

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0535
"Reconciliation of NTS Supply Points after Close-Out"
Version 1.0

Date: 15/02/2002

Proposed Implementation Date: 01/05/2002

Urgency: Non-Urgent

Justification

Both Users and Transco bear financial risks arising from the present mechanism of DM Reconciliation and this Modification Proposal seeks to reduce these risks.

Nature of Proposal

It is proposed that when measurement inaccuracies are found and quantified at NTS Supply Points and NTS CSEPs, the reconciliation process be revised so that the adjustments in off-take quantities are reflected in equal and opposite adjustments to the shrinkage procurement account.

At present, NTS Shrinkage is **assessed** for each Gas Flow Day by conducting an energy balance that takes into account:

- All flows into the NTS;
- All flows out of the NTS (including LDZ Off-takes, NTS Supply Points and NTS CSEPs (including storage sites and interconnectors)); and
- NTS line-pack changes determined from system pressures.

Prior to the Gas Flow Day, Transco **estimates** NTS Shrinkage and calculates an NTS Shrinkage Factor that, together with the LDZ Shrinkage Factors, determines the quantity of shrinkage gas procured. The Network Code also allows for differences between this estimated and assessed shrinkage for previous days to be reflected in this NTS Shrinkage Factor. This ensures that any over-procurement or under-procurement of shrinkage gas is corrected.

Providing measurement inaccuracies at NTS Supply Points are established prior to close-out, the adjustments are reflected in the assessed NTS Shrinkage for the gas day(s) concerned and the NTS Shrinkage Factors for future days are adjusted accordingly. However, after close-out no mechanism exists under the Network Code to recover the consequent under or over-procurement of shrinkage gas.

At present, DM Reconciliation at NTS Supply Points and NTS CSEPs leads to equal and opposite adjustments to Energy Balancing Neutrality Quantities so the financial costs and benefits arising from DM Reconciliation are borne by Users. Under the proposed SO Incentive arrangements, which are expected to become effective from 1 April 2002, the financial consequences of shrinkage procurement discrepancies would be shared between Transco and Users.

If this Modification Proposal were implemented, Energy Balancing Neutrality and hence Users' costs would not be affected by the DM Reconciliation process in respect of NTS Supply Points and NTS CSEPs.

Purpose of Proposal

The benefit of this Modification Proposal is the reduction of the present financial risks that apply to both Users and Transco. Implementation would better facilitate the securing of effective competition between relevant shippers by reducing their present Energy Balancing exposure and their potential future exposure within the proposed SO Incentive arrangements.

Consequence of not making this change

The present risks to Users arising from inappropriate adjustment of Energy Balancing Neutrality quantities would continue. Following the introduction of the proposed SO Incentive arrangements, Users would be subject to additional risks arising from lack of adjustment where over-procurement of shrinkage gas has occurred.

Area of Network Code Concerned

Section E6 Reconciliation
Section N2 NTS Shrinkage

Proposer's Representative

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Proposer

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Signature

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