

LDZ Shrinkage Final Proposals

Financial Year 2016/17

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REPORTS

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LDZ Shrinkage Proposals for Formula Year 2016/17

1. Purpose of Proposal

The purpose of this paper is to present Wales & West Utilities' (WWU) proposals in respect of LDZ Shrinkage Quantities for the Formula Year 2016/17 as required under section N of the Uniform Network Code.

Users have had the opportunity to comment on the LDZ Shrinkage Quantity Initial Proposals for Formula Year 2016/17 issued on the 29th December 2015. No representations were received with respect to Wales and West Utilities' LDZ Shrinkage Quantities Initial Proposals.

2. Summary of Proposal

WWU intends to implement the Shrinkage Quantities outlined in the tables below for the Formula Year 2016/17, effective from 0500hrs 1st April 2016.

LDZ	Proposed Annual Shrinkage Quantities	Proposed Daily Shrinkage Quantities
	GWh	kWh
Wales North	48.9	133,973
Wales South	114.8	314,521
South West	220.5	604,110
Total	384.2	1,052,604

3. Basis of Proposal

The proposed LDZ Shrinkage Quantities for Formula Year 2016/17 are based on the data and methodologies outlined within our LDZ Shrinkage Quantity Initial Proposals for Formula Year 2016/17 issued on 29th December 2015.

The leakage in these proposals has been based on the Leakage Model v1.4.

3.1. Leakage

Leakage from the low and medium pressure systems accounts for the majority of overall leakage within an LDZ. The leakage estimate has been derived from information obtained from the 2002/03 National Leakage Test programme combined with measured Monoethylene Glycol saturation levels, annual average system pressures and mains and services population data.

In addition, we have taken into account the leakage and operational venting from Above Ground Installations (AGIs). The magnitudes of these losses have been determined from the 2003 leakage survey of these sites.

Leakage, in terms of cubic metres of gas, is converted into energy by use of flow weighted average CVs (measured in MJ/m³).

3.2. Own Use Gas

Under the UNC regime for Shrinkage, Own Use Gas (OUG) is treated as a consolidated quantity that is calculated by applying an OUG to forecasted demand for the Formula Year. This was detailed in our LDZ Shrinkage Quantity Initial Proposals for Formula Year 2016/17.

3.3. Theft of Gas

UNC Section N 1.3.2 states that LDZ Shrinkage shall include, and WWU is therefore responsible for, gas illegally taken upstream of the emergency control valve (ECV) and downstream where there is no shipper contract with the end-user.

There is a current consensus agreement that unidentified theft is assumed to be 0.2% of LDZ consumption, of which 10% is deemed to be Transporters responsibility, resulting in a theft of gas factor of 0.02%.

As with OUG, Theft of Gas (ToG) is treated as a consolidated quantity and was further detailed in our LDZ Shrinkage Quantity Initial Proposals for Formula Year 2016/17.

4. WWU's Opinion

We believe that the proposed Shrinkage Quantities are consistent with the objective of using the best available information to estimate the LDZ Shrinkage for the period 1st April 2016 to the 31st March 2017.

5. Extent to which the Proposal would better facilitate the relevant objectives

This proposal provides a robust estimate of LDZ Shrinkage for the Formula Year 2016/17. The gas usage and loss in transportation within the LDZs will be reflective of actual conditions. This in turn facilitates the achievement of efficient and economic operation of the system through effective targeting of costs.

It will also lead to accurate targeting of costs to Users through the Reconciliation by Difference process and this is consistent with securing effective competition.

6. The implications for Wales & West Utilities of implementing the Proposal including:

a) Implications for operation of the System:

We are not aware of any such implications that would result from implementing this proposal.

b) Development and capital cost and operating cost implications:

The proposed LDZ Shrinkage (which have been prepared without Pressure and Temperature correction) lead to a fair allocation of operating costs between LDZ systems.

c) Extent to which it is appropriate for Wales & West Utilities to recover the costs, and proposal for the most appropriate way for Wales & West Utilities to recover the costs:

It is appropriate for each LDZ to incur a share of the overall Shrinkage Energy cost dependent upon the actual shrinkage in that LDZ.

d) Analysis of the consequences (if any) this proposal would have on price regulation

We are not aware of any such implications that would result from implementing this proposal.

7. The implications of implementing the Proposal for Users

This proposal improves the equitability and accuracy of cost targeting across all Users.

8. Analysis of any advantages or disadvantages on implementation of the Proposal

Advantages: Good representation of the actual system usage and losses leading to improved cost targeting.

Disadvantages: WWU are not aware of any disadvantages.

9. Summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the Proposal)

Users have had the opportunity to respond to these proposals. No representations were received with respect to Wales and West Utilities LDZ Shrinkage Quantities Initial Proposals for Formula Year 2016/17.

10. Programme of works required as a consequence of implementing the Proposal

The only required modification is to the LDZ Shrinkage values entered into GEMINI.

11. Proposed implementation timetable (including timetable for any necessary information system changes)

Users have until 15th March 2016 to request that Ofgem issues a Standard Special Condition A11 (18) disapproval of this proposal. This provision is in the UNC Section N 3.1.8.

If no disapproval notice is issued beforehand, it will be our intention to implement revised LDZ Shrinkage Quantities from 05:00 hrs on 1st April 2016.

12. Recommendation concerning the implementation of the Proposal

We recommend the proposed LDZ Shrinkage Quantities be implemented with effect from 05:00 hrs on 1st April 2016.

13. Wales & West Utilities Proposal

This report contains our proposal for the LDZ Shrinkage Quantities for the Formula Year 2016/17.