

Wales & West Utilities

**LDZ Shrinkage and Associated Commodity Charge Adjustment
for Gas Year 2005/2006**

1 Introduction

This document advises Shippers of the LDZ Shrinkage Adjustment, and Associated Commodity Charge Adjustment, for which Wales & West Utilities were responsible, covering the period 1 October 2005 to 30 September 2006, 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 Wales & West Utilities has over or under procured.

Therefore, for each LDZ:

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

3 LDZ Shrinkage Adjustment for 2005/06

Table 1, below, shows the LDZ Shrinkage Reconciliation Quantities for each LDZ as calculated using the values indicated in the LDZ Shrinkage Assessment for the 2005/06 Gas Year.

Table 1 LDZ Shrinkage Reconciliation for 2005/06 Gas Year Shrinkage Adjustment

LDZ	Assessed LDZ Shrinkage Quantity (kWh)	Procured LDZ Shrinkage Quantity (kWh)	LDZ Shrinkage Reconciliation Quantity (kWh) ¹
SW	331,582,541	336,798,235	-5,215,694
WN	57,772,254	59,793,975	-2,021,721
WS	164,654,997	173,013,973	-8,358,975
Total	554,009,793	569,606,182	-15,596,389

4 Financial Adjustment (Energy)

The Financial Adjustment (FA) due to Wales & West Utilities for Energy (cost of the gas) is calculated as shown below:

$$FA(\pounds) = \sum_{30/09/06}^{1/10/05} LRQ(kWh) \times SAP(p/kWh) / 100$$

Where:

- FA (£) = Financial Adjustment
- LRQ (kWh) = LDZ Shrinkage Reconciliation Quantity
- SAP = Flow Weighted Average System Average Price for 2005/2006

¹ Negative values indicate an over procurement

The Flow Weighted Average System Average Price for 2005/2006 is the daily System Average Price, flow-weighted by LDZ throughput quantities (adjusted for the effect of LDZ Offtake Measurement adjustments processed via RbD).

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 (Energy) by LDZ for the 2005/06 Gas Year, calculated on a daily basis in line with the methodology indicated above.

Table 2 Financial Adjustment (Energy) by LDZ for the 2005/06 Gas Year

LDZ	LDZ Shrinkage Reconciliation Quantity due to Changes to Shrinkage Factors (kWh) ²	Adjustment Value due to Changes to Shrinkage Factors
SW	-5,215,694	-£102,993.32
WN	-2,021,721	-£37,790.08
WS	-8,358,975	-£156,105.48
Total	-15,596,389	-£296,888.89

The overall financial value for the Energy Adjustment is therefore **£296,888.89**, a credit to Wales & West Utilities. Under the rules of Reconciliation by Difference, this is a debit of equal and opposite value to Domestic Shippers, i.e. a debit of (**£296,888.89**).

5 Commodity Charges

The following Commodity Charges applied over the period 1 Oct 05 to 30 Sept 2006:

	Period of Application	
	01/10/05 to 31/03/06	01/04/06 to 30/09/06
NTS Commodity	0.000127	0.000121
LDZ Commodity	0.001329	0.001329
Customer Commodity	0.00148	0.00148
Total Commodity Rate	0.002936	0.00293

6 Financial Adjustment (Commodity Charge)

The Financial Adjustment (FA_{cc}) for Commodity Charge reconciliation is calculated as shown below:

$$FA_{cc} (\text{£}) = \sum_{30/09/06}^{01/10/05} LRQ(kWh) \times CC(\text{£} / kWh)$$

Where:

FA_{cc} (£) = Financial Adjustment associated with the Commodity Charge

LRQ (kWh) = LDZ Shrinkage Reconciliation Quantity

CC(£/kWh) = Commodity Charge applicable to the period 1 October 2005 to 30 September 2006

² Reconciliation quantities due to changes in Shrinkage Factor cover changes to assessed leakage (as a result of changes to average system pressure) and own use gas factor, the effects of the application of Shrinkage factors to four decimal places and rounding of Shrinkage volumes to integer kWh values.

Table 3 shows the financial adjustment by LDZ for the 200/06 Gas Year, calculated on a daily basis in line with the methodology indicated above.

Table 3 Financial Adjustment (Commodity Charge) by LDZ for the 2005/06 Gas Year

Transportation Charges		
LDZ	1/10/05 to 30/09/06	
	Total Volume (kWh)	Total Adjustment (£)
SW	-5,215,694	-£15,304.98
WN	-2,021,721	-£5,931.80
WS	-8,358,975	-£24,525.69
Total	-15,596,389	-£45,762.46

The overall financial value for the Commodity Charge Adjustment is therefore £45,762.46, a credit to Wales & West Utilities. Under the rules of Reconciliation by Difference, this is a credit of equal and opposite value to Domestic Shippers, i.e. a debit of (£45,762.46).