

## **Northern Gas Networks**

### **Capacity Management & System Operation**

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*Shrinkage Adjustments for Gas Year 2007/08*

*Northern Gas Networks*

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## 1.0 Executive Summary

This document provides information to shippers on the following :

- Assessment of North and North East LDZ Shrinkage Factors
- Northern Gas Networks LDZ Shrinkage Adjustment
- Financial Adjustments applicable to Northern Gas Networks

### **Assessment of North and North East LDZ Shrinkage Factors**

In accordance with Uniform Network Code Section N3.3.3 the following information provides an assessment of shrinkage for both North and North Eastern LDZs. National Grid's final proposals for the Gas Year 2007/08 was not subject to Condition 7(4) disapproval and as a result, the proposed LDZ Shrinkage Factors were applied in accordance with *Uniform Network Code TPD Section N 3.1.8*.

*LDZ Shrinkage Factors Gas Year 2007/08*

LDZ	Shrinkage Factor
North	0.584%
North East	0.638%

The methodology and data sources used to determine the Shrinkage Factors for Gas Year 2007/08 are specified in Northern Gas Networks final proposals document for Gas Year 2007/08.

The assessment of Northern Gas Networks LDZ Shrinkage Quantity for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008, which is shown in section 2.0 of this document provides, where applicable, reasons for significant variance between the estimated and the assessed LDZ Shrinkage Factors for the period.

The assessment of shrinkage quantity for North and North East LDZs for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008 is approximately 1060 MWh higher than the amount of shrinkage identified for that period, based on the above factors.

The reason for this difference is an increase in leakage energy, from 476.08 GWh to 477.14 GWh.

### **Northern Gas Networks LDZ Shrinkage Adjustment**

This section advises Shippers of the Shrinkage Adjustment for North and North East LDZ's for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008, as referred to in *Uniform Network Code TPD Section N 3.4.1*.

Using the applied and assessed shrinkage factors the following shrinkage quantities were calculated for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008.

*LDZ Shrinkage Reconciliation for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008*

LDZ	Procured LDZ Shrinkage Quantity (kWh)	Assessed LDZ Shrinkage Quantity (kWh)	LDZ Shrinkage Reconciliation Quantity (kWh)
North	220,125,307	221,406,858	1,281,551
North East	281,566,994	281,346,330	-220,664
NGN Total	501,692,301	502,753,188	1,060,888

Note: Negative values indicate an over procurement.

**Financial Adjustments applicable to Northern Gas Networks**

In accordance with the *LDZ Shrinkage Adjustments Methodology Version 1.0*, the two elements of financial adjustment (i.e. Shrinkage Energy Adjustment Reconciliation and Commodity Charge Reconciliation) have been calculated, the combined results of which are shown in the table below:

*Northern Gas Networks Total Financial Adjustment*

LDZ	LDZ Shrinkage Reconciliation Quantity (kWh)	Adjustment Value
North	1,281,551	£23,552.38
North East	-220,664	-£4,054.97
<b>NGN Total</b>	<b>1,060,888</b>	<b>£19,497.41</b>

Note : the figures above are for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008

**Northern Gas Networks Shrinkage Financial Adjustment is therefore £19,497.41.**

## 2.0 Assessment of North and North East LDZ Shrinkage Factors

The following section details the assessment of the Northern Gas Networks shrinkage factors for both North and North East LDZs.

### 2.1 Leakage

The proposed shrinkage factors for North and North East LDZ's for Gas Year 2007/08 were:

Table 2.10 - LDZ Shrinkage Factors Gas Year 2007/08

LDZ	Shrinkage Factor
North	0.584%
North East	0.638%

This factor resulted in an estimated LDZ specific shrinkage quantity of:

Table 2.11- Estimated LDZ Specific Shrinkage Quantity

LDZ	Shrinkage Quantity (GWh)
North	220.13
North East	281.57

Note: for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008.

### 2.2 Assessment of 2007/08 Leakage

The same methodology has been used to assess the 2007/08 leakage as that employed by Northern Gas Networks in the original estimate of leakage for Gas Year 2005/06.

The 2007/08 Gas Year Leakage Assessment calculation reflects changes in average system pressures with all other elements of the 2006/07 Leakage Assessment remaining unchanged (as agreed at the LDZ Shrinkage Forum held 22<sup>th</sup> June 2006).

Estimated and assessed leakage quantities for North and North East LDZs for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008 are shown below :

Table 2.20 - Estimated and Assessed Leakage Energy and Leakage Factors by LDZ

LDZ	2007/08 Original Estimated Leakage Energy GWh	2007/08 Assessed Leakage Energy GWh	Difference GWh
North	208.33	209.61	1.28
North East	267.75	267.53	-0.22
NGN Total	476.08	477.14	1.06

The assessment process has identified changes in shrinkage factor for North and North East LDZs that has resulted in an overall increase in energy of approximately 1060 MWh.

### 2.3 Operational Usage

Operational Usage gas is employed by Northern Gas Networks primarily as pre-heater fuel at a number of pressure reduction stations to prevent gas temperatures falling below zero degrees Celsius. There is also some minor additional use during venting operations.

The final proposed 07/08 OUG factor was 0.0113

## 2.4 Theft of Gas

An estimate of unidentified theft for 2007/08 was 0.2% of throughput, of which 10% was deemed to be the responsibility of Gas Transporters in 2007/08.

This figure has not been re-assessed as part of this process and remains constant within the overall shrinkage factor.

## 2.5 North and North East LDZ Shrinkage Factors

The assessment of the original Shrinkage Factors for Gas Year 2007/08 for North and North East LDZs has resulted in minor changes brought about by movement in the average system pressure used in the leakage calculation model. Table 2.50 below illustrates these changes:

*Table 2.50 - North and North East LDZ Shrinkage Factors*

LDZ	Applied Shrinkage Factors 2007/08	Assessed Shrinkage Factors 2007/08	Difference
North	0.584%	0.5874%	0.0034%
North East	0.638%	0.6375%	-0.0005%

Northern Gas Networks assessed LDZ Shrinkage Factors are different because of the change in average system pressures and OUG used in the assessment of leakage, as discussed in section 2.2.

This increase represents a Northern Gas Network increased energy requirement of 1060 MWh.

### 3.0 Northern Gas Networks LDZ Shrinkage Adjustment

The shrinkage adjustment applicable to Northern Gas Networks for North and North East LDZ is for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008.

#### 3.1 Shrinkage Adjustments for North and North East LDZs

Shrinkage adjustments for the LDZs owned and operated by Northern Gas Networks have been calculated in accordance with *LDZ Shrinkage Adjustments Methodology Version 1.0* that is published on the Joint Office Website.

Using the applied and assessed shrinkage factors the following shrinkage quantities were calculated for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008.

*Table 3.10 – LDZ Shrinkage Reconciliation for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008*

LDZ	Procured LDZ Shrinkage Quantity (kWh)	Assessed LDZ Shrinkage Quantity (kWh)	LDZ Shrinkage Reconciliation Quantity (kWh)
North	220,125,307	221,406,858	1,281,551
North East	281,566,994	281,346,330	-220,664
NGN Total	501,692,301	502,753,188	1,060,888

Note: Negative values indicate an over procurement.



## 4.0 Financial Adjustments Applicable to Northern Gas Networks

In accordance with the *LDZ Shrinkage Adjustments Methodology Version 1.0* there are two elements of financial adjustment. These are:

- Financial Adjustment for shrinkage energy reconciliation
- Financial Adjustment required for commodity charge reconciliation

Both of these financial elements are determined in the following sections.

### 4.1 Financial Adjustment for Shrinkage Energy Reconciliation

Applying the algorithm in section 2.2 of *LDZ Shrinkage Adjustments Methodology Version 1.0* the following financial adjustment has been determined for Northern Gas networks for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008.

Table 4.10 – Financial Adjustment (Gas Reconciliation)

LDZ	LDZ Shrinkage Reconciliation Quantity (kWh)	Adjustment Value
North	1,281,551	£23,552.38
North East	-220,664	-£4,054.97
NGN Total	1,060,888	£19,497.41

Note: The adjustment values above are derived from changes in the assessed shrinkage factors for North and North East LDZ and applying these to four decimal places.

The Northern Gas Networks total financial adjustment of £19,497.41 is positive and therefore identified as a credit to the Domestic Shippers.

### 4.2 Financial Adjustment required for Commodity Charge Reconciliation

Applying the algorithm in section 2.3 of *Annex 2 – LDZ Shrinkage Adjustments Methodology v0.4*, the following financial adjustment has been determined for Northern Gas networks for the period 1<sup>st</sup> October 2007 to 30<sup>th</sup> September 2008.

Table 4.20 – Financial Adjustment (Transportation Commodity Reconciliation)

LDZ	LDZ Shrinkage Reconciliation Quantity (kWh)	Adjustment Value
North	1,281,551	£2391.48
North East	-220,664	-£411.75
NGN Total	1,060,888	£1979.73

The Northern Gas Networks total financial commodity charge adjustment of £1979.73 is positive and therefore identified as a credit to the Domestic Shippers.

**Northern Gas Networks Total Financial Adjustment is therefore £21,477.14.**

### 4.3 Transportation Commodity Charges

The commodity charges used in the Transportation Commodity Reconciliation calculations are :

*Table 4.21 –Transportation Commodity Charges*

	Period of Application	
	01/10/07 to 31/03/08	01/04/08 to 31/09/08
NTS Commodity	0.000108	0.000129
LDZ Commodity	0.001751	0.001751
Customer Commodity	0	0
<b>Total Commodity Rate</b>	<b>0.001859</b>	<b>0.00188</b>