

National Grid LDZ Shrinkage Adjustment for Gas Year 2006/07

1. Introduction

This document advises Shippers of the Shrinkage Adjustment for National Grid operated LDZs for the period 1 October 2006 to 30 September 2007, as referred to in *Network Code Section N 3.4.1*.

2. LDZ Shrinkage Reconciliation Calculations

The LDZ Shrinkage Reconciliation Quantity (LRQ) is calculated as the difference between the Assessed and Procured LDZ Shrinkage Quantities. This reconciliation quantity is the amount that National Grid has over or under procured.

Therefore, for each LDZ:

$$\begin{array}{ccccc} \text{LDZ Shrinkage} & & & & \text{Assessed LDZ} \\ \text{Reconciliation} & & & & \text{Shrinkage Quantity} \\ \text{Quantity (LRQ)} & = & & - & \text{Procured LDZ} \\ & & & & \text{Shrinkage} \\ & & & & \text{Quantity (PQ)} \end{array}$$

3. LDZ Shrinkage Adjustment for 2006/07

Table 1, below, shows the LDZ Shrinkage Reconciliation Quantities for each LDZ during period operated by National Grid as calculated using the values indicated in the LDZ Shrinkage Assessment for the 2006/07 Gas Year.

Table 1. LDZ Shrinkage Reconciliation for 2006/07 Gas Year Shrinkage Adjustment

LDZ	Assessed LDZ Shrinkage Quantity (kWh)	Procured LDZ Shrinkage Quantity (kWh)	LDZ Shrinkage Reconciliation Quantity (kWh) ¹
EA	266,077,978	264,720,955	1,357,023
EM	357,598,659	359,932,340	-2,333,681
NT	354,797,394	356,276,984	-1,479,590
NW	505,505,755	503,538,526	1,967,229
WM	384,865,446	378,316,125	6,549,321
Total	1,868,845,232	1,862,784,930	6,060,302

4. Financial Adjustment

The Financial Adjustment (FA) due to National Grid for Energy (cost of the gas) is calculated as shown below:

$$FA(\pounds) = \sum_{1/10/06}^{30/9/07} LRQ(kWh) \times SAP(p/kWh) / 100$$

Where:

FA (£) = Financial Adjustment

LRQ (kWh) = LDZ Shrinkage Reconciliation Quantity

SAP = Flow Weighted Average System Average Price for 2006/07

The Flow Weighted Average System Average Price for 2006/07 is the daily System Average Price, flow-weighted by LDZ throughput quantities (adjusted for the effect of LDZ Offtake Measurement adjustments processed via RbD).

¹ Negative values indicate an over procurement

The allocation of any debit or credit to Shippers resulting from the Adjustment process is achieved by calculating the energy adjustment on a daily basis, multiplying this by the daily flow-weighted average system average price, summing this by LDZ by month and apportioning this by the relevant Shipper RbD affected portfolio in each LDZ for each month.

Table 2, below, shows the financial adjustment by LDZ for the 2006/07 Gas Year, calculated on a daily basis in line with the methodology indicated above.

Table 2. Financial Adjustment by LDZ for the 2006/07 Gas Year

LDZ	LDZ Shrinkage Reconciliation Quantity due to Changes to Shrinkage Factors (kWh)²	Adjustment Value due to Changes to Shrinkage Factors
EA	1,357,023	£11,912.06
EM	-2,333,681	-£20,338.62
NT	-1,479,590	-£12,964.34
NW	1,967,229	£17,155.94
WM	6,549,321	£57,245.25
Total	6,060,302	£53,010.28

The overall financial value for the Energy Adjustment, £53,010.28, is therefore a debit to National Grid. Under the rules of Reconciliation by Difference, this is a credit of equal and opposite value to Domestic Shippers, i.e. a credit of £53,010.28.

² Reconciliation quantities due to changes in Shrinkage Factor cover changes to assessed leakage, OUG and the effects of the application of Shrinkage factors to four decimal places and rounding of Shrinkage volumes to integer kWh values.