

## **The 2013/14 Gas Distribution Network Shrinkage and Leakage Smart Metering Report (“the SLSM Report”)**

***Report on behalf of National Grid Gas Distribution, Scotia Gas Networks, Wales and the West Utilities and Northern Gas Networks***

### **Introduction**

Gas Distribution Networks (GDNs) are required to submit a single “Shrinkage and Leakage Smart Metering Report” to the Authority (Ofgem) once in every two Formula years. This obligation is set out in the Special Conditions applicable to all regulated GDNs (Special Condition 1F Part G). A copy of the Licence Condition is attached as Appendix 1 to this report.

This report is submitted to the Authority (Ofgem) to fulfil Special Condition 1F Part G applicable to all regulated GDNs.

Prior to submitting this final report to the Authority, GDNs have consulted with Gas Shippers and other interested parties.

A draft report was published as a consultation document on May 30<sup>th</sup>.

The Joint Office published a notice of the consultation document and it has been published on Shrinkage Forum area of the Joint Office website. The link to the consultation document is: <http://www.gasgovernance.co.uk/sf/leakage>

There have been no comments received on the draft report and this Final Report is therefore unchanged from the published consultation document.

**The Purpose of the single Gas Distribution Network Shrinkage and Leakage Smart Metering Report (the SLSM report)**

The purposes of the SLSM Report are set out in the Gas Transporter Licence; Special Condition 1F Part G:

(a) to review the collection and use of Smart Metering Data that may be relevant to The Shrinkage and Leakage Model; and

(b) to explain the relevance and implications of such data for the construction and operation of The Shrinkage and Leakage Model and for the reporting of information derived from it.

The SLSM Report must be made publicly available and must include:

(a) an update on the current status of the national smart metering implementation programme;

(b) the DN Operators' assessment of the suitability of the use of Smart Metering Data as an alternative to the use of The Shrinkage and Leakage Model to calculate the levels of gas Shrinkage and gas Leakage with respect to each Distribution Network that they operate;

(c) the steps that DN Operators are taking to ensure that they have appropriate access to Smart Metering Data; and

(d) how each Licensee intends to use Smart Metering Data to validate The Shrinkage and Leakage Model and the reporting of information under it.

The remainder of this report is structured to address each of the requirements in turn.

**Part 1A: A review of the collection and use of Smart Metering Data that may be relevant to The Shrinkage and Leakage Model**

The mass rollout of Gas Smart Meters has not started and the latest indications are that Suppliers will commence mass rollout possibly in late 2015 or early 2016. The timing is dependent on the “Go live” of the Data Communications Company (DCC.)

The DCC is now expected to go-live in December 2015 and therefore SMETS (Smart Metering Technical Specification) compliant meters will not be able to become registered until that time at the earliest. The GDNs have written to DECC with regard to becoming a DCC system user which would enable collection of consumption data and we have jointly advised that we do not anticipate doing this until around 2017 when a sufficient density of meters may be available

**Part 1B: An explanation of the relevance and implications of such data for the construction and operation of The Shrinkage and Leakage Model and for the reporting of information derived from it.**

Despite the lack of existing Smart Meter data to review, consideration has been given to the relevance and implications of Smart Meter data and the potential impact on future Shrinkage and Leakage reporting.

There is no doubt that as Smart Meter data becomes available this will provide greater certainty of usage for one particular market sector – domestic sector. That information will therefore lead to a reduction in uncertainty surrounding domestic demand. The challenge will therefore be as to how best that information can be integrated into the way in which shrinkage estimation is modelled, if that is considered appropriate, to enhance the end result.

This may require a different approach to modelling, but it is only as data becomes available and a greater understanding of the nature and coverage of such information that a clearer picture will emerge.

The GDNs won't have maximum coverage from Smart Meters until 2020 if current targets are met. Until we are aware of when and where Suppliers will install Smart Meters during the period to 2020, we are unable to forecast when we might have enough reliable measurements to be usable. It is possible that the provision of Smart meters might vary considerably by GDN.

There is currently an industry Shrinkage Forum attended by GDN's, gas shippers and other interested parties and it is intended to set up a working group over the next 12 months to explore and test some of the alternative approaches smart metering offers. It is anticipated that this working group will include representation from gas shippers and other interested industry parties. The outcome from this group is expected to include identification of opportunities and recommendations on the use of Smart Metering data as an alternative or in support of existing practice. Regular updates from the group will be provided to the industry.

**Part 2A: An update on the current status of the national smart metering implementation programme;**

Currently we have no information from Suppliers on their individual or collective rollout programmes or strategy. Although DECC has supplied aggregate data on the annual rollout profile to 2020 this does not provide information for individual Suppliers, give geographical rollout information, or how the rollout would be done within an individual GDN. We would welcome information from each supplier on their rollout programme for each GDN.

The mass rollout of smart gas meters is scheduled to begin at the end of 2015 and be completed by the end of 2020. GDN's are obtaining updates from the Department of Energy and Climate Change and other bodies such as the Central Delivery Body and the Data Communications Company (DCC). Discussions are currently being held with DCC regarding how networks can access the data required in a cost effective way.

In the short term, based on the information received, it is not expected that there will be a sufficient number of Smart Gas Meters installed to provide GDN's with a usable volume of data.

**Part 2B: the DN Operators' assessment of the suitability of the use of Smart Metering Data as an alternative to the use of The Shrinkage and Leakage Model to calculate the levels of gas Shrinkage and gas Leakage with respect to each Distribution Network that they operate;**

Please see the response to Part 1B. GDN's would like to develop this work over the next 12 months in collaboration with shippers and other interested parties via the Shrinkage Forum. The outcome could be a consultation on future modelling options including the retention of the current methodology. Part of this work would involve reviewing alternatives from other countries and other sectors and sharing that learning.

**Part 2C: The step that DN Operators are taking to ensure that they have appropriate access to Smart Metering Data;**

Every GDN is committed to supporting the Supplier led gas Smart Meter programme. Each GDN, in conjunction with the Energy Networks Association and Xoserve is engaged and participating in the key Smart Meter industry work groups. This engagement also extends to the development of the DCC and future management of Supply Point data.

GDN's are also engaging with local Suppliers to fully understand their network specific rollout programmes. However, GDNs have yet to receive any information on the rollout plans from Suppliers and we would welcome receiving this information as soon as possible.

In summary, GDN's are actively participating at all levels in relation to the development of Smart Meters and will continue to do so.

**Part 2D: How each Licensee intends to use Smart Metering Data to validate The Shrinkage and Leakage Model and the reporting of information under it.**

As noted above, we plan to set up a working group within the next 12 months to explore how Smart data might be utilised, either as a new approach to determining Shrinkage or as a way of validating the results from the existing approach

It is proposed that the Terms of Reference of the Working Group make reference not only to how best utilise this data, but also to recommend to the industry what steps can be put in place to assist in developing a clearer picture of potential benefits at an early stage of the roll out.

**Next Steps**

This Final Report will now be published on the Joint Office website. It can be accessed using the following link. <http://www.gasgovernance.co.uk/sf/leakage>

We will continue to collectively take forward the issues covered within document with the key industry stakeholders, utilising the established Shrinkage forum and any other appropriate engagement channel.

## **Appendix 1; Gas Transporter Licence Special Condition 1F Part G**

### **Part G: Report to the Authority on the use of Smart Metering Data**

1F.31 The Licensee must, in conjunction with other DN Operators, ensure that a single report is submitted to the Authority once in every two Formula Years called the Shrinkage and Leakage Smart Metering Report (“the SLSM Report”).

1F.32 The first SLSM Report must be submitted to the Authority not later than 31 July 2014, and subsequent SLSM Reports must be submitted to the Authority not later than 31 July once every two Formula Years.

1F.33 The purposes of the SLSM Report are:

(a) to review the collection and use of Smart Metering Data that may be relevant to The Shrinkage and Leakage Model; and

(b) to explain the relevance and implications of such data for the construction and operation of The Shrinkage and Leakage Model and for the reporting of information derived from it.

1F.34 The SLSM Report must be made publicly available and must include:

(a) an update on the current status of the national smart metering implementation programme;

(b) the DN Operators’ assessment of the suitability of the use of Smart Metering Data as an alternative to the use of The Shrinkage and Leakage Model to calculate the levels of gas Shrinkage and gas Leakage with respect to each Distribution Network that they operate;

(c) the steps that DN Operators are taking to ensure that they have appropriate access to Smart Metering Data; and

(d) how each Licensee intends to use Smart Metering Data to validate The Shrinkage and Leakage Model and the reporting of information under it.

1F.35 Before submitting the SLSM Report to the Authority, the Licensee must, in conjunction with other DN Operators:

(a) consult on a draft of the report with gas shippers and other interested parties;

(b) allow all such persons a period of at least 28 days within which to respond to the consultation;

(c) ensure that all non-confidential responses to the consultation are made publicly available; and

(d) use best endeavours to ensure that those responses are summarised and taken into account in the final SLSM Report prepared for submission to the Authority.

1F.36 The Licensee must submit the SLSM Report to the Authority in such form and manner as the Authority may direct.