# LDZ SHRINKAGE
# ADJUSTMENTS METHODOLOGY

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## Document Control

| Version | Date | Reason for Change |
|---|---|---|
| 2.0 | nn<sup>th</sup> Mmmm YYYY | To account for changes introduced by UNC Modification Proposals 203V & 0225 |
| 1.0 | 19 October 2006 | Format revision, headers, footers, title page, content page and corresponding sections, and inclusion of document control |
| 0.4 Revision Draft | 07 Apr 2005 | |

## Development of Shrinkage Adjustmentss Methodology

1. The requirement to produce the LDZ Shrinkage Adjustments Methodology is specified in Section N3.4.2 of the Transportation Principal Document of the Uniform Network Code (UNC). This section also provides for the document to be revised from time to time. The provision reads[1]:

   "The "**LDZ Shrinkage Adjustments Methodology**" is the methodology from time to time established, published and revised by the Transporters (subject to prior approval by Panel Majority of the Uniform Network Code Committee) and issued to Users setting out the calculations for the reconciliation to be carried out under paragraph 3.4.1."

2. The Methodology set out below meets the Transporters' obligation to prepare a document, while the Document Control Section records changes which have been made to the Methodology. The document is published on the Joint Office of Gas Transporters website, www.gasgovernance.com.

3. The Transporters would welcome comments from Users on the published document at any time, which should be sent to enquiries@gasgovernance.com. In accordance with the UNC, the Transporters will put any revisions they propose should be made to the document to the Uniform Network Code Committee for approval.

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[1] Correct as at nn Mmmmm YYYY, Version n.nn of the UNC.

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# 1. Introduction

The purpose of this document is to define how LDZ shrinkage will be reconciled after the end of the relevant period as defined by the Transporters and how the costs shall be distributed. The relevant period may be less than 12 months, but shall be for a period of consistent Daily Shrinkage Quantity. This document does not form part of the Uniform Network Code (UNC).

# 2. Reconciliation Methodology

The following is designed to reconcile the purchased LDZ shrinkage quantities at the end of the relevant period against those calculated following the assessment applicable to that relevant period, in accordance with *UNC – Transportation Principal Document Section N3.3*, and ensure that the reconciliation by difference (RbD) billing process is adjusted accordingly.

A negative 'adjustment', in the calculations below, indicates an over procurement and, hence, a credit to the Gas Transporter; a positive 'adjustment' indicates an under procurement and, hence, a credit to Shippers.

## 2.1. Reconciliation Quantity

After the end of the relevant period, the Daily LDZ shrinkage reconciliation quantity shall be calculated as follows:

$$S_{LRQ} = \left(S_{LAQ} - S_{LPQ}\right)$$

Where  $S_{LRQ}$  =  Reconciliation LDZ specific Daily Shrinkage Quantity (kWh)

$S_{LAQ}$  =  Assessed LDZ specific Daily Shrinkage Quantity (kWh)

$S_{LPQ}$  =  Procured LDZ specific Daily Shrinkage Quantity (kWh)

### 2.2. Financial Adjustment (Gas Reconciliation)

The financial adjustment associated with gas reconciliation ($FA_{Rec}$) shall be calculated, on a daily LDZ basis, as follows:

$$FA_{Rec} \equiv \sum^{All\,days} \left[ S_{LRQ} \times SAP/100 \right]$$

Where  $FA_{Rec}$  =  Financial Adjustment associated with Gas Reconciliation (£)
$SAP$  =  Daily System Average Price (p/kWh)
$All\,days$  =  Sum for all days in the relevant period

### 2.3. Financial Adjustment (Transportation Commodity Reconciliation)

The financial adjustment associated with transportation commodity reconciliation shall be calculated individually for each of the two Commodity Charge elements[1], on a daily LDZ basis, as follows:

$$FA_{Comm} \equiv \sum_1^n \left[ \sum_{Pstart}^{Pend} (S_{LRQ}) \times CC_n /100 \right]$$

Where  $FA_{Comm}$  =  Financial adjustment associated with transportation commodity reconciliation (£)
$n$  =  Number of charging periods
$P_{start}$  =  Start date of the charging period
$P_{end}$  =  End date of the charging period
$CC_n$  =  Applicable Commodity Charge for the specific Commodity Charge element and charging period

## 3. Billing

The financial adjustments identified in Section 2, above, shall be allocated between Shippers in proportion to their share of the Aggregate LDZ AQ for the relevant period, subdivided into periods of consistent transportation charging, and shall be compiled into a single set of energy and network operator invoices or rebates.

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[1] NTS Commodity and System Commodity

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Where $FA_{Rec}$ = Financial Adjustment associated with Gas Reconciliation (£)
$SAP$ = Daily System Average Price (p/kWh)

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Where $FA_{Comm}$ = Financial adjustment associated with transportation commodity reconciliation (£)
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$CC_n$ = Applicable Commodity Charge for the specific Commodity Charge element and charging period

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