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 Independent Gas Transporters Arrangements Document (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 30th May 2025. 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?

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Timetable

This Modification was first considered by the IGT UNC Workgroup in June 2023. In July 2023 the Modification was amended. 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	13th July 2023
Workgroup Report presented to Panel	30th May 2025
Draft Modification Report issued for consultation	2nd June 2025
Consultation Close-out for representations	23rd June 2025
Variation Request presented to Panel	-
Final Modification Report available for Panel	18th July 2025
Modification Panel decision	25th July 2025

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 IGTAD for shrinkage. The IGTAD does not currently set out arrangements for the identification or estimation of IGT Shrinkage or for its allocation among Connected System Exit Point (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 Unidentified Gas (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 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 (Authority Decision)

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; and
- proceed to Consultation.

Workgroup Discussions

March 2025

The Workgroup considered the progression path for this Modification and whether it still required an Authority Decision.

The Code Administrator reminded the Workgroup of the rationale for Authority Decision, as noted above. They added that UNC0843 has also been progressed as an Authority Decision Modification. The Proposer and the Workgroup agreed that this Modification should continue to be progressed as an Authority Decision Modification for the reasons above and to align with UNC0843.

Workgroup Conclusions

April 2025

The Proposer and the Workgroup agreed that this Modification should [continue to be progressed as an Authority Decision Modification for the reasons above and to align with UNC0843.]

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 ISE and the 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 2023[1]

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 ISE role needs to be included in IGT UNC Code to ensure that the ISE 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 (GDNs). The Proposer said that their proposal for the legal text is that UNC Transportation Principal Document (TPD) Section N is amended to state that GDNs will need to pay for the 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 would be made explicit in UNC0843 that parties needed to comply with the data requests and the ISC, and that this would 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 UNC.

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

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[1] Please note that when IGT165 was considered in June 2023, it was presented as a "mirror Modification" rather than an "enabling Modification". Therefore, the discussions on the Modification would have been within the context of a mirror Modification.

charges are applied as the IGT UNC 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 UNC0843 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[2]

The Proposer asked the Central Data Service Provider (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 at this time, but a Rough Order of Magnitude (ROM) will be conducted for this Modification. IGT UNC will not outline how new parties will be added to Gemini as this is part of the system solution rather than Code. 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 IGTs 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 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 Proposer was asked to clarify if they want IGTs to put gas into the network or pay a charge. The Proposer said IGTs 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 quoted in the Modification 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 Proposer was asked whether the IGT UNC should be amended rather than the UNC. They reiterated that the IGT UNC is a site-specific Code and that gas input is a matter for the UNC. The CDSP asked if this might be more appropriate in the IGTAD. The Chair suggested that a UNC amendment could mention that the IGTAD be updated.

[2] Please note that when the Workgroup re-considered previous points of discussion for Modification at its March 2025 Workgroup Meeting, the CDSP noted that some points noted regarding Gemini may be outdated. Please see the Workgroups Discussions from March 2025 within this document.

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. They added that while they understand the intention of the Modification, they believe that it is still missing clarity around the solution. They confirmed that the IGTAD is a UNC document and any changes to the document can be made via the UNC.

The Workgroup were advised 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, adding that they would redraft this part of the Modification. The Chair asked if UNC considerations for IGTs are considered under UNC0843 which will facilitate the governance of the ISE under the UNC. If this was the caseIGT165 would need to ensure that the Parties do not hinder the mechanisms in the UNC described and governed in the UNC.

The Workgroup were invited to add any further questions and an IGT confirmed that they believe that the approach makes sense, and that the bulk of 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 further conversation on this will be followed through in the IGTAD.

The Chair confirmed that IGT representation might still be missing from UNC0843 and that if IGTs are to be included in the Modification, they 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 add their own expertise. They noted that they need to be sure of the different outputs required of the ISE. This will be put together as a framework under the UNC 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 Proposer was asked if both the AUGE and the ISE will each provide an opinion on shrinkage. The Proposer advised that they would each look at the figures and that the experts would be aware of their different roles. The Chair asked what would happen if the AUGE 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 Workgroup considered whether the ISE could override the AUGE, and it was confirmed that it cannot override the AUGE. UIG is allocated according to the AUGE, and the ISC will be determined by the ISE and paid for at LDZ level. The CDSP confirmed that the AUGE 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 responded noting 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 will have 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 based on the output. The Proposer advise that two figures would be 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 Shippers, ISC and LDZ Shrinkage quantities are removed from any gas inputted into the LDZ, and then applied as UIG.

The Chair informed the Workgroup that under the current arrangements, the GDNs 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 made of Polyethylene (PE). They noted that that the figure can be changed, but this is outside of the responsibilities of the ISE and the Modification.

The Chair clarified 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 an IGT UNC Modification to do this and if it needed to be a mirror Modification. The Chair replied that a mirror Modification of UNC0843 would produce a 'mirror' ISE. Under the UNC, the ISE will be appointed and responsible for IGT pipelines. Under the IGT UNC, this expert will include the IGT sites and transportation of gas to those sites in its calculations. The Proposer confirmed that this is not happening at site level and a question was raised about whether site level data was needed.

The Workgroup were reminded of the current arrangements and that there is a Shrinkage section in the IGT UNC, but it indicates that the amount is set to 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 forecasted 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 a similar role as 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 this funding happens via the DSC change space, rather than the UNC.

The Proposer noted 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 (NGT) 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[3]

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 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 an impact assessment of IGT165.

August 2023

IGTs Purchasing Gas & Charges

The Proposer provided an update on UNC0843 and presented a slide to the Workgroup setting out how the payment process was expected to work.

[3] Please note that when IGT165 was amended ahead of the July 2023 meeting. The Modification was presented as an "enabling Modification" rather than a "mirror Modification". The Workgroup discussions from this point forward were within the context of an enabling Modification.

An IGT asked how IGTs 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 for 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 gas 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 Proposer was asked where the "Independent Shrinkage" would come from and where the gas was being lost from to account for the ISC. The Proposer said that it would come out of UIG and 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 and 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. 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.

ROM

The CDSP advised the Workgroup that they have drafted the related XRN which includes both the UNC and IGT UNC Modifications.

October 2023

Charges

The Proposer reminded Workgroup Members of the purpose of IGT165. 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 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 they had made to the business rules in UNC0843 since the last meeting which 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. The CDSP asked if there would be a change to UNC Section N and if the IGT UNC would link across or would the changes need to be included within IGT165.

An IGT queried the benefit of creating an ISE to do work that is already done in Industry. The Proposer advised Members that the role of the ISE was to reduce model error and ensure parties with leakage were the parties that paid for said leakage.

December 2023

Independent Shrinkage Provider & ISE

The Proposer informed the Workgroup of a key change in the role of the "Independent Shrinkage Provider" under UNC0843. They added that this would be a Shipper purchasing Shrinkage gas on behalf of a 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 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[4]

The CDSP presented the 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 ISE. The CDSP responded that costs for procurements have not been provided in any of the ROMs for UNC0843 and IGT165. 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 Modifications.

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

[4] Please see the Impacts section of this document up to date information on the UNC0843 ROM. Please note that these discussions were regarding a previous version of the ROM.

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 as is. 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 Modifications 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 relationship with 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.

A query was raised about instances where the ISC is negative. The CDSP responded that in this case the GDNs would still need to purchase gas to cover their LDZ Shrinkage Quantities (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 the IX would be necessary when establishing the ISC.

An IGT queried about the role of the Authority within the ISE. The Proposer clarified that the Authority would decide on the current Shrinkage figures at the beginning of April every year. The CDSP added that under UNC0843, the Authority would approve the ISE values in addition to Shrinkage[5]. 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 regarding this. 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 account for how costs were to be recovered, and that this would not pass through the UNC and IGT UNC. The Proposer added that the costs that the IGTs bear would be

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[5] Please note that the business rules in UNC0843 have been updated to state that the Authority have the right to disapprove by the date in the Framework, but if no disapproval is received, then the Authority will have been deemed to approve.

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 ISE and ISC regime from the UNC Modification and ensure that data was provided when necessary and IGTs, where necessary, would return gas to the network under UNC governance.

The Proposer informed the Workgroup of the next steps for the UNC0843 Workgroup and that they had requested that SGN provide legal text. They added 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.

Shrinkage Charge

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 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 UNC0843 / IGT165 ROM. There were no further comments.

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 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 next UNC Workgroup.

March 2024

IGT65 Progression & ROM

The Workgroup were informed that the Proposer had indicated that there was no further work to be done on IGT165 at this point and that further discussions would be taking place at the UNC0843 Workgroup meetings. They 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 any other 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. This 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 ISE related provisions. The Code Administrator felt that this would ensure all Shrinkage 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 CDSP informed the Workgroup that a refreshed version of the ROM for UNC0843 would be available shortly and would be provided for the next UNC Workgroup meeting. The Code Administrator responded that there are two further Workgroups planned, 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 available, 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

Legal Text

The Code Administrator took the Workgroup through the updated Legal Text, highlighting changes made following discussion at the February 2025 meeting.

The Workgroup highlighted a couple of other further minor amendments as follows, which the Code Administrator confirmed would be made ahead of the April 2025 Workgroup meeting:

- Removing remaining references to shrinkage model error; and
- Correcting an error in the existing shrinkage text that is being moved into the new Part FI.

The CDSP asked whether the definition of Shrinkage Charge needed adding. The Code Administrator confirmed that this was not nessessary as the "catch all" part of the Legal Text ensures that nothing in the

IGT UNC could get in the way of any IGT UNC party complying with what was required of them under the UNC. The ISC sits within the UNC and therefore the governance of this charge sits outside of the IGT UNC. The IGT UNC cannot dictate what happens in the UNC but it can ensure that nothing within Code can interfere with UNC provisions.

No other changes to the Legal Text were suggested by the Workgroup.

Business Rule 1

The Proposer made reference to BR1 as set out in the Solution section of this document. They noted that it makes reference to IGTAD but not the UNC. They questioned if the BR needed to be amended to add in a reference to the UNC.

The Chair advised that they did not think this was required. They added that the UNC changes will apply regardless of what is referenced in the BR under this Modification. IGTs and Shippers are required to be compliant with anything under that Code. Amending the Modification to make reference to what parties are already having to comply with might cause a dual governance issue.

The Proposer agreed that no further changes were needed to the BR.

Licence Changes

An IGT made reference to previous Workgroup discussions regarding potential Licence changes associated with the UNC and IGT UNC Modifications. They asked where the discussions were regarding these Licence changes.

The Proposer advised that there will be Licence changes needed to enable an IGT to purchase gas and the discussions around this have been captured under the UNC Modification. UNC0843 notes that the Authority will need to consider any nessessary Licence changes as part of its consideration of the Modification.

The IGT responded noting that it was their understanding that in order for both Modifications to be implemented, the Licence changes would need to have been made first. The Proposer acknowledged this and confirmed that this would be something that Ofgem would need to consider. The Chair confirmed that this was correct, noting that the timetable once Modifications have been submitted to Ofgem are within their gift. They added that if Ofgem choose to issue a consultation on the Modifications and/or the Licence changes it might become clearer to industry what they are considering.

The CDSP added that, due to their approval process, the Authority cannot approve a Modification that requires Licence changes as the Licence will not be in line with what is required in the Modification. The Proposer agreed with this view and advised that they have had sessions with Ofgem and that they understand the UNC Modification and necessary Licence changes. They have also been to UNC Workgroup meetings.

ROM

The CDSP noted that some of the information within the ROM dated 19th February 2025 had been put into the Workgroup Report. They advised that they had just submitted an updated version of the ROM to the Joint Office and advised that some of the information in this report may need to be updated. The Code Administrator thanked the CDSP for this information and confirmed that they will review the updated ROM and reflect any nessessary changes in the next version of the Workgroup Report. They also advised that they would include a footnote in the Workgroup Report where needed to highlight that the ROM information in prior discussions might be out of date and to direct the reader to the impacts section and implementation section.

Initial assessment of impacts and costs

The Workgroup initial assessment of impacts and costs can be found in Section 6 of this document.

Initial views on implementation

The Workgroup initial views on implementation can be found in Section 8 of this document.

April 2025

XXXXX

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6 Impacts & Other Considerations

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

No

Workgroup Discussions

March 2025

The Workgroup considered whether IGT165 may impact an SCR or any other significant industry change projects.

The Proposer asked the Workgroup how this Modification might impact Code Reform and when the changes associated with Code Reform may take place. The Code Administrator advised that there is not a firm timeline at the moment. However, it is clear from Ofgem's recent decision documents that the IGT UNC and the UNC will become the new Gas Network Code (GNC).

The Code Administrator advised that some loose timescales have been provided in some of the Code Reform decision documents, but this is more around the grouping of necessary work rather than specifically when the work will be carried out. They added that it has also been made clear that there will be some changes to both the UNC and the IGT UNC in the run up to the new GNC coming into force, but the timelines for these changes are not known.

The Chair responded that it would be up to Ofgem to determine the timeline for implementing the Modifications and any required License changes once the Modifications have been submitted for Authority decision, but there may be an implementation delay if Ofgem consult parties on the potential License changes.

Ofgem acknowledged the discussions and advised that they would take this away and potentially bring back some indicative view of timelines. The Chair thanked Ofgem for this and confirmed that it would be useful should the IGT UNC and UNC Modifications have an impact, as Code Reform will require a lot of work in its own right.

The CDSP highlighted that these Modifications will require an procurement activities as well as system changes. There will be an 18-month lead time for the procurement activities so there will be a significant lead time to consider.

Workgroup Conclusions

April 2025

XXXX

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**
1) Improved safety and reliability Proposer's Rationale: Via the enablement of 0843, this modification would improve safety and reliability by providing IGTs with the means and incentivisation to reduce the causes of shrinkage model error	Proposer: Positive Workgroup: Neutral
2) Lower bills than would otherwise be the case Proposer's Rationale: Lower bills than would otherwise be the case - by supporting 0843, the removal of shrinkage model error from UIG aims to reduce the UIG element of the Energy Price Cap, which is used to set customer bills on SVTs.	Proposer: Positive Workgroup: TBC
3) Reduced environmental damage Proposer's Rationale: Reduced environmental damage - in support of 0843, via the incentivisation of the reduction of shrinkage model error and the provision of data via which gas leaks can be reduced, this aims to reduce the impacts of methane on the environment	Proposer: Positive Workgroup: TBC
4) Improved quality of service Proposer's Rationale: Neutral with regards to improved quality of service, noting that elements of this have been touched on in other areas.	Proposer: Neutral Workgroup: TBC
5) Benefits for society as a whole Proposer's Rationale:	Positive Workgroup: TBC

In support of UNC0843, the reduction in gas leaks would have a knock on impact for global warming, and aligns with gov's net zero objective.	

Workgroup Discussions (March 2025)

The Workgroup considered the potential impacts on consumers, and an IGT asked the Proposer to elaborate on why they felt the impacts on consumers would be positive as their rationale was not included.

Improved safety and reliability

The Proposer advised that, with regards to improved safety and reliability, UNC0843 will have a positive impact. However, IGT165 is only looking to enable the delivery of the ISE's jurisdiction over IGTs and IGT pipelines and the submission of IGT supply point level date. They asked the Workgroup whether the impact under IGT165 would be neutral, or if the enabling element would see the positive impact passed through under this Modification.

The Chair agreed with the rationale that the positive impacts could be assumed under IGT165 due to it being an enabling Modification, noting that whilst it does not in itself improve safety and reliability, it is there to support the delivery of a UNC Modification that has a positive impact. IGT165 will also enable the IGT sites to be fully included in the UNC0843 solution which also supports the extension of the positive impact. An IGT asked if this was in fact true as it does not identify where to improve the safety and reliability. The Chair advised that whilst it does not directly do this, the enabling element of IGT165 will extend the jurisdiction out fully over the whole of the network. If IGT165 was not implemented alongside UNC0843, than data for IGT sites as Supply Point level could not be provided to the ISE and therefore the ISE could not draw the nessessary conclusions or be able to comment at all with regards to IGT networks.

The IGT added that UNC0843 does not identify how to operate the network more safety, it does not identify where leaks are. The Chair asked if it will incentivise the management and handing of leaks in any way. The proposer confirmed that this was the case due to the Charge as parties will want to reduce that charge.

Another IGT asked if the outputs of the ISE were at LDZ level, if they were than the IGTs would not be able to identify anything at the IGT level. The Proposer advised that within the ISE statement, appropriate backing data needs to be included to allow parties to address the causes of shrinkage.

The Proposer concluded that their view is still that IGT165 will have a positive impact. The Chair asked for views of the Workgroup. The Workgroup agreed that the views were mixed and the Chair asked whether we should therefore capture a neutral impact. A Workgroup member agreed with no other views provided.

An IGT noted that they will take these away and confirm their views in April.

Lower bills than would otherwise be the case

The Proposer advised that by supporting UNC0843, which looks to remove shrinkage model error from UIG with the aim of reducing the UIG element of the energy price cap, and noting that the energy price cap is used to set customer bills, IGT165 would have a positive impact

An IGT advised that this would become a pass through and end up in a consumer's bills. The Proposer advised that it should not pass through due to RIIO. The Chair advised that in the case of a DN, this may not happen due to RIIO but there are varying arrangements under RIIO. The price control for IGTs is managed slightly differently so if the cost was placed on an IGT it would pass through. The IGT agreed with this and noted that where the bills are passed through for UIG, the different applications due to different consumers may make the impact neutral. Another IGT advised that this might not be the case, it might have to be taken off the bottom line. The Chair advised that this would be worth looking into and parties would need to explore this further ahead of the April meeting.

Reduced environmental damage

The Proposer advised that, in support of UNC0843, the banking data provided under IGT165 will be used to calculate the IGT ISC, the information provided in the ISE statements would then enable IGTs to have the means by which to reduce gas leaks, this aims to reduce the impacts of methane on the environment.

An IGT advised that they could not see how IGT165 could have a positive impact and UNC0843 does not go to a granular enough level for IGTs to identify where leaks are. The Proposer advised that it is not yet known exactly what the ISE will provide in its statements however there will be contractual obligations on the ISE to provide data at a level that will allow IGTs to identify leaks. Two IGTs responded noting that the ISC will be at LDZ level, which does not help parties distinguish between LDZ and IGT. The Proposer agreed with this view but added that the backing data included with the statements needs to include data at a level that allows parties to identify leaks.

Improved quality of service

The Proposer advised that they wanted to change from positive to neutral, they noted that the Workgroup have already touched on some of this under the other areas, so they feel it should be neutral. There were no other views raised by the Workgroup.

Benefits to socicity as a whole

The Proposer advised that society as a whole is impacted by global warming, and in support of UNC0843, the reduction in gas leaks would have a knock-on impact for global warming and aligns with the Governments net zero objective.

An IGT reiterated previous views on whether UNC0843 helps IGTs to identify where to resolve leaks. There were no other views put forward by the Workgroup.

Workgroup Conclusions

April 2025

XXXXX

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	☐

Workgroup Discussions

March 2025

The Workgroup considered the impact of IGT165 on other industry Codes. The Code Administrator advised that usually where an IGT UNC Modification has been raised that is either mirroring or enabling a UNC Modification, we usually note the relationship between the Modifications but do not indicate a direct UNC impact.

The Proposer agreed with this approach. An IGT acknowledged that there was an implementation dependency in that IGT165 should not be implemented if UNC0843 is rejected. There were no other views provided by the Workgroup.

Workgroup Conclusions

April 2025

XXXXXX

Environmental Impacts

Proposers view, as described above, is that Methane is 84x more potent than carbon dioxide. AUGE forecasts that 19 Gwhs of methane will be leaked into the atmosphere in gas year 2023/24[6].

Workgroup Discussions

March 2025

The Proposer reiterated their view as set out above. An IGT asked whether the 19Gwhs referenced was for IGTs. The Proposer confirmed that this was the case and added that GDN shrinkage was not covered in the 2023/24 report.

An IGT noted that the 19Gwhs has changed since the 2023/24 report, though the value is accurate at the time the Proposer provided the information above. The IGT provided a link to the 2023/24 report for reference.

Workgroup Conclusions

April 2025

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ROM

Costs provided within the latest UNC0843 ROM dated 10th March 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 purely for system impacts only.

Ongoing Costs

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[6] It should be noted that the values provided by the Proposer for the 2023/34 gas year may differ to the current gas year.

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 two phased approach to initially understand what bidders can offer, followed by a more targeted second-phase. For the avoidance of doubt, Modification 0843 / IGT 165 must be approved by the Authority and the necessary GT and IGT license changes made, ahead of the procurement exercise for the Independent Shrinkage Expert beginning. Once the license updates have been made, and Authority approval received, the Procurement exercise will take a minimum of 18 months. Please note that a Stakeholder Evaluation Panel (SEP) would need to be in place prior to the start of the procurement exercise. It is recommended that the SEP should include IGT members to ensure their views are represented in the procurement exercise. Subject to the required system changes, and the successful procurement of an Independent Shrinkage Expert, the solution for UNC 0843 and IGT 165 would be implemented as soon as reasonably practicable.

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 Discussions

March 2025

The Chair asked the CDSP if the ROM submitted for UNC0843 is for the implementation of both Modifications together. The CDSP advised that there is nothing separate under this Modification which the CDSP is being asked to implement beyond UNC0843. The CDSP added that they would want both Modifications to be implemented at the same time.

The Chair asked what would happen if IGT165 was not implemented at the same time as the UNC Modification, for example would the CDSP have to extract the use of IGT data. The CDSP advised that it was their understanding that this would not be the case as the UNC Modification requires data to be provided by IGTs who have to comply with the UNC provisions. The Chair responded noting that IGT Supply Point level date sits under the IGT UNC so the CDSP would be unable to use that level of data without provisions to allow it.

The Code Administration referenced the data provisions within the IGT165 legal drafting, noting that this was added in to ensure that if the ISE needed IGT Supply Point level data, that IGTs would be required to provide it as IGT Supply Point level data is not within the governance of the UNC. They added that the UNC0843 Legal Text referenced “data” generally as it is not clear at the moment what level of data the ISE will need. Therefore, the provision for IGT Supply Point level data is required.

The CDSP acknowledged this and confirmed that in this instance they would need both Modifications to be approved in order to implement UNC0843.

Workgroup Conclusions

April 2025

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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	Neutral
(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	Neutral
(C) Efficient discharge of the licensee’s obligations	Neutral
(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	Neutral
(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

E) "Compliance with the Regulation and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators" –At its heart, 0843 aims to facilitate Net Zero via the incentivisation of the reduction of the causes of shrinkage model error.

The UK, and European Commission, are bound to various laws and regulations related to achieving Net Zero emissions by 2050, as part of the European Union's broader climate goals.

For example:

- The Paris Agreement, which sets global targets for reducing climate change and limiting global temperature rise to well below 2°C, aiming for 1.5°C.
- UK Climate Change Act (2008): The UK has its own Climate Change Act, which predates Brexit and has been updated since to align with the EU's goals. In 2019, the UK became the first major economy to pass a legal commitment to reach net-zero emissions by 2050. This is similar to the EU's net-zero target, but it is the UK's national legal obligation, separate from EU laws
- European Climate Law: The European Climate Law, which came into force in 2021, legally commits the EU to reach net-zero greenhouse gas emissions by 2050. This law establishes a framework for achieving this goal and sets an interim target of reducing emissions by 55% by 2030 compared to 1990 levels. The law also requires the Commission to propose the necessary legislative and policy measures to ensure these targets are met.
- The European Green Deal: Announced in December 2019, the European Green Deal is a comprehensive roadmap that aims to make Europe the first climate-neutral continent by 2050.
- Fit for 55 Package: As part of the Green Deal, the Fit for 55 package, introduced in 2021, aims to reduce EU emissions by 55% by 2030."

G) "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."

Via incentivising the reduction of the causes of shrinkage model error, such as gas leaks and misreporting on own use gas, there is the potential for increased accuracy in the accounting of GB's gas inventories. This is intended to increased security in our supply of gas. If all unaccounted gas was accounted for approx. 11 TWh is attributed to UIG and 2.5 TWh is attributed to Shrinkage as detailed in the AUG Final Statement 24/25 ***(see pages 24 and 117 for shrinkage error and UIG vols respectively)*** – 13.5 TWh is enough gas to power 1,174,000 million average homes (average = 11,500kWh)."

Workgroup Discussions

March 2025

The Workgoup considered the impact that IGT165 would have on the Relevant Objectives, as set out in the Proposal Form (in which the Proposer indicated a positive impact on all of the Objectives).

An IGT referenced previous discussion regarding whether or not the Statement provide by the ISE will allow IGTs to identify leaks and address them. Therefore, the impact on the objectives could be positive or neutral. Another IGT agreed with this view. The Proposer reiterated that the backing data will need to be at a granular enough level to enable this.

An IGT asked whether the views on the Objectives match UNC0843. The Proposer confirmed that this was not the case. The Chair asked the Proposer if they wanted to align their views to that of UNC0843. They added that Ofgem will review the Objectives impacted by a Modification and made a decision based on these.

The Code Administrator shared the views against the Objectives within the latest version of the UNC0843 Workgroup Report (shared at the February UNC Workgroup meeting). The Proposer advised that the hung the views against the Objectives on Net Zero for Objectives G) and E).

The Proposer considered the views under UNC0843 and advised that their views against the Objectives would be the same under IGT165 and asked that the views be copied and pasted into the Workgroup Report.

Workgroup Conclusions

April 2025

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8 Implementation

Proposer Recommendation

The Proposer and Workgroup recommend that this Modification:

- should be implemented at the same time as UNC0843;
- should only be implemented if UNC0843 is implemented; and
- should only be implemented when required Licence changes are put in place.

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. For the avoidance of doubt, Modification 0843 / IGT 165 must be approved by the Authority and the necessary GT and IGT license changes made, ahead of the procurement exercise for the Independent Shrinkage Expert beginning. Once the license updates have been made, and Authority approval received, the Procurement exercise will take a minimum of 18 months. Please note that a Stakeholder Evaluation Panel (SEP) would need to be in place prior to the start of the procurement exercise. It is recommended that the SEP should include IGT members to ensure their views are represented in the procurement exercise. Subject to the required system changes, and the successful procurement of an Independent Shrinkage Expert, the solution for UNC 0843 and IGT 165 would be implemented as soon as reasonably practicable.

Workgroup Discussions

March 2025

The Workgroup considered the implementation approach for IGT165, noting that the current approach is for IGT165 to be implemented at the same time as UNC0843.

An IGT agreed with the current approach but added that if UNC0843 was rejected, this Modification should not be implemented. The Proposer agreed with this view.

The Chair asked the Workgroup if there were any specific lead times known to them that would need to be considered. The CDSP referred to the lead times within their ROM (which are noted above), they added that whilst the procurement period would usually be 12 months, they have accounted for a larger lead time of 18 months to account for the fact that they have never procured for this role before.

The Code Administrator asked the CDSP whether they will need both Modifications implemented before they can start work on the procurement or simply approved. The CDSP confirmed that they will start work once the Modifications have been implemented and then once work gets to a certain point the implementation date can be agreed. They added that a there will be two pieces of work, the procurement work and the system changes via the DSC change process. The lead time for the system changes is approximately 16 weeks.

An IGT noted the required Licence changes to enable the implementation of this Modification. The Code Administrator confirmed that this would be noted in the Implementation section of this Document.

The CDSP asked if the Code Administrator will publish a notice of implementation with a date to be confirmed whilst the Modification is pending implementation like under the UNC. The Code Administrator confirmed that the IGT UNC takes the same approach.

Workgroup Conclusions

April 2025

XXXXXX

9 Legal Text

Suggested Approach

The Proposer suggests that the Legal text to be developed as part of the progression of the Modification. However, 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

March 2025

The Code Administrator took the Workgroup through the updated Legal Text, highlighting changes made following discussion at the February 2025 meeting.

The Workgroup highlighted a couple of other further minor amendments as follows, which the Code Administrator confirmed would be made ahead of the April 2025 Workgroup meeting:

- Removing remaining references to shrinkage model error; and
- Correcting an error in the existing shrinkage text that is being moved into the new Part FI.

The CDSP asked whether the definition of Shrinkage Charge needed adding. The Code Administrator confirmed that this was not nessessary as the “catch all” part of the Legal Text ensures that nothing in the IGT UNC could get in the way of any IGT UNC party complying with what was required of them under the UNC. The ISC sits within the UNC and therefore the governance of this charge sits outside of the IGT UNC. The IGT UNC cannot dictate what happens in the UNC but it can ensure that nothing within Code can interfere with UNC provisions.

No other changes to the Legal Text were suggested by the Workgroup.

Workgroup Conclusions

April 2025

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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