

# **LDZ SHRINKAGE ADJUSTMENTS METHODOLOGY**

## Document Control

Version	Date	Reason for Change
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 Adjustments 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<sup>1</sup>:

“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](http://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](mailto: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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<sup>1</sup> Correct as at 1 February 2006, Version 2.02 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 Gas Year and how the costs shall be distributed. 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 a Gas Year against those calculated following the assessment applicable to that Gas Year, 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 Gas Year the LDZ shrinkage reconciliation quantity shall be calculated as follows:

$$S_{LRQ} = \sum_{1Oct}^{30Sep} \left( \frac{SF_{Ass}}{1 + SF_{Ass}} \times T_{LDZ} - S_{PQ} \right)$$

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

$SF_{Ass}$  = Assessed LDZ specific Shrinkage Factor<sup>1</sup>

$T_{LDZ}$  = LDZ specific daily throughput (kWh)

$S_{PQ}$  = 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:

$$FA_{Rec} \equiv \sum_{1Oct}^{30Sep} \left[ \left( \frac{SF_{Ass}}{1 + SF_{Ass}} \times T_{LDZ} - S_{PQ} \right) \times SAP / 100 \right]$$

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

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

The financial adjustment associated with transportation commodity reconciliation shall be calculated individually for each of the three Commodity Charge elements<sup>2</sup>, on a daily LDZ basis, as follows:

$$FA_{Comm} \equiv \sum_1^n \left[ \sum_{P_{start}}^{P_{end}} \left( \frac{SF_{Ass}}{1 + SF_{Ass}} \times T_{LDZ} - SPQ \right) \times CC_n / 100 \right]$$

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 Gas Year, 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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<sup>1</sup> The assessed Shrinkage Factors are applied free from rounding; Shrinkage Factors normally being applied rounded to four decimal places for Daily Shrinkage Quantity calculations. Where a particular year's proposed Shrinkage Factors had been subject to Condition 9(3) disapproval, the Assessed Shrinkage Factors shall be considered to be the un-rounded factors that had been applied during that year.

<sup>2</sup> NTS Commodity, LDZ Commodity and Customer Commodity