

**Final LDZ Shrinkage  
Proposal for  
Formula Year 2010/11**

**National Grid  
1 March 2010**

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## **Final LDZ Shrinkage Proposal for Formula Year 2010/11**

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## Final LDZ Shrinkage Proposal for Formula Year 2010/11

### 1 Purpose of Proposal

The purpose of this paper is to present our final LDZ Shrinkage Proposals for the Formula Year 2010/11 as required under *Uniform Network Code Section N 3.1.7*.

The Shrinkage Quantities proposed are consistent with those published in our LDZ Shrinkage Initial Proposals for Formula Year 2010/11 issued on 1 January 2010. UNC Users have had the opportunity to comment on the Initial Proposals. No User representations have been received in respect of National Grid's Initial Shrinkage Proposals for 2010/11.

### 2 Summary of Proposal

We propose to apply the Shrinkage Quantities outlined in the tables below for the Formula Year 2010/11 effective from 06:00 hrs on 1 April 2010.

LDZ	Total (GWh)
Eastern	244
East Midlands	333
North Thames	356
North West	441
West Midlands	361
National Grid	1,734

Table 1. Proposed 2010/11 Annual LDZ Shrinkage Quantity Values

LDZ	Total (KWh)
Eastern	668,963
East Midlands	912,152
North Thames	974,307
North West	1,207,682
West Midlands	988,253
National Grid	4,751,358

Table 2. Proposed 2010/11 Daily LDZ Shrinkage Quantity Values

### 3 Basis of Proposal

The proposed LDZ Shrinkage Quantities for Formula Year 2010/11 are based on the data and methodologies outlined within our LDZ Shrinkage Initial Proposals for Formula Year 2010/11 issued on 1 January 2010.

The leakage in these proposals has been based on the Leakage Model, which is now controlled under Special Condition E9 of the GDN Licence. These proposals utilise the latest version of the leakage model, which was approved for use by Ofgem in June 2009.

Own Use Gas and Theft of Gas is based on predicted 17-year seasonal normal demand.

#### 3.1 Leakage

Leakage from the low and medium pressure systems accounts for the majority of overall leakage within an LDZ. The leakage estimate has been derived from information obtained from the 2002/03 National Leakage Test programme combined with

measured Monoethylene Glycol saturation levels, annual average system pressures and mains and services population data.

In addition, we have taken into account the leakage and operational venting from Above Ground Installations (AGIs). The magnitudes of these losses have been determined from the 2003 leakage survey of these sites.

National Grid is embarking on a programme of installing pressure management equipment on a number of its low-pressure networks. It is anticipated that this investment will deliver a reduction in leakage that would not be picked up in the normal application of the leakage model. Therefore, additional leakage reduction associated with this has been included in these proposals. These were detailed within our LDZ Shrinkage Initial Proposals for Formula Year 2010/11 issued on 1 January 2010.

Leakage, in terms of cubic metres of gas, is converted into energy by use of flow-weighted average CVs (measured in MJ/m<sup>3</sup>) that are detailed within the Initial Proposals.

### **3.2 Operational Usage (also known as Own Use Gas)**

Under the UNC regime for Shrinkage, Own Use Gas is treated as a consolidated Quantity that is calculated as a factor of 17-year seasonal normal annual LDZ consumption, to be procured on a flat daily basis. These were detailed within our LDZ Shrinkage Initial Proposals for Formula Year 2010/11 issued on 1 January 2010.

### **3.3 Theft of Gas**

The responsibility for Theft of Gas is split between Gas Transporters and Shippers.

The *Uniform Network Code Section N 1.3.2* directs that LDZ Shrinkage shall include, and National Grid is therefore responsible for, gas illegally taken upstream of the customer control valve and downstream where there is no shipper contract with the end-user.

Historically, unidentified theft has been assumed to be 0.3% of LDZ Consumption.

As with Own Use Gas, Theft of Gas will also be treated as a consolidated Quantity procured on a flat daily basis. These were detailed within our LDZ Shrinkage Initial Proposals for Formula Year 2010/11 issued on 1 January 2010

### **3.4 Summary of proposed Shrinkage Quantities**

Table 3, below, shows the proposed annual and daily Shrinkage Quantity values for the 2010/11 Formula Year:

<b>LDZ</b>	<b>Annual (GWh)</b>	<b>Daily (KWh)</b>
<b>Eastern</b>	244	668,963
<b>East Midlands</b>	333	912,152
<b>North Thames</b>	356	974,307
<b>North West</b>	441	1,207,682
<b>West Midlands</b>	361	988,253
<b>National Grid</b>	<b>1,734</b>	<b>4,751,358</b>

Table 3. Proposed 2010/11 LDZ Shrinkage Quantity Values

## **4 National Grid's Opinion**

We believe that it is appropriate to implement the proposed Shrinkage Quantities in respect of LDZ Shrinkage for the period from 1 April 2010 to 31 March 2011.

The LDZ Shrinkage Quantities have been determined by utilising the best information and data available and by application of robust methodologies, which are consistent with those used in previous proposals.

**5     Extent to which the Proposal would better facilitate the relevant objectives**

The proposal provides National Grid's best forecast of the level of LDZ Shrinkage for the Formula Year 2010/11. The proposal is based on robust methodologies and the best information available to National Grid.

This proposal is intended to further the efficient and economic operation of the system through more appropriate cost targeting.

**6     The implications for National Grid of implementing the Proposal**

Including:

**a)     implications for the operation of the System:**

National Grid is unaware of any such implications that would result from implementing this proposal.

**b)     development, capital cost and operating cost implications:**

The proposed LDZ Shrinkage Quantity values lead to a fair allocation of operating costs between LDZ systems.

**c)     extent to which it is appropriate for National Grid to recover the costs, and proposal for the most appropriate method for National Grid to recover the costs:**

It is appropriate for each LDZ to incur a share of the overall Shrinkage Energy dependent upon the actual shrinkage in that LDZ.

**d)     analysis of the consequences (if any) this proposal would have on price regulation:**

None identified.

**7     The implications of implementing this Proposal for Users**

This proposal improves the equitability and accuracy of cost targeting for Users.

**8     Analysis of any advantages or disadvantages of implementation of the Proposal**

- **Advantages:** Better reflective of the actual system usage and losses with improved cost targeting.
- **Disadvantages:** National Grid is not aware of any disadvantages.

**9     User Representations**

Users have had the opportunity to comment upon these proposals. There have been no User Representations received.

**10    Programme of works required as a consequence of implementing the Proposal**

Xoserve to enter daily LDZ Shrinkage Quantities into Gemini

**11 Proposed implementation timetable (including timetable for any necessary information systems changes)**

Under *Uniform Network Code Section N 3.1.8*, Users have until the 15 March 2010 to request that Ofgem issue a Standard Special Condition A11 (18) disapproval of this proposal.

If the disapproval is not given, the revised LDZ Shrinkage Quantities detailed in this proposal will be implemented at the start of the Gas Day on 1 April 2010.

**12 Recommendation concerning the implementation of the Proposal**

We recommend that the proposed LDZ Shrinkage Volumes be implemented with effect from 06:00 hrs on 1 April 2010.

**13 National Grid's Proposal**

This report contains our proposal for the LDZ Shrinkage Quantities for the Formula Year 2010/11. In summary, we propose that the LDZ Shrinkage Quantities should be set at the levels indicated in the tables on page 2 of these proposals.

**National Grid  
01 March 2010**