

**Final LDZ Shrinkage  
Proposal for  
Formula Year 2014/15**

**National Grid  
28 February 2014**

## **Final LDZ Shrinkage Proposal for Formula Year 2014/15**

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## **Final LDZ Shrinkage Proposal for Formula Year 2014/15**

### **1 Purpose of Proposal**

The purpose of this paper is to present our final LDZ Shrinkage Proposals for the Formula Year 2014/15 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 2014/15 issued on 24 December 2013. There were no User representations received in respect of National Grid's Initial Shrinkage Proposals.

The Initial Proposals identified shrinkage quantities for two scenarios; shrinkage quantities based on using leakage model v1.3 and that based on using v1.4. It was agreed at the Shrinkage Forum held on 19 February 2014<sup>1</sup> that, for the 2014/15 Formula Year, shrinkage quantities should be based on v1.4 of the leakage model. Therefore, these Final Proposals reflect the shrinkage quantities detailed within our Initial Proposals that were based on v1.4 of the leakage model.

### **2 Summary of Proposal**

We propose to apply the Shrinkage Quantities outlined in the tables below for the Formula Year 2014/15 effective from 06:00hrs on 1 April 2014.

Table 1. Proposed 2014/15 Annual LDZ Shrinkage Quantity Values

<b>LDZ</b>	<b>Total (GWh)</b>
<b>Eastern</b>	217
<b>East Midlands</b>	260
<b>North Thames</b>	256
<b>North West</b>	364
<b>West Midlands</b>	307
<b>National Grid</b>	<b>1,403</b>

Table 2. Proposed 2014/15 Daily LDZ Shrinkage Quantity Values

<b>LDZ</b>	<b>Total (kWh)</b>
<b>Eastern</b>	593,161
<b>East Midlands</b>	712,608
<b>North Thames</b>	702,202
<b>North West</b>	996,269
<b>West Midlands</b>	840,383
<b>National Grid</b>	<b>3,844,623</b>

### **3 Basis of Proposal**

The proposed LDZ Shrinkage Quantities for Formula Year 2014/15 are based on the data and methodologies outlined within our LDZ Shrinkage Initial Proposals for Formula Year 2014/15 issued on 24 December 2013.

The leakage in these proposals has been based on the Leakage Model v1.4.

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

<sup>1</sup> Details of can be found on the [Joint Office website](#)

### 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/m<sup>3</sup>) 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. These were detailed within our Initial LDZ Shrinkage Proposals for Formula Year 2014/15 issued on 24 December 2013

### 3.3 Theft of Gas

The responsibility for Theft of Gas is split between Gas Transporters and Shippers.

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 2014/15 issued on 24 December 2013.

### 3.4 Summary of proposed Shrinkage Quantities

Table 3, below, shows the proposed annual and daily Shrinkage Quantity values for the 2014/15 Formula Year:

Table 3. Proposed 2014/15 LDZ Shrinkage Quantity Values

LDZ	Annual (GWh)	Daily (KWh)
Eastern	217	593,161
East Midlands	260	712,608
North Thames	256	702,202
North West	364	996,269
West Midlands	307	840,383
National Grid	1,403	3,844,623

## 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 2014 to 31 March 2015.

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 2014/15. 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. There were no representations received in respect of National Grid's 2014/15 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 2014 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 2014.

**12 Recommendation concerning the implementation of the Proposal**

We recommend that the proposed LDZ Shrinkage Volumes be implemented with effect from 06:00hrs on 1 April 2014.

**13 National Grid's Proposal**

This report contains our proposal for the LDZ Shrinkage Quantities for the Formula Year 2014/15. In summary, we propose that the LDZ Shrinkage Quantities should be set at the levels indicated in Table 2 within these proposals.

**National Grid  
28 February 2014**