# Wales & West Utilities

# LDZ Shrinkage and Associated Commodity Charge Adjustment for Gas Year 2007/08

## 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 2007 to 30 September 2008, as referred to in *Uniform 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:

| LDZ Shrinkage Reconciliation Quantity (LRQ) | = | Assessed LDZ Shrinkage Quantity (AQ) | - | Procured LDZ Shrinkage Quantity (PQ) |
|---|---|---|---|---|

## 3 LDZ Shrinkage Adjustment for 2007/08

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 2007/08 Gas Year.

**Table 1 - LDZ Shrinkage Reconciliation for 2007/08 Gas Year Shrinkage Adjustment**

| LDZ | Assessed LDZ Shrinkage Quantity (kWh) | Procured LDZ Shrinkage Quantity (kWh) | LDZ Shrinkage Reconciliation Quantity (kWh)[1] |
|---|---|---|---|
| SW | 291,447,534 | 299,419,748 | -7,972,214 |
| WN | 63,421,306 | 64,262,388 | -841,081 |
| WS | 154,600,323 | 166,395,262 | -11,794,940 |
| **Total** | **509,469,163** | **530,077,398** | **-20,608,235** |

## 4 Financial Adjustment (Energy)

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

$$FA(£) = \sum_{30/09/08}^{1/10/07} LRQ(kWh) \times SAP(p/kWh)/100$$

Where:

*FA* (£) = Financial Adjustment
*LRQ* (kWh) = LDZ Shrinkage Reconciliation Quantity

[1] Negative values indicate an over procurement

*SAP* = Flow Weighted Average System Average Price for 2007/08
The Flow Weighted Average System Average Price for 2007/08 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, summating 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 2007/08 Gas Year, calculated on a daily basis in line with the methodology indicated above.

**Table 2 - Financial Adjustment (Energy) by LDZ for the 2007/08 Gas Year**

| LDZ | LDZ Shrinkage Reconciliation Quantity due to Changes to Shrinkage Factors (kWh)[2] | Adjustment Value due to Changes to Shrinkage Factors (£) |
|---|---|---|
| SW | -7,972,214 | -£145,649.84 |
| WN | -841,081 | -£15,472.00 |
| WS | -11,794,940 | -£218,075.23 |
| **Total** | **-20,608,235** | **-£379,197.07** |

The overall financial value for the Energy Adjustment is therefore **£-379,197.07**, 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 **£379,197.07**).

## 5 Commodity Charges

The following Commodity Charges applied over the period 1 October 207 to 30 September 2008:

| | 01/10/07 to 31/03/08 (p/kWh) | 01/04/08 to 30/09/08 (p/kWh) |
|---|---|---|
| NTS Commodity | 0.0108 | 0.0129 |
| LDZ Commodity | 0.1741 | 0.1741 |
| Customer Commodity | 0.0000 | 0.0000 |
| **Total Commodity Rate** | **0.1849** | **0.1870** |

## 6 Financial Adjustment (Commodity Charge)

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

$$FA_{cc}(£) = \sum_{30/09/08}^{01/10/07} LRQ(kWh) \times CC(£/kWh)$$

Where:

$FA_{cc}$ (£) = Financial Adjustment associated with the Commodity Charge
*LRQ* (kWh) = LDZ Shrinkage Reconciliation Quantity

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

*CC*(£/kWh) = Commodity Charge applicable to the period 1 October 2007 to 30 September 2008

Table 3 shows the financial adjustment by LDZ for the 2007/08 Gas Year, calculated on a daily basis in line with the methodology indicated above.

**Table 3 - Financial Adjustment (Commodity Charge) by LDZ for the 2007/08Gas Year**

| Transportation Charges | | |
|---|---|---|
| LDZ | 1/10/07 to 30/09/08 | |
| | Total Volume (kWh) | Total Adjustment (£) |
| **SW** | -7,972,214 | -£14,788.85 |
| **WN** | -841,081 | -£1,561.15 |
| **WS** | -11,794,940 | -£21,900.80 |
| **Total** | **-20,608,235** | -£38,250.81 |

The overall financial value for the Commodity Charge Adjustment is therefore -£38,250.81, 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 £38,250.81).