

**TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0532**  
"Application of SO Commodity Charges to all NTS Loads"  
Version 3.0

**Date:** 14/02/2002  
**Proposed Implementation Date:** 01/04/2002  
**Urgency:** Non-Urgent

**Justification**

This Modification Proposal is required to give effect to an aspect of the proposal contained in Pricing Consultation paper PC70.

**Nature of Proposal**

It is proposed that System Operator (SO) commodity charges be applied at all exit points from the National Transmission System. This is consistent with the proposals in Pricing Consultation paper PC70 which Ofgem has indicated will not be vetoed.

At present, NTS commodity charges are applied in respect of all gas leaving the NTS at exit points from the National Transmission System, with the exception of storage sites. At storage sites commodity charges are only applied in respect of gas consumed at these sites for purposes such as process heating. Thus the majority of gas leaving the NTS at these sites is not subject to NTS commodity charges at the time it is transported to the storage site. It is proposed that the existing exception to application of NTS commodity charges should be removed, such that the proposed NTS SO charges would in future apply in respect of gas transported to all sites, including storage sites.

Transco proposes that this should be on the same basis at all sites and hence be applied to User Daily Quantity Outputs (UDQOs). Providing no User has made an entry nomination (ie associated with storage withdrawal nomination) on the same day, the sum of UDQOs will equal the physical quantity of gas off-taken at the storage site. Transco believes that even if there were entry nomination(s) in respect of the storage facility's entry point, applying the SO commodity charges would still better achieve the relevant objectives. It would, however, welcome representations in respect of alternative principles for applying the SO commodity charges that are consistent with the objectives of PC70.

**Purpose of Proposal**

The benefits of removing the distinction between commodity charging at storage sites and other exit points have been discussed in PC70 and the subsequent representations and report. Removing the distinction would institute a common charge rate that would better reflect the costs incurred by Transco in transporting gas to NTS exit points. In general these costs are independent of the nature of the site concerned. Transco believes that this is consistent with

facilitating the achievement of the efficient and economic operation by Transco of its pipe-line system.

**Consequence of not making this change**

As PC 70 has not been vetoed, the Network Code will be inconsistent with the revised Transportation Charging Methodology

**Area of Network Code Concerned**

B2.13

**Proposer's Representative**

John J Bradley (Transco)

**Proposer**

Tim M Davis (Transco)

**Signature**

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