

## National Grid LDZ Shrinkage Adjustment for Gas Year 2005/06

### 1. Introduction

This document advises Shippers of the Shrinkage Adjustment for National Grid operated LDZs for 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 National Grid has over or under procured.

Therefore, for each LDZ:

$$\text{LDZ Shrinkage Reconciliation Quantity (LRQ)} = \text{Assessed LDZ Shrinkage Quantity (AQ)} - \text{Procured LDZ Shrinkage Quantity (PQ)}$$

### 3. LDZ Shrinkage Adjustment for 2005/06

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 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) <sup>1</sup>
EA	289,476,687	301,997,698	12,521,011
EM	379,303,138	394,191,888	14,888,750
NT	388,759,496	410,349,094	21,589,598
NW	514,686,148	514,158,188	-527,960
WM	411,714,871	437,923,588	26,208,717
<b>Total</b>	<b>1,983,940,340</b>	<b>2,058,620,456</b>	<b>74,680,116</b>

### 4. Financial Adjustment

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

$$FA(\pounds) = \sum_{1/10/05}^{30/9/06} LRQ(kWh) \times SAP(p/kWh) / 100$$

Where:

FA (£) = Financial Adjustment

LRQ (kWh) = LDZ Shrinkage Reconciliation Quantity

SAP = Flow Weighted Average System Average Price for 2005/06

The Flow Weighted Average System Average Price for 2005/06 is the daily System Average Price, flow-weighted by LDZ throughput quantities (adjusted for the effect of LDZ Offtake Measurement adjustments processed via RbD).

<sup>1</sup> Negative values indicate an under 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 2005/06 Gas Year, calculated on a daily basis in line with the methodology indicated above.

**Table 2. Financial Adjustment by LDZ for the 2005/06 Gas Year**

<b>LDZ</b>	<b>LDZ Shrinkage Reconciliation Quantity due to Changes to Shrinkage Factors (kWh)<sup>2</sup></b>	<b>Adjustment Value due to Changes to Shrinkage Factors</b>
EA	12,521,011	£248,553.14
EM	14,888,750	£286,491.79
NT	21,589,598	£427,738.32
NW	-527,960	-£10,203.49
WM	26,208,717	£517,950.83
<b>Total</b>	<b>74,680,116</b>	<b>£1,470,530.60</b>

The overall financial value for the Energy Adjustment, £1,470,530.60, is therefore a credit to National Grid. Under the rules of Reconciliation by Difference, this is a debit of equal and opposite value to Domestic Shippers, i.e. a debit of £1,470,530.60.

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<sup>2</sup> 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.