

# Northern Gas Networks Shrinkage Adjustments

Formula Year 2020/21

Northern Gas Networks

July 2021

Northern Gas Networks Shrinkage Adjustments Formula Yr. 2020-2021 SLM v1.4

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1.0 Executive Summary .....	3
2.0 Financial Adjustments Applicable to Northern Gas Networks .....	4
2.1 Financial Adjustment for Shrinkage Energy Reconciliation.....	4
2.2 Financial Adjustment required for Commodity Reconciliation.....	4
2.3 Transportation Commodity Charges .....	5
3. Operational Usage (Own Use Gas) .....	5
4. Theft of Gas .....	6
Appendix A - LDZ Shrinkage Adjustment Methodology Version 2 (2009) .....	7

## 1.0 Executive Summary

This document provides information to Industry on the following:

- Assessment of North and North East LDZ Shrinkage Quantities
- Northern Gas Networks LDZ Shrinkage Adjustment
- Financial Adjustments applicable to Northern Gas Networks

### **Assessment of North and North East LDZ Shrinkage Quantity**

In accordance with Uniform Network Code Section N3.3.3, the following information provides an assessment of shrinkage for both North and North Eastern LDZs. Northern Gas Networks final proposals for the Gas Year 2020/21 was not subject to Condition 7(4) disapproval and as a result, the proposed LDZ Shrinkage Quantities were applied in accordance with *Uniform Network Code TPD + Section N 3.1.8*.

*Table 1.1 - Final Proposal Shrinkage Quantity for 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021*

<b>LDZ</b>	<b>Shrinkage Quantity (GWh)</b>
<b>North</b>	<b>144.98</b>
<b>North East</b>	<b>167.25</b>
<b>NGN Total</b>	<b>312.24</b>

The assessment of shrinkage quantity for North and North East LDZs for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 is approximately **6.76** GWh higher than the amount of shrinkage identified for that period, based on the above quantities.

### **Northern Gas Networks LDZ Shrinkage Adjustment**

This section advises Industry of the Shrinkage Adjustment for North and North East LDZ's for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021 as referred to in *Uniform Network Code TPD Section N 3.4.1*. Using the applied and assessed shrinkage factors, the following shrinkage quantities were calculated for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021:

*Table 1.2 - LDZ Shrinkage Reconciliation for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021*

<b>LDZ</b>	<b>Assessed LDZ Shrinkage Quantity (kWh)</b>	<b>Procured LDZ Shrinkage Quantity (kWh)</b>	<b>LDZ Shrinkage Reconciliation Quantity (kWh)</b>
<b>North</b>	<b>146,943,157</b>	<b>144,981,175</b>	<b>1,961,981</b>
<b>North East</b>	<b>172,053,920</b>	<b>167,254,263</b>	<b>4,799,657</b>
<b>NGN Total</b>	<b>318,997,077</b>	<b>312,235,438</b>	<b>6,761,638</b>

**Note: Negative values indicate an over procurement.**

## 2.0 Financial Adjustments Applicable to Northern Gas Networks

In accordance with the *LDZ Shrinkage Adjustments Methodology Version 2.0* there are two elements of financial adjustment. These are:

- Financial Adjustment for shrinkage energy reconciliation
- Financial Adjustment required for commodity charge reconciliation

Both of these financial elements are determined in the following sections.

### 2.1 Financial Adjustment for Shrinkage Energy Reconciliation

Applying the algorithm in section 2.2 of *LDZ Shrinkage Adjustments Methodology Version 2.0* the following financial adjustment has been determined for Northern Gas Networks for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021.

*Table 2.10 – Financial Adjustment (Gas Reconciliation)*

<b>LDZ</b>	<b>LDZ Shrinkage Reconciliation Quantity (kWh)</b>	<b>Adjustment Value</b>
<b>North</b>	<b>1,961,981</b>	<b>£20,883.14</b>
<b>North East</b>	<b>4,799,657</b>	<b>£51,087.08</b>
<b>NGN Total</b>	<b>6,761,638</b>	<b>£71,970.22</b>

The Northern Gas Networks total financial adjustment of **£71,970.22** is positive and therefore identified as a debit to the Gas Transporters.

### 2.2 Financial Adjustment required for Commodity Charge Reconciliation

Applying the algorithm in section 2.3 of *LDZ Shrinkage Adjustments Methodology Version 2.0*, the following financial adjustment has been determined for Northern Gas networks for the period 1<sup>st</sup> April 2020 to 31<sup>st</sup> March 2021.

*Table 2.20 – Financial Adjustment (Transportation Commodity Reconciliation)*

<b>LDZ</b>	<b>LDZ Shrinkage Reconciliation Quantity (kWh)</b>	<b>Adjustment Value</b>
<b>North</b>	<b>1,961,981</b>	<b>£657.26</b>
<b>North East</b>	<b>4,799,657</b>	<b>£1,607.89</b>
<b>NGN Total</b>	<b>6,761,638</b>	<b>£2,265.15</b>

The Northern Gas Networks total financial commodity charge adjustment of **£2,265.15** is positive and therefore identified as a debit to the Gas Transporters.

**Northern Gas Networks Total Financial Adjustment is therefore £74,235.37**

## 2.3 Transportation Commodity Charges

The commodity charges used in the Transportation Commodity Reconciliation calculations are:

*Table 2.30 – Transportation Commodity Charges*

	Period of Application	
	01/04/2020 to 30/09/2020	01/10/2020 to 31/03/2021
NTS Commodity	<b>0</b>	<b>0</b>
LDZ Commodity	<b>0.000335</b>	<b>0.000335</b>
<b>Total Commodity Rate</b>	<b>0.000335</b>	<b>0.000335</b>

Note: The above figures are in pound per Kwh whilst the figures taken from the charging Statements are in pence per Kwh. The NTS Commodity charge has now been removed as part of MOD0678, and will remain zero going forwards.

### 3. Operational Usage (Own Use Gas)

Operational Usage, also known as Own Use Gas (OUG), is gas used within the LDZ for such purposes as pre-heater fuel to counter the impact of the Joule-Thompson effect and for other minor operational purposes.

Pre-heater fuel is the largest component of OUG and has always been determined using the output from a model that utilises the thermodynamic principles of the Joule-Thompson effect and gas volume, calorific value, pressure and temperature data. The currently accepted factor is based on a model developed by GL Noble Denton, which has been shared with the User community through the Shrinkage Forum.

For the purposes of assessment in respect of the 2019/20 Formula Year, no better information (meter readings) or calculation for actual OUG was available; therefore, the proposed factor of 0.0113% of consumption, based on the GL Noble Denton model was used.

*Table 3.10 - Assessment of OUG*

LDZ	Consumption 2020/21 (GWh)	Applied OUG Factor 2020/21	Daily OUG Quantity (kWh)
North	32,342	0.0113%	10,013
North East	38,246		11,841
NGN	70,588		21,853

#### 4. Theft of Gas

Uniform Network Code Section N1.3.2 states that “LDZ Shrinkage shall include gas lost through theft either upstream of the customer control valve or downstream where there is no shipper serving the gas consumer”. In respect of the 2020/21 Formula Year, a National Factor of 0.02% of throughput was applied.

*Table 4.10 - Assessment of ToG*

<b>LDZ</b>	<b>Consumption 2020/21 (GWh)</b>	<b>Applied ToG Factor 2020/21</b>	<b>Daily ToG Quantity (kWh)</b>
<b>North</b>	<b>32,342</b>	<b>0.020%</b>	<b>17,722</b>
<b>North East</b>	<b>38,246</b>		<b>20,957</b>
<b>NGN</b>	<b>70,588</b>		<b>38,678</b>

This report is based on data sourced from the Shrinkage and Leakage Model (SLM) Version 1.4 which was approved by Ofgem in September 2014 (modification to low pressure service calculations).

Because of the number of decimal places within the formula in the Shrinkage & Leakage Model (SLM), the rounding differences may result in immaterial changes to the overall values.

## Appendix A - LDZ Shrinkage Adjustment Methodology Version 2 (2009)

### 0. Introduction

The purpose of this document is to define how LDZ shrinkage will be reconciled after the End of the relevant period as defined by the Transporters and how the costs shall be Distributed. The relevant period may be less than 12 months, but shall be for a period of Consistent Daily Shrinkage Quantity. This document does not form part of the Uniform Network Code (UNC).

### 1. Reconciliation Methodology

The following is designed to reconcile the purchased LDZ shrinkage quantities at the end Of the relevant period against those calculated following the assessment applicable to that Relevant period, 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.

#### 1.1 Reconciliation Quantity

After the end of the relevant period, the Daily LDZ shrinkage reconciliation quantity Shall be calculated as follows:

$$SLRQ = (SLAQ - SLPQ)$$

Where  $SLRQ$  = Reconciliation LDZ specific Daily Shrinkage Quantity (kWh)

$SLAQ$  = Assessed LDZ specific Daily Shrinkage Quantity (kWh)

$SLPQ$  = Procured LDZ specific Daily Shrinkage Quantity (kWh)

#### 1.2 Financial Adjustment (Gas Reconciliation)

The financial adjustment associated with gas reconciliation ( $FARec$ ) shall be calculated, on a daily LDZ basis, as follows:

$$FA(\pounds) = \sum^{AllDays} (S_{LRQ} \times SAP / 100)$$

Where  $FARec$  = Financial Adjustment associated with Gas Reconciliation (£)

$SAP$  = Daily System Average Price (p/kWh)

$All\ days$  = Sum for all days in the relevant period

#### 1.3 Financial Adjustment (Transportation Commodity Reconciliation)

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

$$FA_{com} = \sum_1^n \left( \sum_{Pstart}^{Pend} (SLRQ) \times CC_n / 100 \right)$$

Where  $FA_{Comm}$  = Financial adjustment associated with transportation  
Commodity reconciliation (£)

$n$  = Number of charging periods

$Pstart$  = Start date of the charging period

$Pend$  = End date of the charging period

$CC_n$  = Applicable Commodity Charge for the specific  
Commodity Charge element and charging period

1 = System Commodity

## 2. 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 period, subdivided into periods of consistent transportation charging, and shall be compiled into a single set of energy and network operator invoices or rebates.