Draft 2.0: 21 May 2024

**MODIFICATION 0843**

**ESTABLISHING THE INDEPENDENT SHRINKAGE CHARGE AND THE INDEPENDENT SHRINKAGE EXPERT**

[Draft] Proposed Legal Text

**TRANSPORTATION PRINCIPAL DOCUMENT**

**SECTION E: DAILY QUANTITIES, IMBALANCES AND RECONCILIATION**

*Amend paragraph 1.5.1 to read as shown below:*

1.5.1 In respect of each LDZ:

(a) the "**LDZ Daily Input Quantity**" is the aggregate quantity of gas treated as flowing into that LDZ on a Day, less the quantity (if any) treated as flowing out of the LDZ into another LDZ;

(b) the "**LDZ Daily Quantity Offtaken**" is the aggregate quantity of gas treated as offtaken from the Total System on a Day at all Supply Points and Connected System Exit Points (and including Unidentified Gas) on that LDZ, determined by adjusting the LDZ Daily Input Quantity to take account of LDZ Shrinkage, ISE shrinkage and changes (between the start and the end of the Day) in LDZ stock.

*Amend paragraph 7.3 to read as shown below:*

[ ]

*Add new paragraph 7.6 to read as follows*:

**7.6 IS Expert LDZ Reconciliation**

7.6.1 For the purposes of this paragraph 7.6 "**IS Expert**" LDZ Reconciliation is LDZ Reconciliation arising in relation to a Formula Year following preparation of the IS Reconciliation Statement for such year.

7.6.2 In relation to IS Expert LDZ Reconciliation, Unidentified Gas Reconciliation shall be carried out separately (and the IS Expert Reconciliation shall be excluded from the ordinary Unidentified Gas Reconciliation carried out in respect of each Reconciliation Billing Period) and for the purposes of paragraph 7.1.2 and 7.1.3:

(a) references in those paragraphs:

(i) to Reconciliation Billing Period are to [the month in which IS Expert LDZ Reconciliation is carried out]

(ii) LDZ Reconciliation carried out in a Reconciliation Billing Period are to IS Expert LDZ Reconciliation;

(iii) the Aggregate Reconciliation Quantity and Aggregate Reconciliation Clearing Value are to the Relevant IS Reconciliation Quantity and [ ] determined in accordance with Section N5.5.2 and [ ];

(b) the Unidentified Gas Reconciliation Period is the Formula Year.

**SECTION H – DEMAND ESTIMATION AND DEMAND FORECASTING**

*Amend paragraphs 2.6.1 and 2.6.2 to read as shown below:*

2.6.1 The "**Unidentified Gas**" (UIG) for a LDZ and a Day shall be determined as follows:

UIG = (LDQO – AULOQ) - (DISLQ + DISIQ)

where:

LDQO is the LDZ Daily Quantity Offtaken;

AULOQ is the aggregate for all Users of the User LDZ Offtake Quantities for the Day;

DISLQ is the Daily IS LDZ Quantity for the Formula Year in which such Day falls;

DISIQ is the aggregate of the Daily IS IGTS Quantity for the Formula Year in which such Day falls for each IGTS connected to the LDZ,

(the DISLQ and the DISIQ being in each the case [the forecast quantities] specified as such in the IS Statement for the Formula Year published in accordance with paragraph 5.4.1).

2.6.2 The "**Forecast Unidentified Gas**" (FUIG) at any time for a LDZ and a Day shall be determined as follows:

FUIG = ALFD– AULNQ

where:

AFLD is the Forecast LDZ Demand for the Day (in accordance with paragraph 5.2.7(a)) at that time, adjusted to exclude forecast LDZ shrinkage, ISE shrinkage and forecast stock change;

AULOQ is the aggregate for all Users of the User LDZ Nomination Quantity for the Day at that time;

and DISLQ and DISIQ shall have the meanings given in paragraph 2.6.1.

**SECTION N - SHRINKAGE**

*Renumber existing paragraph 5 as a new paragraph 6.*

*Insert new paragraph 5 to read as follows:*

1. INDEPENDENT SHRINKAGE EXPERT
   1. **Interpretation**
      1. For the purposes of this paragraph 5:
         1. in respect of a Formula Year and an LDZ
            1. the "**Annual IS IGTS Quantity**" is the Independent Shrinkage IGTS Quantity for the IGTS and the Formula Year;
            2. the "**Daily IS LDZ Quantity**" is:

where the Annual IS LDZ Quantity is positive, a quantity equal to the Aggregate IS LDZ Quantity divided by three hundred and sixty five (365);

where paragraph (i) does not apply, zero;

* + - 1. in respect of a Formula Year and an IGTS:
         1. the "**Annual IS LDZ Quantity**" is the Independent Shrinkage LDZ Quantity for the Formula Year and the LDZ, less the LDZ Shrinkage Quantity for the Formula Year and LDZ (estimated by the relevant Transporter and notified to the Authority in accordance with paragraph 3.1.7 (or as otherwise determined pursuant to paragraph 3.1.8));
         2. the "**Daily IS IGTS Quantity**" is:

where the Annual IS IGTS Quantity is positive, a quantity equal to the Annual IS IGTS Quantity divided by [365];

where paragraph (i) does not apply, zero;

* + - 1. the "**Independent Shrinkage LDZ Quantity**" or "**ISLQ**" is, in respect of an LDZ and a Formula Year, the quantity which the ISE estimates to be the LDZ shrinkage and identified in the IS Annual Statement;
      2. the "**Independent Shrinkage IGTS Quantity**" or "**ISIQ**" is, in respect of an IGT System and a Formula Year, the quantity which the ISE estimates as shrinkage in the IGTS and identified in the IS Annual Statement;
      3. the "**IS Annual Statement**" is the statement prepared by the IS Expert for a Formula Year (and in advance of such Formula Year) pursuant to paragraph 5.4; and
      4. the "**IS Document**" is the document entitled '[ ]' which sets out:
         1. the procedure for the appointment of the IS Expert;
         2. the qualifications and competencies which the IS Expert is required to hold;
         3. the criteria for selection of the IS Expert;
         4. the [material] terms of the IS Expert Contract;
         5. procedures and the timetable for establishing and updating the IS Model and the IS Methodology and preparing the IS Annual Statement; and
         6. [such other matters (consistent with this paragraph 5) as the Committee and the Transporters may agree;
      5. "**ISE Shrinkage**" means [in respect of an LDZ and a Day, the sum of the Daily IS LDZ Quantity and the Daily IS IGTS Quantity];
      6. the "**IS Expert**" is the person from time to time appointed as such expert pursuant to paragraph 5.2;
      7. the "**IS Expert Contract**" is the contract between the CDSP and the IS Expert pursuant to which the IS Expert agrees to act as the IS Expert;
      8. the "**IS Methodology**" is the methodology used by the IS Expert to acquire data which can be utilised for the purposes of the IS Model;
      9. the "**IS Model**" is the model used by the IS Expert to estimate the IS Quantities;
      10. "**IS Quantities**" means the Independent Shrinkage LDZ Quantity and the Independent Shrinkage IGTS Quantity for a Formula Years determined in accordance with the IS Model;
      11. "**IS Reconciliation Statement**" is the statement prepared by the IS Expert for a Formula Year (following the end of such Formula Year) pursuant to paragraph 5.5;
      12. "**Relevant IS Reconciliation Quantity**" has the meaning given in paragraph 5.5.2.
    1. The IS Document is a UNC Related Document and a reference to the IS Document is to such document as from time to time in force.
    2. A reference in this paragraph 5 to the Committee is to the Uniform Network Code Committee or (where established) the relevant Sub-committee.
    3. The Committee shall (inter alia) have the functions set out in this paragraph 5 and the IS Document.
  1. **Appointment of IS Expert**
     1. A person shall be appointed by the CDSP in accordance with this paragraph 5.2 for the purposes of:
        1. developing and updating the IS Model and the IS Methodology;
        2. in respect of a Formula Year and each LDZ:
           1. estimating the Independent Shrinkage LDZ Quantity;
           2. calculating the Annual IS LDZ Quantity;
        3. in respect of a Formula Year and each IGT System:
           1. estimating the Independent Shrinkage IGTS Quantity;
           2. calculating the Annual IS IGTS Quantity;
        4. preparing the IS Annual Statement and the IS Reconciliation Statement for each Formula Year in accordance with the timetable set out in the IS Document; and
        5. sending a copy of the IS Annual Statement and the IS Reconciliation Statement for each Formula Year to the Authority.
     2. The CDSP shall, subject to and in accordance with the IS Document and the requirements of the Committee:
        1. prepare arrangements and documentation for a tender for the appointment of a person to act as the IS Expert;
        2. conduct a tender on the basis of such arrangements and documentation;
        3. review and assess the proposals made by persons tendering for appointment as the IS Expert ('bidders') pursuant to the tender;
        4. where appropriate (for the purposes of appointing a bidder as the IS Expert) enter into discussions with one of more bidders;
        5. seek to enter into an IS Contract with the preferred bidder;
        6. perform the CDSP obligations and exercise the CDSP rights in accordance with the IS Contract.
     3. Without prejudice to the requirements of the IS Document, the CDSP may seek guidance or direction of the Committee in relation to:
        1. what steps are to take in the event no suitable person seeks appointment at the IS Expert or is willing to sign an IS Contract;
        2. any step the CDSP proposes to take (or not take) in relation to the activities to be undertaken by the IS Expert under paragraph 5.2.1,
        3. the CDSP's activities for the purposes of paragraph 5.2.2;
        4. and in relation to the IS Contract.
     4. This paragraph 5.2 shall apply on each occasion on which an IS Expert is to be appointed.
  2. **Terms of engagement of IS Expert** 
     1. Nothing in this paragraph 5 shall require the CDSP to enter into an IS Expert Contract on terms which in the CDSP's reasonable opinion:
        1. would be unlawful for the CDSP; or
        2. would give rise to the CDSP incurring any liability, other than in respect of its own wilful misconduct, gross negligence or fraud.
     2. The CDSP may enter into an IS Expert Contract on terms which:
        1. limit or exclude the liability (as to such matters as may be provided in such contract) of the IS Expert;
        2. provide that if a Party or any supplier or consumer makes any claim or takes any legal proceedings (as to such matters as may be provided in such contract) against the IS Expert, the CDSP will indemnify the IS Expert in respect of such claim or proceeding,

and in such a case each Party undertakes that it shall not, and in the case of a User it shall procure that each supplier and consumer does not, make such a claim or take such proceedings against the IS Expert, and shall indemnify the CDSP in respect of any liability to the IS Expert if such Party or any such supplier or relevant customer does make such a claim or take such proceedings.

* + 1. For the avoidance of doubt, the CDSP shall not be the agent or trustee of any Party for tpurposes of the IS Expert Contract, and the CDSP shall owe no duties or responsibilities to any Party in respect of the IS Expert Contract other than as provided in this paragraph 5 and the IS Document.
    2. The CDSP shall not agree to any amendment to the terms of the IS Expert Contract which relate to amounts payable to the IS Expert without the prior approval of the Committee.
  1. **IS Statement and the IS Quantities**
     1. For each Formula Year the IS Expert shall prepare and publish a statement, in accordance with the timetable set out in the IS Document, which:
        1. sets out the basis on which the IS Expert has utilised the IS Methodology and the IS Model to determine the ISLQ for an LDZ and the ISIQ for an IGT System;
        2. identifies the ISLQ for each LDZ;
        3. identifies the ISIQ for each IGTS System; and
        4. includes such other information as specified in the IS Document.
     2. The IS Expert will send the IS Annual Statement to the Authority in accordance with the timetable set out in the IS Document.
     3. The Annual IS LDZ Quantity for each LDZ and the Annual IS IGTS Quantity for each IGTS in respect of a Formula Year shall be the quantities identified in the IS Annual Statement, unless the Authority gives written notice to the [Transporter] that such any such quantities shall not apply for the purposes of this paragraph 5 in relation to the Formula Year, in which case the Annual IS LDZ Quantity or the Annual IS IGTS Quantity for the Formula Year shall be that applying to the Preceding Formula Year (or in the absence of any such quantity, zero).
     4. [Where the Annual IS LDZ Quantity is positive, for the purposes of paragraph 4.4.3(b) the Nomination Quantity for each Output Nomination to be made by a LDZ Shrinkage Provider shall be the sum of the LDZ Shrinkage Quantity and the Daily IS LDZ Quantity.]
     5. [ ]
  2. **Reconciliation**
     1. The IS Expert shall, in respect of each LDZ [and IGTS], monitor and review the shrinkage quantities during each Formula Year, and by no later than [ ] in following the Formula Year, prepare and send to the Transporters a statement ("**IS Reconciliation Statement**") in respect of the Formula Year showing any adjustments to the [forecast] Annual IS LDZ Quantity and [Annual IS IGTS Quantity] for the Formula Year.
     2. An IS Reconciliation Statement shall specify for each LDZ:
        1. the [forecast] Annual IS LDZ Quantity for the Formula Year and the [final] Annual IS LDZ Quantity as determined by the IS Expert after the Formula Year following any adjustment by the IS Expert in accordance with paragraph 5.5.1;
        2. the IS Expert's reasons for making any adjustment to the [forecast] Annual IS LDZ Quantity;
        3. the "**Relevant IS Reconciliation Quantity**", which shall be equal to, where:
           1. no adjustment is made to the [final] Annual IS LDZ Quantity and the assessed LDZ Shrinkage is less than the estimated LDZ Shrinkage (pursuant to paragraph 3.4), the difference between the estimated and assessed LDZ Shrinkage;
           2. an adjustment is made to increase the Annual IS LDZ Quantity and the assessed LDZ Shrinkage is less than the estimated LDZ Shrinkage (pursuant to paragraph 3.4), the quantity which represents the difference between the increased Annual IS LDZ Quantity and the assessed LDZ Shrinkage;
           3. an adjustment is made to decrease the Annual IS LDZ Shrinkage such that it is less than the assessed LDZ Shrinkage Quantity, zero.T
     3. By no later than 31 July in a Formula Year the Transporters shall provide a copy of the IS Reconciliation Statement in respect of the Preceding Formula Year to each User.
     4. The IS Expert will prepare an IS Reconciliation Statement notwithstanding the Authority may have given the notice referred to in paragraph 5.4.3, and where such notice is given the IS Reconciliation Statement shall be prepared on the basis of [ ].
  3. **Information** 
     1. Each Transporter and User shall cooperate with and provide information o the IS Expert (subject to any restriction on disclosure and to the extent as reasonably required by the IS Expert) in connection with the preparation of the IS Annual Statement and for the purposes of this paragraph 5 (and the Transporter and User acknowledge the IS Expert may notify the Authority in the event any such requested information is not provided).
     2. [ ]

**INDEPENDENT GAS TRANSPORTER ARRANGEMENTS DOCUMENT**

**SECTION C – IGTS SHRINKAGE**

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