

**CODE MODIFICATION PROPOSAL No 0203**  
**Revision to DN Shrinkage Regime**  
**Version 1.0**

**Date:** 05/03/2008

**Proposed Implementation Date:** 1 July 2008

**Urgency:** Non Urgent

## **1 The Modification Proposal**

### **a) Nature and Purpose of this Proposal**

Following the recently concluded 2008-13 Gas Distribution Networks Price Control discussions, Ofgem have proposed setting a fixed volumetric allowance for Shrinkage for each LDZ, as opposed to ex ante target shrinkage factors (percentages of throughput). Ofgem concluded that on the basis of evidence available, there is little correlation between shrinkage and throughput for the existing networks.

As a result, changes to Section N of UNC are required:

- to update references to LDZ Shrinkage Factors to reflect LDZ Shrinkage Volumes,
- make appropriate amendments to the industry notification processes, namely current Shrinkage Factor Initial and Final Proposals, and
- effect minor change to the classification of LDZ vented gas, consistent with the operation of the approved Leakage model calculations (vented gas is not burnt and therefore should be classed as unaccounted for gas, not own use gas).

Ofgem have stated (GDPCR Final Proposals, para 7.19) that:

*“In order to allow time for these modification proposals to be considered, and avoid potentially significant windfall gains or losses, we propose to roll over the existing shrinkage allowances (both volume and price) for the first six months of the next price control period.”*

There is therefore an expectation that the new ‘fixed volume’ UNC regime would be effective as from 1 October 2008. To facilitate the implementation of the Shrinkage Volume regime by 1 October 2008, the preferred implementation date of this modification is 1 July 2008 so that the ‘proposals’ process can reflect Shrinkage Volumes and DNs can avoid the current UNC obligation to produce initial and final shrinkage factor proposals documents (in respect of what would be an obsolete regime).

In addition, changes to the Gemini algorithm will be required to enable DNs to nominate a fixed daily volume as opposed to shrinkage factor volume. These changes are being progressed under a xoserve Change Order (as is the

assessment of potential iGMS implications) however this modification will need to ensure that the assessment & adjustment processes are robust and flexible enough to accommodate a transitional regime should Gemini changes be delayed.

**b) Justification for Urgency and recommendation on the procedure and timetable to be followed (if applicable)**

Not applicable

**c) Recommendation on whether this Proposal should proceed to the review procedures, the Development Phase, the Consultation Phase or be referred to a Workstream for discussion.**

The Proposer believes that this proposal is sufficiently clear to proceed directly to consultation.

**2 Extent to which implementation of this Modification Proposal would better facilitate the achievement (for the purposes of each Transporter's Licence) of the Relevant Objectives**

*Standard Special Condition A11.1 (c): so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

Implementation would be expected to facilitate the achievement of this objective.

**3 The implications of implementing this Modification Proposal on security of supply, operation of the Total System and industry fragmentation**

No such implications have been identified.

**4 The implications for Transporters and each Transporter of implementing this Modification Proposal, including:**

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

No such implications have been identified.

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

No such implications have been identified.

**c) Whether it is appropriate to recover all or any of the costs and, if so, a proposal for the most appropriate way for these costs to be recovered:**

No such cost recovery is proposed.

**d) The consequence (if any) on the level of contractual risk of each Transporter under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

No consequence has been identified.

**5 The extent to which the implementation is required to enable each Transporter to facilitate compliance with a safety notice from the Health and Safety Executive pursuant to Standard Condition A11 (14) (Transporters Only)**

Implementation is not required to facilitate such compliance.

**6 The development implications and other implications for the UK Link System of the Transporter, related computer systems of each Transporter and related computer systems of Users**

Changes to the Gemini algorithm will be required to enable DNs to nominate a fixed daily volume as opposed to shrinkage factor volume (COR1092)

**7 The implications for Users of implementing the Modification Proposal, including:**

**a) The administrative and operational implications (including impact upon manual processes and procedures)**

No such implications have been identified.

**b) The development and capital cost and operating cost implications**

No such implications have been identified.

**c) The consequence (if any) on the level of contractual risk of Users under the Uniform Network Code of the Individual Network Codes proposed to be modified by this Modification Proposal**

**8 The implications of the implementation for other relevant persons (including, but without limitation, Users, Connected System Operators, Consumers, Terminal Operators, Storage Operators, Suppliers and producers and, to the extent not so otherwise addressed, any Non-Code Party)**

No changes will be required for iGT or Users systems and processes.

**9 Consequences on the legislative and regulatory obligations and contractual relationships of the Transporters**

No such consequences have been identified.

**10 Analysis of any advantages or disadvantages of implementation of the Modification Proposal not otherwise identified in paragraphs 2 to 9 above**

**Advantages**

Alignment of UNC and Licence Obligations

**Disadvantages**

No disadvantages have been identified.

**11 Summary of representations received as a result of consultation by the Proposer (to the extent that the import of those representations are not reflected elsewhere in this Proposal)**

No consultation has been initiated.

**12 Detail of all other representations received and considered by the Proposer**

No representations have been received.

**13 Any other matter the Proposer considers needs to be addressed**

None identified.

**14 Recommendations on the time scale for the implementation of the whole or any part of this Modification Proposal**

**15 Comments on Suggested Text**

**16 Suggested Text**

**Code Concerned, sections and paragraphs**

Uniform Network Code

Transportation Principal Document

**Section(s)** N

**Proposer's Representative**

*Kerri Matthews (National Grid Distribution)*

**Proposer**

*Kerri Matthews (National Grid Distribution)*