

**Final LDZ Shrinkage
Proposal for
Formula Year 2012/13**

**National Grid
27 February 2012**

Final LDZ Shrinkage Proposal for Formula Year 2012/13

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Final LDZ Shrinkage Proposal for Formula Year 2012/13

1 Purpose of Proposal

The purpose of this paper is to present our final LDZ Shrinkage Proposals for the Formula Year 2012/13 as required under *Uniform Network Code Section N 3.1.7*.

UNC Users have had the opportunity to comment on the LDZ Shrinkage Initial Proposals for Formula Year 2012/13 issued on 22 December 2011. One User representation has been received in respect of National Grid's Initial LDZ Shrinkage Proposal for 2012/13; see section 9 for further details.

In response to the User Representation, we have proposed a slight change to the Own Use Gas volumes; see section 3.2 for details. All other aspects of these proposals are consistent with our Initial Proposals.

2 Summary of Proposal

We propose to apply the Shrinkage Quantities outlined in the tables below for the Formula Year 2012/13 effective from 06:00 hrs on 1 April 2012.

Table 1. Proposed 2012/13 Annual LDZ Shrinkage Quantity Values

LDZ	Total (GWh)
Eastern	226
East Midlands	317
North Thames	339
North West	410
West Midlands	333
National Grid	1,625

Table 2. Proposed 2012/13 Daily LDZ Shrinkage Quantity Values

LDZ	Total (kWh)
Eastern	618,086
East Midlands	868,284
North Thames	929,186
North West	1,123,622
West Midlands	913,215
National Grid	4,452,393

3 Basis of Proposal

The proposed LDZ Shrinkage Quantities for Formula Year 2012/13 are based on the data and methodologies outlined within our LDZ Shrinkage Initial Proposals for Formula Year 2012/13 issued on 22 December 2011. However, in response to a User Representation, we have proposed a slight change to the Own Use Gas volumes; see section 3.2 for details.

The leakage in these proposals has been based on the Leakage Model, which is now controlled under Special Condition E9 of the GDN Licence. These proposals utilise the latest version of the leakage model, which was approved by Ofgem in June 2009.

Own Use Gas and Theft of Gas is based on predicted seasonal normal demand.

3.1 Leakage

Leakage from the low and medium pressure systems accounts for the majority of overall leakage within an LDZ. The leakage estimate has been derived from information obtained from the 2002/03 National Leakage Test programme combined with measured Monoethylene Glycol saturation levels, annual average system pressures and mains and services population data.

In addition, we have taken into account the leakage and operational venting from Above Ground Installations (AGIs). The magnitudes of these losses have been determined from the 2003 leakage survey of these sites.

Leakage, in terms of cubic metres of gas, is converted into energy by use of flow-weighted average CVs (measured in MJ/m³) that are detailed within the Initial Proposals.

3.2 Operational Usage (also known as Own Use Gas)

Under the UNC regime for Shrinkage, Own Use Gas is treated as a consolidated quantity that is calculated as a factor of seasonal normal annual LDZ consumption, to be procured on a flat daily basis. In response to the User Representation, discussed in section 9, we have agreed to use the 0.0113% OUG factor instead of the 0.011% factor used for our Initial Proposals. The impact of the change to the OUG factor is shown in Table 3 below:

Table 3. Impact of OUG Factor Change(GWh)

LDZ	Initial Proposals	Final Proposals
Eastern	5.0	5.2
East Midlands	6.9	7.1
North Thames	6.2	6.4
North West	7.8	8.0
West Midlands	5.0	5.2
National Grid	30.9	31.9

3.3 Theft of Gas

The responsibility for Theft of Gas is split between Gas Transporters and Shippers. Historically, unidentified theft has been assumed to be 0.3% of LDZ Consumption.

The *Uniform Network Code Section N 1.3.2* directs that LDZ Shrinkage shall include, and National Grid is therefore responsible for, gas illegally taken upstream of the customer control valve and downstream where there is no shipper contract with the end-user.

National Grid has applied a factor of 0.02% of seasonal normal LDZ consumption for Transporter-responsible theft, which is consistent with the level assumed since 2005/06.

As with Own Use Gas, Theft of Gas is treated as a consolidated quantity procured on a flat daily basis. These were detailed within our Initial LDZ Shrinkage Proposals for Formula Year 2012/13 issued on 22 December 2011.

3.4 Summary of proposed Shrinkage Quantities

Table 4, below, shows the proposed annual and daily Shrinkage Quantity values for the 2012/13 Formula Year:

Table 4. Proposed 2012/13 LDZ Shrinkage Quantity Values

LDZ	Annual (GWh)	Daily (KWh)
Eastern	226	618,086
East Midlands	317	868,284
North Thames	339	929,186
North West	410	1,123,622
West Midlands	333	913,215
National Grid	1,625	4,452,393

4 National Grid's Opinion

We believe that it is appropriate to implement the proposed Shrinkage Quantities in respect of LDZ Shrinkage for the period from 1 April 2012 to 31 March 2013.

The LDZ Shrinkage Quantities have been determined by utilising the best information and data available and by application of robust methodologies, which are consistent with those used in previous proposals.

5 Extent to which the Proposal would better facilitate the relevant objectives

The proposal provides National Grid's best forecast of the level of LDZ shrinkage for the Formula Year 2012/13. The proposal is based on robust methodologies and the best information available to National Grid.

This proposal is intended to further the efficient and economic operation of the system through more appropriate cost targeting.

6 The implications for National Grid of implementing the Proposal

Including:

a) implications for the operation of the System:

National Grid is unaware of any such implications that would result from implementing this proposal.

b) development, capital cost and operating cost implications:

The proposed LDZ Shrinkage Quantity values lead to a fair allocation of operating costs between LDZ systems.

c) extent to which it is appropriate for National Grid to recover the costs, and proposal for the most appropriate method for National Grid to recover the costs:

It is appropriate for each LDZ to incur a share of the overall shrinkage energy dependent upon the actual shrinkage in that LDZ.

d) analysis of the consequences (if any) this proposal would have on price regulation:

None identified.

7 The implications of implementing this Proposal for Users

This proposal improves the equitability and accuracy of cost targeting for Users.

8 Analysis of any advantages or disadvantages of implementation of the Proposal

- **Advantages:** Better reflective of the actual system usage and losses with improved cost targeting.

- **Disadvantages:** National Grid is not aware of any disadvantages.

9 User Representations

Users have had the opportunity to comment upon these proposals. National Grid has received one User Representation, which was a general representation to all Distribution Network Owners' (DNOs) proposals.

The representation raised one issue that was specific to the Initial Proposals, that being in respect of consistency across the DNs in the use of the 0.0113% Own Use Gas factor. National Grid has agreed to adopt the use of this factor for the 2012/13 Shrinkage Proposals.

Full details of the respondent's representation and the National Grid response are on the Joint Office website, [2012/13 Initial Shrinkage Proposals](#).

10 Programme of works required as a consequence of implementing the Proposal

Xoserve to enter daily LDZ Shrinkage Quantities into Gemini

11 Proposed implementation timetable (including timetable for any necessary information systems changes)

Under *Uniform Network Code Section N 3.1.8*, Users have until the 15 March 2012 to request that Ofgem issue a Standard Special Condition A11 (18) disapproval of this proposal.

If the disapproval is not given, the revised LDZ Shrinkage Quantities detailed in this proposal will be implemented at the start of the Gas Day on 1 April 2012.

12 Recommendation concerning the implementation of the Proposal

We recommend that the proposed LDZ Shrinkage Volumes be implemented with effect from 06:00 hrs on 1 April 2012.

13 National Grid's Proposal

This report contains our proposal for the LDZ Shrinkage Quantities for the Formula Year 2012/13. In summary, we propose that the LDZ Shrinkage Quantities should be set at the levels indicated in Table 2 within these proposals.

National Grid
27 February 2012