

Consultation Response

IGT165: Independent Shrinkage Expert and Independent Shrinkage Charge

Responses invited by: 11 July 2025

Respondent Details

Name: Michelle Niits

Organisation: NESO

Support Implementation

☐

Qualified Support

☐

Neutral

☐

Do Not Support

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**Please briefly summarise the key reason(s) for your support / opposition**

While the Proposer has made it clear that there is a need to address and reduce Shrinkage, the proposed solution is not the most direct approach.

Implementing this Modification would add complexity through the introduction of an Independent Shrinkage Expert (ISE) and associated processes, incur additional unknown costs for procuring an ISE, and create further time constraints in the production, review, and approval or disapproval of the Independent Shrinkage Statement (ISS) by Ofgem.

When Ofgem is presented the ISS and Independent Shrinkage Charge (ISC) for assessment they will be analysing their own findings from the LDZ Shrinkage Quantities (LSQ) generated by the Shrinkage and Leakage Model (SLM) which had been finalised the previous week. This raises the possibility that one model's outputs would have to be 'disapproved' by Ofgem (which could be the SLM that Ofgem had approved the previous week), as logic would suggest that both models cannot be correct.

Furthermore, Independent Gas Transporters (IGTs) have no current arrangements to measure or report on their Shrinkage, as the estimated volume is set to 0. It would be more prudent to first establish a process within Shrinkage where IGTs, even if nominal, have an estimated Shrinkage volume that they can account for.

Overall, it would be more appropriate to analyse the root cause of the Shrinkage model error by conducting a review on the SLM and the data it uses, including IGTs involvement.

## **Self-Governance Statement**

**Do you agree with the Modification Panel's determination with respect to whether or not this should be a self-governance modification?**

This is an Authority Decision Modification and aligns with UNC 0843. We also concur with the reasons as outlined in the Governance section of the Workgroup Report.

**Please state any new or additional issues that you believe should be considered**

None

## Relevant Objectives

### How would implementation of this modification impact the relevant objectives?

(A) "Efficient and economic operation of the pipe-line system" and (B) "Co-ordinated, efficient and economic operation of (i) combined pipe-line system, (ii) pipe-line system of one or more of the relevant gas transporters". NESO agrees with the Proposer that the impact is more likely to be neutral as we do not believe there would be an impact on the physical pipe-line system and its operation.

(C) "Efficient discharge of the licensee's obligations" and (D) "Securing of effective competition" we agree with the Modification Report that there is a neutral impact.

The Proposer believes that this Modification would incentivise IGTs to identify and ultimately reduce Shrinkage, thereby decreasing Unidentified Gas (UIG). Given that IGTs have no arrangements for identification nor reporting for IGT Shrinkage, and since the Modification does not introduce any additional measures to manage Shrinkage, we do not feel there is any impact on the stated relevant objective (E), "The 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".

We agree that (F) "Promotion of efficiency in the implementation and administration of the Code", could have a negative effect as it introduces additional complexity to the code and its implementation of an ISE, particularly given that there isn't currently a method for measuring or reporting Shrinkage.

Where the Proposer states this Modification would align to a Net Zero objective under (G) "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", this assumes that reporting on Shrinkage would result in less gas being lost through Leakage. Even if there were to be a Relevant Objective for Net Zero, this Modification would still lack evidence supporting it through the reduction of Shrinkage and Shrinkage Model Error.

## Impacts and Costs

### What development and ongoing costs would you face if this modification was implemented?

NESO is not an impacted party to this Modification. We have no comments relating to impact and costs.

## Implementation

### What lead time would you wish to see prior to this modification being implemented, and why?

NESO is not an impacted party to this Modification. We have no comments relating to the implementation timeline.

## Legal Text

### Are you satisfied that the legal text will deliver the intent of the modification?

NESO are satisfied that the Legal Text will deliver the Solution.

However, we would like to raise the following in relation to the Legal Text:

The highlighted closing bracket does not have an opening bracket in the paragraph.

### PART FI - SHRINKAGE AND INDEPENDENT SHRINKAGE EXPERT

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#### 5 Provision of Information

5.1 Each Pipeline Operator and each Pipeline User shall cooperate with and (subject to any restriction on disclosure) shall not unreasonably withhold information reasonably requested by the Independent Shrinkage Expert in connection with the preparation of the Independent Shrinkage Statement or otherwise required for matters relating to the Independent Shrinkage Expert as set out in Clauses 4 and 5 of this Part FI (and each Pipeline Operator and each Pipeline User) acknowledge the Independent Shrinkage Expert may notify the Authority in the event any such requested information is not provided).

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## Further Comments

### Is there anything further you wish to be taken into account?

Within the Workgroup Report and Modification Report, the Proposer Rationale under section 7 Relevant Objectives, has the Relevant Objectives listed incorrectly. (E) has the title of (G) and (G) has the title of (E). However, the content is correct in respect to the objective.

**Responses should be submitted by email to [IGTUNC@gemserv.com](mailto:IGTUNC@gemserv.com)**