

Mr Julian Majdanski

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### **UNC Modification Proposal 0154**

#### **Enduring Provisions for LDZ System Entry Points**

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal.

The NTS Shrinkage Provider (NTS SP), does not support the implementation of this Modification Proposal 0154.

National Grid NTS is incentivised under the Gas Cost Incentive to minimise NTS Shrinkage costs and ensure correct cost apportionment. A key element of the aim of the incentive is to ensure that customers within an LDZ are not disadvantaged with respect to other customers within that LDZ due to the variations in the Calorific Value (CV) of the gas entering the network. Where the CV of the gas entering the Distribution Network (DN) via the various entry points (NTS to DN offtakes or embedded DN Entry Points) varies by more than 1MJ/m<sup>3</sup> from the combined average, the Flow Weighted Average CV (FWACV) calculation for the DN is impacted in that the CV used to bill for gas used in the DN is capped to 1MJ/m<sup>3</sup> above the lowest CV entering the DN. This event is generally referred to as "CV capping". The costs associated with this effective "loss" of energy is attributed to the NTS Shrinkage Manager Account as the NTS CV Shrinkage element of unaccounted for gas under the Gas Cost Incentive.

Where gas entering a DN is supplied solely from the NTS then National Grid NTS may take appropriate actions to ensure the energy losses associated from the above "CV capping" does not occur. However, where gas is entering the DN directly from a DN embedded entry point the CV of this gas may result in CV capping of the remainder of the LDZ network (or CV capping of the specific LDZ entry point) without the incentivised party, National Grid NTS, having any capability to manage the issue. This Modification Proposal does not seek to address this fundamental issue and leads to significant cost risk for National Grid NTS and NTS Shippers through the funding of the Gas Cost Incentive and will potentially lead to misallocation of costs.

Yours Sincerely,

Paul Gallagher,  
NTS Shrinkage Provider