

Shrinkage Methodology Review

Gas Operational Forum 20-Jan-16

Scope

- The methodology that National Grid Gas employs to calculate specific components within the shrinkage incentive scheme.
- Undertaking full review of the methodology statement ahead of 2017/18.
- Consulting industry on proposed modifications.
- Statement is published at <http://www2.nationalgrid.com/uk/industry-information/gas-system-operator-incentives/nts-shrinkage/>

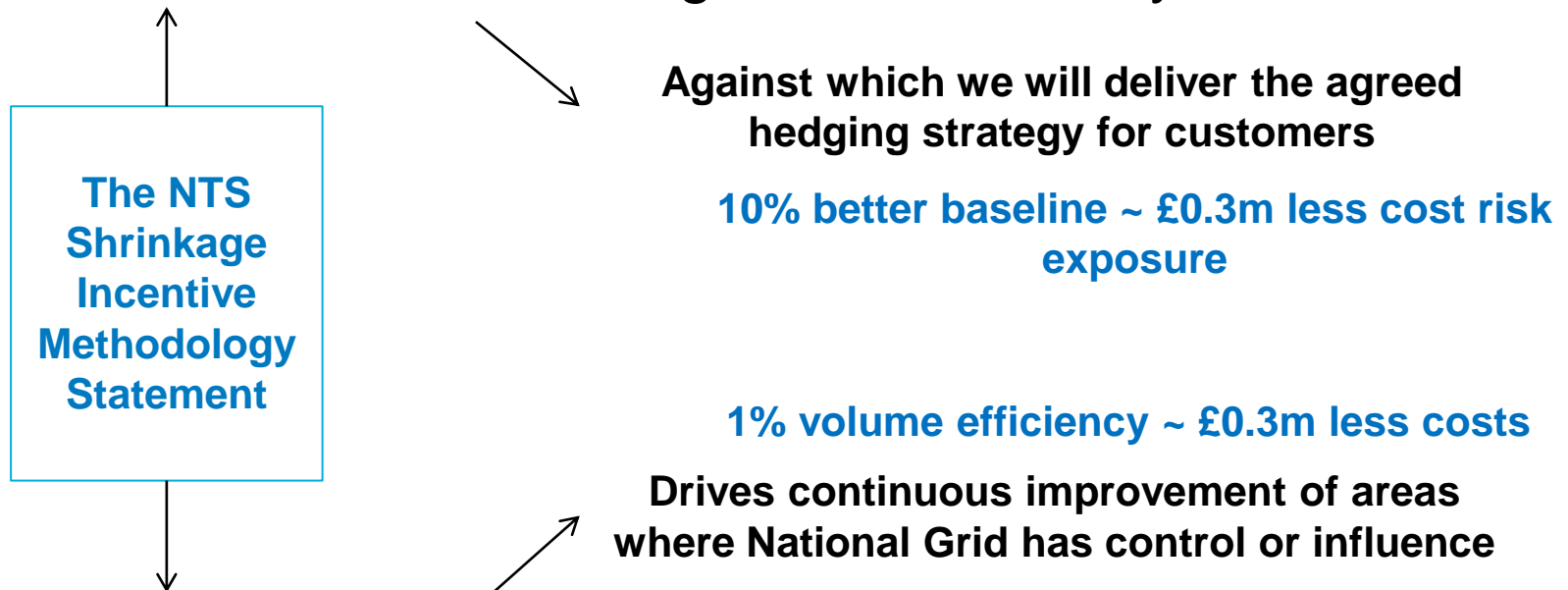
The NTS Shrinkage Incentive Methodology Statement

Shrinkage Methodology Review

- National Grid Gas purchase energy for
 - Compressor Fuel Use (CFU)
 - Unaccounted for Gas (UAG)
 - CV Shrinkage (CVS)
- Outturn cost (£80m – £100m per annum) recharged through commodity charges
- Incentivised to minimise cost through
 - Price risk management against a market benchmark
 - Volume efficiency – post-year assessment based on outturn conditions

Shrinkage Methodology Review

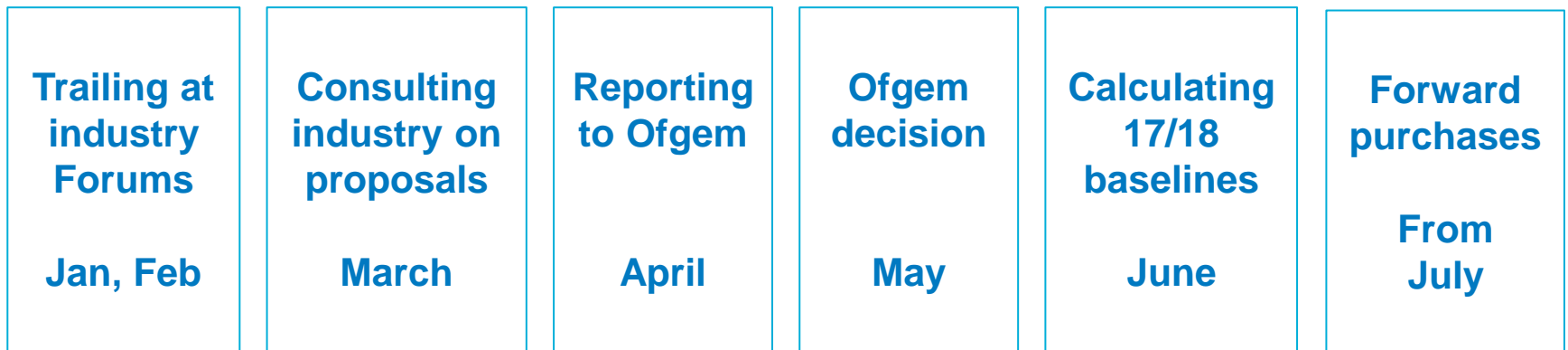
- Price risk management achieved by forward purchases of **baseline volumes** of gas and electricity



- **Volume efficiencies** calculated for Compressor Fuel Usage and CV Shrinkage

Shrinkage Methodology Review

- Reviewing to ensure fit for purpose:
 - Baseline volumes delivering price risk management for customers
 - Volume efficiencies mitigating windfall costs
- Expected timetable:



Contact information

- If you are interested or have questions please contact

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before or during the consultation.

- Consultation material will be published at <http://www2.nationalgrid.com/uk/industry-information/gas-system-operator-incentives/nts-shrinkage/>