

Modification Report
Supply Point Registration Process for the Optional NTS Commodity Tariff
Modification Reference Number 0464
Version 1.0

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

The proposal seeks to streamline the site registration process set out in the Network Code in those circumstances where a shipper elects to switch between the form of NTS commodity tariff, typically following a change in the standard NTS rate as a result of revenue re-distribution from NTS capacity auctions. The proposed process would not be available for those shippers electing to change any other site details or for those shippers that have not previously been billed on the optional tariff, as further site details would have to be registered with Transco in such circumstances

The proposed amendment to the existing process would involve a reduction in the list of information requirements that the Registered User and Transco are required to provide as part of the re-registration process and a shortening of the minimum timescales set out in the Network Code.

It is also proposed that the current restriction on shippers only being permitted to change the form of NTS commodity tariff on the 1st day of any month is lifted. To avoid any inconsistency between the registration rules for the optional NTS commodity tariff and the optional LDZ tariff, it is also proposed that this restriction would be removed for shippers applying for the optional LDZ tariff.

As part of this proposal, the draft legal text also contains an amendment for an incorrect reference within Section B 1.8.5 of the Network Code which provides for the optional NTS commodity tariff.

2. Transco's Opinion

Transco recognises that the existing Network Code rules for shippers re-registering sites appear particularly onerous when applied solely for the purpose of changing tariff, and the fact that such sites are Unique Sites means the processes are manually driven. Transco believes that there is merit in both reducing the list of information requirements that the Registered User and Transco are required to provide and in shortening the timescales between initial nomination and the registration date set out in Network Code for the circumstances described in the Modification Proposal.

Following the introduction of the revenue re-distribution mechanism associated with auctions of entry capacity (monthly firm and interruptible) which has resulted in

changes to the level of the standard NTS commodity rate relative to the optional NTS commodity rate, Transco believes there is merit in removing part of the administrative burden involved when shippers elect to switch between the form of NTS commodity tariff and to reduce the present timescales involved in order to allow shippers to benefit from their chosen tariff at the earliest opportunity.

It is proposed that the modification would be implemented in August 2001 to allow shippers to benefit from the modified SPA processes ahead of any revision to the standard NTS commodity rate following the monthly entry capacity auctions to be held in July/August 2001.

3. Extent to which the proposed modification would better facilitate the relevant objectives

The proposal seeks to remove part of the administrative burden involved when shippers elect to switch between the form of NTS commodity tariff and to reduce the present timescales involved in order to allow shippers to benefit from their chosen tariff at the earliest opportunity, thus furthering the efficient and economic operation of the system.

4. The implications for Transco of implementing the Modification Proposal, including

a) implications for the operation of the System:

No such implications are envisaged.

b) development and capital cost and operating cost implications:

The development costs involved in amending the administrative processes required for re-registration of supply points are not expected to be significant. It is anticipated that implementation of the proposal would achieve a reduction in operating costs.

c) extent to which it is appropriate for Transco to recover the costs, and proposal for the most appropriate way for Transco to recover the costs:

The development costs incurred would be met from allowed revenues for such purposes.

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

No such consequences are envisaged.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal

As the number of supply points affected by the proposal is minimal, no such consequence is envisaged.

6. The development implications and other implications for computer systems of Transco and related computer systems of Users

There would be minor changes to Transco's and shippers' off-line SPA systems.

7. The implications of implementing the Modification Proposal for Users

The proposal would simplify the administrative processes involved and would reduce the lead times set out in Network Code in the event that a User elects to switch between the optional NTS commodity tariff and the standard NTS commodity tariff. The proposal would also allow Users to switch between tariff on any day of the month, rather than the first of the month as currently required by the Network Code.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

No such implications are envisaged.

9. Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal

No such consequences are envisaged.

10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal

Advantages :

Reduces the administrative burden involved for Transco and shippers

Improves the likelihood of Users being able to switch between tariffs as soon as any change to the level of tariff takes effect.

Transco is not aware of any disadvantages were this Modification Proposal to be implemented.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations have been received from the following six parties :-

Innogy
Powergen

Association of Electricity Producers (AEP)
British Gas Trading (BGT)
Total Fina Elf Gas and Power (TFE)
Aquila.

All respondents are in support of the proposal and agree that it would be beneficial to simplify and speed up the administrative process connected with switching between different forms of the NTS commodity tariff. Powergen and AEP specifically express support for the element of the proposal that would allow shippers to implement a change of tariff on any day of the month, rather than only the first day of a month. Commenting on the existing arrangements, Powergen also states that it has found the notification from Transco of the revised commodity rate useful and urges for this practice to continue.

Innogy suggests that, although this proposal represents a step forward, it would ultimately like to see a fully automated approach in place which would automatically apply the lowest prevailing NTS commodity charge. However, BGT expresses sympathy with Transco's concerns that shippers should be in control of a process which applies a revised transportation charge and therefore believes that this proposal to streamline the re-registration process represents the best way forward.

Powergen suggests that consideration could have been given to issuing a Pricing Consultation which proposed that the Optional NTS commodity rate would also be reduced in line with any percentage reduction in the standard rate following an NTS Entry Capacity auction.

AEP urges Ofgem to implement the proposal by the proposed date of 1 August 2001, which would be before the next set of NTS Entry Capacity auctions. It argues that many of the sites which are eligible for the Optional NTS commodity rate are large offtakes consuming a considerable volume of gas, and therefore the financial impact could be significant.

Transco Response :

Transco welcomes the unanimous support expressed for the proposal.

Transco can confirm that, although not contractually obliged to do so, it is willing to continue the practice of notifying relevant shippers of any revision to the standard NTS commodity rate and acknowledges that this is welcomed by shippers.

Transco has expressed its concerns with any automation of this process on a number of occasions. Transco's rationale for this accords with the arguments provided by BGT.

Transco recognises the argument put forward by Powergen of including the Optional NTS commodity rate within the mechanism of redistribution of entry capacity auction revenues. However, this is outside the scope of the Modification Proposal.

Transco acknowledges AEP's request to seek an early implementation of the proposed modification in order to allow affected shippers to re-register their sites no later than the proposed effective date of any change to the standard NTS commodity rate.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation

Implementation is not required to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement furnished by Transco under Standard Condition 3(1) of the Licence

Not applicable

14. Programme of works required as a consequence of implementing the Modification Proposal

A programme of works is not required as there would be no changes to UK-Link systems as a consequence of implementing the Modification Proposal.

15. Proposed implementation timetable (including timetable for any necessary information systems changes)

Proposed Implementation date - 1st August 2001

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this Modification Proposal is implemented.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

Section B:

Paragraph 1.8.5(iv)

Amend to read:-

(iv)determined in accordance with Section B3.5.5, (the “**NTS Optional Commodity Rate**”);

Paragraph 3.5.5(v)

Amend to read:-

- (v) An application for the NTS Optional Commodity Rate for a Supply Point shall be made in accordance with the provisions of Section G2.3.2(i) or G2.3.9 (as the case may be) and, for a CSEP, shall be made in accordance with the provisions of paragraph (vi).

Section G:

Paragraph 2.2.6

Add the following new paragraph:-

2.2.6 A “**Supply Point Commodity Rate Renomination**” is, where the Existing Registered User had previously confirmed in accordance with paragraph B3.5.5 that the Applicable Commodity Rate in respect of the Current Supply Point was to be the NTS Optional Commodity Rate, a Supply Point Nomination submitted by the Existing Registered User of the Current Supply Point where:-

- (a) the Existing Registered User nominates that the Applicable Commodity Rate at the Current Supply Point is not to be the NTS Optional Commodity Rate; or
- (b) the NTS Optional Commodity Rate having previously been de-applied in accordance with sub-paragraph (a) above, the Existing Registered User wishes to re-apply for the NTS Optional Commodity Rate at the Current Supply Point.

Paragraph 2.3.2

Amend to read:-

2.3.2 A Supply Point Nomination which is a Supply Point Commodity Rate Renomination shall comply with the provisions of paragraph 2.3.9 and any other Supply Point Nomination shall specify:

Paragraph 2.3.6(ii)

Amend to read:-

- (ii) the Supply Point Nomination is not made strictly in accordance with the requirements of paragraph 2.3.2 and/or 2.3.9 (as the case may be);

Paragraph 2.3.7

Amend to read:-

2.3.7the requirement of paragraph 2.3.2 or 2.3.9 (as the case may be) which was not complied with).

Paragraph 2.3.9

Add the following new paragraph:-

2.3.9 A Supply Point Nomination which is a Supply Point Commodity Rate Renomination shall specify:

- (a) the identity of the Proposing User ;
- (b) the Supply Meter Point Reference Number in respect of the Supply Meter Points comprised in the Proposed Supply Point
- (c) the Applicable Commodity Rate that the User wishes to be applied being either:-
 - (i) the NTS Optional Commodity Rate; or
 - (ii) the Applicable Commodity Rate other than the NTS Optional Commodity Rate determined pursuant to paragraph B1.8.1;
 - (d) the Proposed Supply Point Registration Date;
 - (e) any other details which are required to be specified in any particular case pursuant to any provision of this Section G

Paragraph 2.4.2(k)

Amend to read:-

(k) where a User has made a Supply Point Nomination in accordance with paragraph 2.3.2(i) or 2.3.9(c)(i), the distance....

Paragraph 2.5.8(b)

Amend to read:-

- (b) not less than 15 Business Days after the Supply Point Confirmation is submitted unless;
- (i) at the time that the Supply Point Confirmation is submitted a Supply Point Withdrawal has been submitted by the Existing Registered User in respect of each Existing Supply Point in which case the Proposed Supply Registration Date shall not be less than 8 Business Days; or
- (ii) there is no change in the identity of the Registered User in respect of the Supply Point, in which case the Proposed Supply Registration Date shall not be less than 8 Business Days; or
- (iii) where the Supply Point Confirmation is resulting from a Supply Point Commodity Rate Renomination (a “Supply Point Commodity Rate Confirmation”) in which case the Proposed Supply Registration Date shall not be less than 4 Business Days; and

Paragraph 2.5.8(b)

Amend to read:-

- (c) where the Supply Point Offer made in accordance with paragraph 2.4.2 is received by Batch Transfer Communication , not earlier than 2 months (or such lesser period as Transco may specify);

after the Supply Point Confirmation is submitted.

Paragraph 2.7.1

Amend to read:-

2.7.1 A Supply Point Commodity Rate Confirmation shall comply with the provisions of paragraph 2.7.7 and any other Supply Point Confirmation....

Paragraph 2.7.7

Add the following new paragraph:-

2.7.7 Without prejudice to paragraph 2.7.1 a Supply Point Commodity Rate Confirmation shall specify:

- (a) the Supply Point Offer in respect of which it is made;
- (b) the Supply Meter Point Reference Number in respect of the Supply Meter Points comprised in the Proposed Supply Point
- (c) the Proposed Supply Point Registration Date ;

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0464**, version **1.0** dated **20/07/2001**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **1.0**.

Signature:

Process Manager - Network Code
Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriateprovided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.