current basis in IGT UNC. Since IGT shrinkage is set at 0, there would need to be new legal text.

The Chair asked the Proposer to clarify if they want IGTs to put gas into the network or pay a charge. The Proposer said IGT's would recover the charge by purchasing gas. The Chair asked what the likely order of the charge would be and the Proposer suggested that the 19GWh figure is equivalent to approximately £800,000 of gas. The Chair asked if the ISE would determine which IGTs and GDNs would be liable to pay this via Gemini. The CDSP explained that GDNs access Gemini and the levels of shrinkage in kWh terms. Once the figures are agreed, they send the daily values to the CDSP, which are then entered into Gemini. The Shrinkage quantity is assigned to the GDNs on a daily basis. GDNs will have contracts with Shippers who will move that gas for them. The Chair added that it was important to determine if that was the appropriate mechanism for IGT165.

The Proposer agreed that the process described by the CDSP was the right one. The Chair asked whether the IGT UNC should be amended rather than the UNC. They reiterated that the IGTUNC is a site-specific Code and that gas input is a matter for the UNC. The CDSP asked the Chair if this might be more appropriate in the IGTAD. They suggested that a UNC amendment could mention that the IGTAD be updated.

The Chair explained that a mirror Modification is a mirror image of the changes, which would require an IGT UNC ISE and an IGT UNC ISC. However, The Proposer had stated that they would like the UNC ISE and UNC ISC to cover the IGTs.

Considerations of UIG

The Chair advised the Workgroup that UIG is not a concept contained within the IGT UNC. The Chair said that while they understand the intention of the Modification, they believe that it is still missing clarity around the solution. The Chair confirmed that the IGTAD is a UNC document and any changes to the document can be made via the UNC.

The Chair explained that IGTs have a governance route in the IGT UNC to ensure that Shippers do what the GDNs are requiring of the IGTs under the IGTAD. Under the IGT UNC, Parties would be fulfilling any data requests or other requirements that the ISE might want. The Shrinkage calculation, which is controlled under the UNC, would be applied to the IGTs via the UNC. The Proposer asked if they could amend the IGT UNC to obtain jurisdiction and to comply with data requests. They added that they would redraft this part of the Modification for the next Workgroup. The Chair asked if UNC considerations for IGTs are taken into account under UNC0843 which is an enabling Modification to facilitate the governance of the UNC. IGT165 would ensure that the Parties do not hinder the mechanisms in the UNC described and governed in the UNC.

The Chair asked for any further questions and an IGT confirmed that they believe that this model makes sense, and that the change will be within the UNC. A Shipper asked about the difference between paying a charge and buying gas. The Proposer said that they wanted to follow the UIG Shrinkage Model. Both agreed that this conversation will be followed through in the IGTAD.

The Chair confirmed that IGT representation might still be missing from UNC0843. They added that if IGTs are to be included in the Modification, IGTs should join the UNC Modification discussions. The CDSP confirmed that in a similar way to the Allocation of Unidentified Gas Expert (AUGE), they should have the ability to determine with their own expertise. They noted that they need to be sure of the different outputs required of the expert. This will be put together as a framework for the UNC document and would be a good place to consider the high-level discussion. The Proposer agreed with this and suggested that there are no restrictions on how the ISE should look at the data, since it is an independent expert.

The Chair confirmed that both the AUGE and the ISE will each provide an opinion on shrinkage. The Proposer advised that they will look at the figures and that the experts would be aware of their different roles. The Chair asked what would happen if the UIG expert and the ISE provide different figures for Shrinkage. It was suggested that any gas which is not regarded as Shrinkage will go into UIG.

The Chair asked to clarify if the Shrinkage Expert can override the AUGE expert and it was confirmed that it cannot override the AUGE. The UIG is allocated according to AUGE, and the Independent Shrinkage Charge is determined by the Shrinkage expert and paid for at that level. The CDSP confirmed that the UIG expert determines the amount of Shrinkage. The Proposer added that the AUGE will add weightings to different categories of missing gas with some customers paying more UIG due to the weighting. The CDSP said that the AUGE does not have specific Shrinkage experts, and they do not see their role changing with the introduction of this new Modification.

The Chair clarified that the actual Shrinkage has already been removed from settlement before the AUGE looks at it, but the ISE would look at Shrinkage in its entirety. The CDSP added that with the ISE figure and the AUGE figure, GDNs will verify this based on the output. The Proposer advise that two figures are put forward: the LDZ Shrinkage quantities which are forecast according to the SLM, and a Shrinkage value created by the ISE. When a difference between the two values is positive, that will be applied as the ISC. Before the UIG is applied to the Shippers, ISC and LDZ Shrinkage quantities are removed from any gas inputted into the LDZs, and then applied as UIG.

The Chair informed the Workgroup that the in the current Shrinkage process, the DNs pay for all the Shrinkage on the network. They have determined that the IGT contribution is zero at the moment. The Proposer advised that the national leakage test for IGTs is set at zero because the pipes are of Polyethylene (PE) type. They noted that that the figure can be changed, but this is outside of the responsibilities of the ISE and the Modification. The Chair then concluded that this creates two types of governance for Shrinkage. The Proposer is looking at introducing a third that “levels up” without disturbing the Transporter’s License Conditions (and after UIG and Shrinkage). An IGT asked if the GDNs are already paying for the Shrinkage and whether the issue is that they are not paying for an accurate amount. It was confirmed that this was the case and in the UIG space, there is about 3TWh of non-attributed gas. It was added that the ISE will take away any bias that an industry party would have and seek to find the most accurate figures and allocate the charges.

The CDSP questioned how the ISE would have jurisdiction over the IGTs and asked for confirmation that there would still need to be a IGT UNC Modification to do this and if it needed to be a mirror Modification. The Chair replied that a mirror Mod of UNC0843 would produce a ‘mirror’ ISE. Under the UNC, the ISE will be appointed and responsible for IGT gas. Under the IGT UNC, this expert will include the IGT sites and transportation of gas to those sites. The Proposer confirmed that this is not happening at the site level and the Chair asked about needing site level data. Additionally, the request will be sent to the parties deemed as appropriate by the ISE.

The Chair stated that all of this happens under the UNC, not the IGT UNC and reminded the Workgroup that there is a Shrinkage section in the IGT UNC, but it indicates that the amount is manage is zero. If this was shifted away from zero, the IGT UNC text would likely need to be amended. The Proposer confirmed that the zero would remain and the new calculation would be zero plus the ISC. The Chair questioned whether IGTs could potentially be charged twice, both through the ISE and the existing mechanism by GDNs. The Proposer said that the ISE would subtract when appropriate and that the amount would be deducted from the amount forecast by the ISE. If that number increases, the ISE forecast becomes lower.

The Proposer asked whether there was a precedent for IGTs and GDNs paying for the any similar role to the ISE, adding that the payment for the ISE might require an amendment to the IGT UNC.

An IGT mentioned that the CDSP is the only jointly funded organisation. The CDSP confirmed that the AUGE is funded by Shippers, and it is not captured in the UNC or IGT UNC and that that funding happens in the DSC change proposal space, rather than the UNC.

The Proposer said that costs would be established for IGTs as approximately 1/25th of the total GDN cost, as a relative market share. The CDSP asked to confirm that National Gas Transmission would be excluded from this calculation. The Proposer confirmed that they would be excluded because they already manage these costs through the RIIO pricing measure.

July 2023

The Proposer provided an update to the Workgroup and advised that they had amended the Modification Proposal to reflect that IGT165 was intended to enable the intent of UNC0843 within the IGT UNC, rather than mirror the requirements between the two Codes. This resulted in a simplified solution for IGT165 which would cover:

- Jurisdiction of the ISE and the ISC over the IGTs; and
- Data request compliance from IGTs.

The Workgroup considered the update and determined that there were outstanding questions with respect to the detail of UNC0843 which prevented a thorough assessment on the impacts on IGT UNC parties.

Costs to parties

An IGT queried whether IGT parties would be asked to fund the ISE. The Proposer informed the Workgroup that costs were looked at in the UNC0843 Workgroup. Currently, it is expected that the costs would be covered by Shippers; however, this was yet to be confirmed. They added that the final determination on funding would be included in the relevant XRN, rather than the UNC and IGT UNC Modifications.

IGTs Purchasing Gas

There was significant discussion with respect to the proposed mechanisms whereby IGTs would purchase gas, including the proposed use of the Gemini system which would be developed to facilitate the additional use case. Additionally, there were questions with respect to the methodology for attributing gas volumes between IGTs. The Proposer reiterated that the solution mechanics would be detailed within UNC0843 and in some areas would be defined by the ISE following its appointment.

The Chair asked if this would be challenging to move IGT165 ahead without further clarity of the business rules and methodologies associated with UNC0843. Whilst the solution of IGT165 was now relatively simple, the impacts were difficult to assess until UNC0843 had been further developed. The Workgroup and the Proposer agreed that at least one additional meeting of the Workgroup should be held to consider further development of the UNC0843 solution and its impacts on IGT165. In support of that the Proposer DM agreed to provide an illustration of example calculations in accordance with the provisional methodologies, and the CDSP agreed to seek further relevant information with respect to procurement of the ISE which could support impact assessment of IGT165.

August 2023

IGTs Purchasing Gas & Charges

The Proposer informed the Workgroup that there had not been much movement on the Modification. However, the Proposer presented a slide to the Workgroup setting out how the payment process was expected to work.

An IGT asked how an IGT would engage with the Shipper as part of this process. The Proposer said that they were drafting the legal text for UNC0843, and they would provide an answer to the Pipeline User and Pipeline Operator relationship. The CDSP added that they have drafted the XRN which includes both Modifications. They mentioned that they would share the ROM response with the Workgroup once it was available.

A Workgroup member asked about the additional requirements for Shippers as IGTs work at all levels of the LDZ. The Proposer said that charges would need to happen for each individual LDZ as they would have different Shippers.

An IGT asked to clarify if two charges were being applied to pay the Shrinkage and the ISE. The Proposer advised that the costs of running the ISE would be handled separately. The CDSP reminded the Workgroup that GDNs cannot purchase Shrinkage for IGTs. The Proposer asked if there had been any enquiries about License Changes in this area. The Proposer said that they had identified a change to allow GDNs to purchase gas to cover the ISC. They added that the Authority had been informed of the need for this change if UNC0843 were to be approved. They clarified the difference between Shrinkage, UIG and the ISC noting that all three of these would account for missing gas.

The Chair asked the Proposer where the “Independent Shrinkage” would come from. Proposer said that it would come out of UIG. A member asked where the gas was being lost from to account for the ISC.

The Proposer said that the amount was calculated through the shrinkage model error, which would be charged back to GDNs and IGTs. This charge would shrink the UIG. The added that the UNC ISE would have jurisdiction over the IGTs and the sites. The Chair asked how an IGT could be compelled to purchase gas to be put into the Network, and if this would be a matter under the UNC. The Proposer said that this would be included in the IGTAD. The Chair added that there was no visibility for compliance from the IGTs, and any shortage of gas would have to be noticed under the UNC, rather than the IGT UNC.

IGTs were invited to attend the UNC0843 Workgroup to have any questions answered, with the next Workgroup on 27th September 2023. The Proposer reminded the Workgroup of an action by the UNC0843 Workgroup to collect feedback from IGTs at the IGT UNC Workstream meeting. The Chair said that the most important question was how the governance of the ISE and the ISC should be structured between the UNC and the IGT UNC. They added that the Solution for IGT165 would need further development in conjunction with UNC0843. The Chair reminded the Workgroup that as IGTs are party to the UNC, they would need to follow the developments of UNC0843 as well.

October 2023

Charges

The Proposer provided Members with an overview of the Modification and the actions taken in relation to IGT165 at the previous workgroup meeting. They advised that IGTs may operate in several LDZs and where this was the case, the IGT may be required to cover several IGTs ISCs which would be recouped at the LDZ level.

The Proposer confirmed that they were not aware of a similar requirement for IGTs, however, Licence changes for IGTs may need to be considered by the Authority. A member advised that there was a fundamental difference between IGTs and GDNs, therefore, License changes would be required. The Proposer provided members with an overview of the changes that he had made to the Business Rules in UNC843 since the last meeting advising that the business rules now read as follows:

> *"If the GDN ISC and IGT ISC are approved by the Authority, Transporters and IGTs will be obliged to purchase volumes of gas to cover the respective ISCs via the Independent Shrinkage Charge Provider: The Transporter will fulfil the role of Independent Shrinkage Charge Provider or contract with a Shipper to fulfil the role. The mechanism to purchase gas for LDZ Shrinkage will be mirrored for purchasing ISC: for the avoidance of doubt, this is detailed in UNC's Transportation Principle Document, Section N, paragraph 4. For the avoidance of doubt, the ISE, within the ISS, will divide the Yearly GDN ISC into Daily GDN ISC (365 equal parts), and will divide the Yearly IGT ISC into Daily IGT ISC (365 equal parts). CDSP will load the Daily ISC amounts into Gemini and GDNs and IGTs will contract with a Shipper(s) to the Independent Shrinkage Charge Provider will purchase the respective ISCs. NB: for ease of implementation for the CDSP, the GDN ISC could be added to LDZ Shrinkage prior to loading into Gemini and could be considered under the XRN and not under 0843. IGTs will purchase gas within the LDZ that their network resides, therefore minimising the impact to Gemini which currently works at LDZ level. I.e., Gemini will not be required to operate at a level less granular than LDZ level due to 0843."*

Members discussed the updated business rules with The CDSP asking if there would be a change to the UNC Section N and the IGT UNC would link across or would the changes need to be included within IGT165.

An IGT queried the benefit of creating an Independent Shrinkage Provider to do work that is already done in Industry. The Proposer advised Members that the role of the Independent Shrinkage Provider was to reduce model error and ensure the party with the leakage was the party that paid for the leakage. They urged parties to attend the UNC843 Working Group on 25th October 2023.

December 2023

Independent Shrinkage Provider & Expert

The Proposer informed the Workgroup that the key change was the role of the "Independent Shrinkage Provider". They added that this would be a Shipper purchasing Shrinkage gas on behalf of a Gas DNO. They mentioned that a DNO or an IGT could fill this role as well and recommended that the Shrinkage Provider discussion should occur under the UNC.

An IGT asked if they could envisage multiple Shrinkage Providers. The Proposer confirmed that there could be multiple Providers, but there would only be one Independent Shrinkage Expert (ISE). They reiterated that in a Provider use case, an IGT would be recommended to use a Shipper as their Shrinkage Provider.

Rough Order of Magnitude

The CDSP presented the Rough Order of Magnitude (ROM) for UNC0843 and IGT165. They added that this was only the second ROM request performed by the CDSP specifically for an IGT UNC Modification. The Proposer asked if costs were provided for the procurement of the AUGE. The CDSP responded that costs for procurements have not been provided in the most recent ROMs.They added that the CDSP could only know the costs once the procurement stage has started, which would only occur after an approval of the Modification.

An IGT asked if the ISE procurement would go to a committee to establish the nominations and costs associated. The CDSP confirmed that in past instances, a stakeholder evaluation panel was created to facilitate the procurement process. They added that UNC0843 was drafted to follow this path, where the panel members would have a view of the initial procurement while the wider industry would not.

Another IGT asked at what point the IGTs would get an understanding for the costs associated with the ISE. The CDSP responded that they would not begin the procurement process until the Modification has been approved. The IGT queried if there could be cost saving from removing the AUGE role. The Proposer responded that the AUGE would remain in all instances. The IGT additionally queried about the possibility of ISE procurement at the consultation stage. The CDSP responded that under these circumstances the approach would be to wait for a final decision on the Modification before beginning a procurement process. They added that they could not currently provide a view on procurement costs and the Modification contained detail on the funding of the new role which would be split between DNs and IGTs.

The Chair asked the CDSP if Gemini would distinguish between existing Shrinkage and the new Shrinkage. The CDSP advised that DNs would still provide Shrinkage values and the ISC figure would be added on top of the existing bills. The Chair asked about the relation between the previous year's Shrinkage. The CDSP mentioned that it will be forward looking, and that a reconciliation adjustment process would look back on the figures.

The CDSP presented the ROM associated slides. The Chair queried about a situation where the ISC is negative. The CDSP responded that in this case the DNs would still need to purchase the basic Shrinkage (not the ISC). The Proposer added that traditional Shrinkage could be amended with the new ISE information.

An IGT queried about a case of two IGTs within an LDZ, where the figures might not equal the actual distribution of Shrinkage. The Proposer responded that the split would be calculated exactly for each IGT, and no assumptions would be made.

An IGT added that in order for the calculation to be accurate, the ISC would need to be calculated at the granular level. They asked if it was not their understanding that the ISC would have to distinguish Shrinkage between multiple IGTs on a single LDZ. The Proposer responded that this would be the purpose of the ISC. The CDSP added that the methodology was at the discretion of the service provider, and that it was difficult to foresee how the calculation arrangements would be carried out. The IGT mentioned that there seemed to be a risk where the ISC would not distinguish amounts on a single LDZ. The Proposer added that this was the same risk within the AUGE and queried if the ISE would need a role code to send an ORD file on the IX. This type of communication via IX would be necessary when establishing the ISC.

JR queried about the role of the Authority within the ISC. The Proposer clarified that the Authority would make a decision on the current Shrinkage figures at the beginning of April every year. The CDSP added that under UNC0843, the Authority would approve those values in addition to Shrinkage. The IGT queried if the balance of Shrinkage was set out within the Modification to show the savings involved in this process. The Proposer explained that within the UNC0843 Proposal there was detail re the balance. They noted that about £800,000 was being paid by Shippers every year. The Chair queried about the governance of the ROM and the costs that would be incurred by IGTs, from the point of view of the Code. The CDSP responded that this was a combined ROM for the UNC and IGT UNC and added that the DSC would allow costs to be recovered, and that this would not pass through the UNC and IGT UNC for costs.

The Proposer added that the costs that the IGTs bear would be within UNC0843, not IGT165. A Shipper added that it would be useful to have the same communication going to both groups.

January 2024

UNC Modification Extension & Next Steps

The Proposer confirmed the current development stage of UNC0843 had been extended to April 2024.

The Chair confirmed with the Proposer that the IGT UNC Modification was to adopt the UNC shrinkage expert and charge regime from the UNC Modification and ensure that data was provided when necessary and IGT's, where necessary, would return gas to the network under UNC governance.

The Proposer informed the Workgroup that the next UNC0843 Workgroup would be taking place on 24th January 2024 and encouraged participation in that workgroup.

They had asked SGN to provide legal text to move UNC0843 forward. The Proposer mentioned that the only area that was missing detail was regarding the Independent Shrinkage Provider. The ROM would also be discussed at the next UNC Workgroup. An IGT queried how the Shrinkage Charge would be determined for IGTs within the same LDZ. The Proposer responded that it would be performed at the CSEP level for each LDZ. The CDSP queried if any of the detail needed to be added to the IGT UNC Modification. The Proposer responded that this was expected to be in the Independent Gas Transporters' Arrangements Document (IGTAD).

The Chair added that this might be a question for SGN as the provider of the legal drafting. An IGT queried if the IGTAD decision was a recent development. The CDSP provided the relevant paragraph from the IGT165 ROM. The Chair queried if any other points needed further discussion or development before the UNC legal drafting was available.

February 2024

UNC Legal Text

The Proposer advised the Workgroup that they have had discussions with SGN, the provider of the legal text for UNC0843 and advised that some of the business rules have been moved around and will become further solution notes rather than becoming part of the legal text.

SGN is currently in discussions with their legal team over the latest drafting of the legal text. The Proposer has shared this version with the CDSP and the Joint Office and added he is happy to share this with any in the Workgroup that are interested in reviewing the document ahead of the paper submission date of Wednesday 14th February for the next Workgroup meeting.

The Chair asked for an update on when the UNC legal drafting was due. The Proposer responded that it is expected to be requested at the UNC Modification Panel on Thursday 15th February. The Chair asked if they had seen any of the legal drafting for UNC0843. The Proposer responded that the drafting had not been started yet, but they had had conversations with David Mitchell over some of the business rules. They added that the next Workgroup for UNC0843 will be at the Distribution Workgroup on Thursday 22nd February. The Chair encouraged those with an interest in the modification to attend. The Chair also suggested that the Proposer provide another verbal update on IGT165 at the IGT UNC March Workgroup meeting.

March 2024

IGT65 Progression & ROM

The Chair informed the Workgroup that the Proposer had indicated that there was no further work to be done on IGT165 and that further discussion would be taking place at the UNC0843 Workgroup meetings.

The Chair added that the Proposer was waiting on the UNC legal drafting. An IGT queried if a new ROM would be available. The CDSP informed Workgroup that a ROM had been requested by the CDSP and would be available at the following IGT UNC Workstream meeting. The CDSP added that the ROM would need to be changed as the Proposer had changed the Modification from approval to disapproval by the Authority. They added that it was not expected to change the parts of the ROM relating to Gemini and IGTs.

The Chair mentioned that they understood that Gemini changes would be made under UNC governance, not under the IGT UNC. The Workgroup agreed that this ROM should be covered at the April 2024 IGT UNC Workstream. The IGT mentioned that UNC0843 would be covered under a separate Workgroup at the UNC.

February 2025

IGT165 Legal Text

The Code Administrator provided an overview of the Modification to the Workgroup and reminded the members that IGT165 is seeking to introduce provisions related to shrinkage model error, the ISE and an ISC into the IGT UNC, and to include provisions to support UNC0843.

The Code Administrator advised that there are two business rules under the IGT165 solution, the first being to ensure the ISE has jurisdiction within the IGT UNC and the second around the provision of IGT Supply Point level data.

The Code Administrator took the Workgroup through the approach to the legal drafting (v1.0), advising that there were two main elements around shrinkage model error. The first element was a catch-all clause that ensures that no provisions in the IGT UNC can get in the way of any IGT UNC party complying with the provisions in the UNC with regards to the ISE and the ISC related provisions.

The Code Administrator felt that this catch-all was all that was needed to ensure that the ISE had the required jurisdiction. They advised that is because IGTs are parties to the UNC and regardless of this Modification, they will be required to comply with the provisions on them as parties to that Code. The IGT UNC cannot stipulate what happens in the UNC but it can make sure its provisions do not keep an IGT UNC party from complying with their UNC obligations.

The second element was a specific carve out to ensure that that IGT Supply Point level data was provided as per the UNC provisions. The Code Administrator believes that this is appropriate as IGT Supply Point level data is under the remit of the IGT UNC and not the UNC. They added that the text used for this section was largely the same as the provision of data text in the UNC Modification, with some terms and references updated to ensure it fits within the IGT UNC. They added that as part of the legal drafting, a new section FI had been created to pull existing Shrinkage provisions into the same section as shrinkage model error provisions. The Code Administrator felt that this would ensure all Shrinkage related provisions were in one place in the Code. They added that nothing had changed apart from some cross references within the existing sections as the numbering will have changed. They added that there were no other references in Code to these paragraphs so there were no knock-on impacts.

The Code Administrator also advised that some new terms had been defined to align with the terms in the drafting. An IGT asked if paragraph 4.1(c) of the IGT UNC drafting includes obligations that are either not relevant to the ISE, or to IGTs and Shippers on IGT networks, as it refers to TPD Section N 5 in the whole.

The Code Administrator showed TPD Section N Paragraph 5 to the Workgroup and confirmed that the entire paragraph is referenced and therefore it includes all relevant provisions. They added that there are some obligations within the paragraph that are not relevant to IGTs (e.g. the GDN Charges and GDN definitions). However, like other areas of the IGT UNC, the Code Administrator felt it was more efficient to reference the entire section as matters relating to just GDNs will not be applicable to IGTs regardless of them being referenced or not. Furthermore, it allows for some future proofing should amendments be required to this section as amendments to the IGT UNC would not be required every time you amend the paragraph.

The Proposer noted the 3 new definitions within Paragraph 4.1 but suggested that "Shrinkage Model Error" and "Independent Shrinkage Document" should also be defined as they are directly referenced in Paragraph 5.1 and 5.2. The Code Administrator responded that they would add those definitions into the legal drafting. The Proposer added that "Shrinkage Model Error" is also not defined in the UNC0843 legal text. They suggested that the clause including "Shrinkage Model Error" could be removed as the purpose is already captured by the rest of Paragraph 4.1. An IGT asked if the three new definitions under Paragraph 4.1 could explicitly refer back to TPD Section N of the UNC. The Code Administrator agreed to include this. The IGT asked if a definition of "Independent Shrinkage Charge" needs to be included within the IGT165 legal drafting. The Code Administrator responded that the charging falls under UNC governance and the paragraph on compliance with TPD Section N Paragraph 5 should encompass this.

UNC0843 and IGT165 Next Steps

The Chair asked for an update on the progression of UNC0843. The CDSP informed the Workgroup that a refreshed version of the ROM for UNC0843 will be available shortly and would be provided for the February 2025 meeting. The Code Administrator responded that there are two further Workgroups planned, and the Proposer added that the second meeting is scheduled for 26th March, with the aim of finishing the Workgroup Report at that Workgroup before it proceeds back to Panel and out for consultation.

The Chair noted that Ofgem would probably like to have UNC0843 and IGT165 aligned closely in terms of development completion dates ahead of the Authority decision on both Modifications. The Code Administrator suggested that the next steps for IGT165 should be to complete, and the Workgroup Report avaiable, for the March Workgroup meeting, which should provide all parties the opportunity to look through the legal drafting for both UNC0843 and IGT165. The Code Administrator added that they will pre-draft the Workgroup Report with the conversations from previous Workgroup meetings included, with the aim of publishing one or two weeks prior to the March Workgroup. They suggested that IGT165 may be able to be issued for consultation close to UNC0843, though there won't be a full overlap due to the different Panel meeting dates.

March 2025

XXXXX

XXXXX

6 Impacts & Other Considerations

Does this Modification impact a Significant Code Review (SCR) or other significant industry change projects, if so, how?

No

Consumer Impacts

What is the current consumer experience?

Currently, IGT Shrinkage is paid for by Shippers as UIG. UIG is a line item in the price cap. Therefore, customers will experience increased bills. Furthermore, methane as a green house has numerous negative impacts - the impacts of global warming are well documented.

What would the new consumer experience be?

By apportioning IGT Shrinkage to the party that causes it, this modification would remove IGT Shrinkage from the price cap and incentivise IGTs to lessen emissions.

Impact of the change on Consumer Benefit Areas

Area	Identified Impact
Improved safety and reliability *Will this change mean that the energy system can operate more safely and reliably now and in the future in a way that benefits end consumers?* *This area would relate to changes which balance the system safely, securely and at optimum cost, particularly for consumers in vulnerable situations. It would also consider changes which introduce flexibility across the market to flow energy at the most efficient profile, lower operational costs and make sure GB consumers can access the cheapest sources of energy.*	Positive
Lower bills than would otherwise be the case *Will this change lower consumers' bills by controlling, reducing, and optimising spend, for example on balancing and operating the system?* *This area would relate to changes that are likely to benefit end consumers. This could include any change where it has been demonstrated that it could lower bills for end consumers.* *If possible, this section should include any quantifiable benefits.*	Positive
Reduced environmental damage *Will this proposal support:* • *new providers and technologies?* • *a move to hydrogen or lower greenhouse gases?* • *the journey toward statutory net-zero targets?* • *decarbonisation?* *This area would relate to changes which demonstrate innovative work to design solutions which ensure the system can operate in an environmentally sustainable way both now and in the future.*	Positive
Improved quality of service *This area would focus on demonstrating why and how the change can improve the quality of service for some or all end consumers. Improved service quality ultimately benefits the end consumer due to interactions in the value chains across the industry being more seamless, efficient and effective.*	Positive
Benefits for society as a whole	Positive

This area would relate to any other identified changes to society, such as jobs or the economy.	

Cross-Code Impacts

UNC0843 sets up the role of ISE in UNC, though there is no direct impact on the UNC expected. IGT Shrinkage is acknowledged as being dealt with by UNC TPD Section H2.6 - consideration of this will be needed in the workgroup.

UNC	☐
REC	☐
Other	☐
None	☐

Environmental Impacts

As described above, Methane is 84x more potent a greenhouse gas than carbon dioxide. AUGE forecasts that 19 Gwhs of methane will be leaked into the atmosphere in gas year 23/24.

Rough Order of Magnitude (ROM)

Costs provided within the latest UNC0843 ROM dated 19th February 2025 are indicative and high level based on high level analysis conducted by the CDSP.

Below sets out the high-level implementation cost range and provides an indication of any ongoing costs identified from the high-level analysis.

Implementation Costs

An enduring system solution will cost **at least £180,000 but probably not more than £315,000.** For clarity the range does not take into consideration the procurement of an ISE and is for system implementation only.

Ongoing Costs

The CDSP anticipates the following:

- Systems – The change is not expected to increase ongoing running costs.
- In terms of support / representation at shrinkage industry meetings, this will be assessed once further details are known. Costs for support / representation at meetings are not included in this ROM.
- No data requests to the CDSP are expected. Data requests are unknown and are likely to be made to the Transporters. Therefore, requests for data held by the CDSP are not included in this ROM.

Timescales

The implementation timescales are as set out in the ROM are as follows:

- **Systems**: The high-level estimate to develop and deliver this change is approximately 16 weeks and includes 2 weeks of Post Implementation Support.

- **Procurement of the ISE**: As stated, we have not provided an indicative cost range for the procurement and ongoing activities of an ISE but from a timescale perspective, please note that a lead time will be required to undertake the procurement exercise to appoint an ISE. Typically, a minimum of 12 months is required to undertake a procurement exercise to appointment, however due to this being a new role, we are expecting to undertake a twophased approach to initially understand what bidders can offer, followed by a more targeted second-phase. Based on this, we would anticipate a more realistic minimal lead time to be 18 months. Please note, we expect that a Stakeholder Evaluation Panel will need to be appointed ahead of the procurement going ahead

Ongoing Processes:

To confirm, to load the approved Shrinkage values into the system on an ongoing basis for the start of the process year (01 April), the CDSP require a minimum lead time of 2 weeks. This means the CDSP must have the approved Shrinkage values to be utilised for the year, at least 2 weeks before the 01 April.

Workgroup Impact Assessment

Insert text here

Insert subheading here

Insert text here

7 Relevant Objectives

Impact of the modification on the Relevant Objectives:	
Relevant Objective	**Identified impact**
(A) Efficient and economic operation of the pipe-line system	Positive
(B) Co-ordinated, efficient and economic operation of (i) the combined pipe-line system; and/or (ii) the pipe-line system of one or more other relevant gas transporters	Positive
(C) Efficient discharge of the licensee's obligations	Positive
(D) Securing of effective competition: (i) between relevant shippers; (ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation agreements with other relevant gas transporters) and relevant shippers	Neutral
(E) Provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards… are satisfied as respects the availability of gas to their domestic customers	Positive

(F) Promotion of efficiency in the implementation and administration of the Code	Positive
(G) Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Cooperation of Energy Regulators	Positive

Proposer Rationale

A and B) incentivising methane reduction should enable the efficient and economic operation of the pipeline system;

C) eg. 16.1(c) of the Transportation SLCs: "*The licensee shall, subject to section 9 of the Act, plan and develop its pipe-line system so as to enable it to meet, having regard to its expectations as to […] the extent to which the supply of gas to those premises might be interrupted or reduced*";

E) this Modification assist in the security of the pipeline system through incentivising leak reduction.

F) is achieved by charging IGT shrinkage to the responsible party; and

G) this aligns with the Global Methane Pledge set at COP 26.

Workgroup Views

Insert text here

8 Implementation

Proposer Recommendation

The proposer recommends that this Modification should be implemented at the same time as UNC0843.

ROM Implementation Timescales

The implementation timescales are as set out in the ROM are as follows:

- **Systems**: The high-level estimate to develop and deliver this change is approximately 16 weeks and includes 2 weeks of Post Implementation Support.
- **Procurement of the ISE**: As stated, we have not provided an indicative cost range for the procurement and ongoing activities of an ISE but from a timescale perspective, please note that a lead time will be required to undertake the procurement exercise to appoint an ISE. Typically, a minimum of 12 months is required to undertake a procurement exercise to appointment, however due to this being a new role, we are expecting to undertake a two phased approach to initially understand what bidders can offer, followed by a more targeted second-phase. Based on this, we would anticipate a more realistic minimal lead time to be 18 months. Please note, we expect that a Stakeholder Evaluation Panel will need to be appointed ahead of the procurement going ahead

Workgroup Views

Insert text here

9 Legal Text

Suggested Approach

Legal text to be developed as part of the progression of the Modification. However, we recommend the following:

- The role of the ISE is defined under UNC, and the definition contained therein shall prevail in the event of ambiguity. However, for reference within the IGT UNC this can be defined as:
    - Independent Shrinkage Expert: the ISE will be governed by the UNC and will use independently developed methodologies to forecast the amount of gas that can be considered Shrinkage but has not been purchased by pipeline owners to cover, and therefore has entered into UIG in error.
    - Independent Shrinkage Charge: the ISC is the value of gas that must be purchased by pipeline owners. It is the difference between the amount of gas that pipeline owners calculate to be lost via Shrinkage and that which is calculated by the ISE.
- Where reasonable, the IGT parties shall comply with data requests made to IGT parties by the ISE.
- Where the Authority agrees with the ISC that is applicable to IGTs as calculated by the ISE, IGTs must purchase gas to cover the ISC, in accordance with the IGTAD

Workgroup Discussions

Insert text here

10 Recommendations

Workgroup's Recommendation to Panel

The Workgroup asks Panel to agree that:

- This Modification should proceed to consultation.

Insert subheading here

Insert text here