

Modification Report
Modification Reference Number 0021

This modification report is made pursuant to Rule 8.12 of the Modification Rules and follows the format required under Rule 8.12.4.

1. Circumstances Making This Modification Urgent

In accordance with Rule 9.2(a) Ofgas has agreed that this modification should be treated as URGENT because concern has been expressed by the shipping community that Users may confirm NDM Supply Meter Points with AQ's that are inappropriate, particularly where previous Registered Users have not lodged an AQ appeal, as a result of the portfolio reconciliation process.

2. Procedures Followed

TransCo agreed with Ofgas (and has followed) the following procedures for this Proposal:

- 19 April 1996 - Meeting held at which proposal was discussed and agreed.
- 22 April 1996 - Modification proposal circulated to System Users for comments.
- 24 April 1996 - System User representations made.
- 25 April 1996 - Modification report to Ofgas.
- 25 April 1996 - Implementation.

3. The Modification Proposal:

This modification proposal is required to give shippers who were not the Registered User as at 1 March 1996 the opportunity to appeal against AQ's for NDM Supply Meter Points during the confirmation process, between D-7 and D. This is only a transitional arrangement up until 30 June 1996.

The appeal will only be accepted provided that it is submitted in accordance with the conditions of the Transition Document Part II 7.6. However, the relevant tolerance bands in 7.6.3 will be revised to be greater than 200% or less than 50% of the existing AQ. Appeals submitted in accordance with the provisions of the Transition Document Part II 7.6 will be investigated by TransCo.

The AQ if revised will then be used in the reconfirmation process by the Shipper. Transportation charges will be revised back to the original registration date in line with the provisions of G1.6.10, that is the registration date used in the confirmation when the appeal was raised.

4. Text provided pursuant to Rule 8.14:

The following drafting will be added to the Transition Document Part II Section 7.

Insert:

7.8 Annual Quantities on confirmation

- 7.8.1 Subject to paragraph 7.8.3, until 30th June 1996, where a Supply Point Confirmation made in respect of a Proposed Supply Point whose Annual Quantity is not less than 73,200 kWh (2,500 therms) will become effective, the Proposing User may, not later than the Supply Point Registration Date nor more than 8 Business Days earlier, notify TransCo that the Proposing User considers that the Annual Quantity of a Supply Meter Point, comprised in the Proposed Supply Point fails to satisfy the requirement (in accordance with paragraph 7.6.4 which shall be deemed to apply for the purpose of this paragraph 7.8) in Section G1.6.9.
- 7.8.2 In relation to any such notification as is referred to in paragraph 7.8.1, Sections G1.6.8(b) and G1.6.10 shall apply as though the User's notification had been made under Section G1.6.8(a) (disregarding sub-paragraphs (i) and (ii) thereof) and on the basis that references to the relevant Gas Year are to the period from the Supply Point Registration Date to 30th September 1996.
- 7.8.3 A notification under paragraph 7.8.1 may only be given where the quantity which the User estimates (in accordance with Section G1.6.8(b)(i)) should be the Annual Quantity of the Supply Meter Point is greater than 200% or less than 50% of the Annual Quantity.

5. TransCo's opinion:

This modification should be implemented to permit Shippers to lodge an AQ appeal during the confirmation process for Supply Meter Points, for which they were not the Registered User as at 1 March 1996.

6. Extent to which the modification would better facilitate the relevant objectives:

Shippers who confirm Supply Meter Points post 1 March 1996 may inherit AQ's that are totally inappropriate, due to the failure of the Registered User as at 1 March 1996 to lodge an AQ appeal. This will effect Transportation charges for the incoming Shipper. Currently there is no mechanism to redress these inaccuracies.

This proposal is to provide a transitional mechanism during the confirmation process, up until 30 June 1996, to enable incoming Shippers to lodge an AQ appeal. Post 30 June 1996 incumbent shippers will have the ability to appeal against AQ's via the AQ review process.

7. The implications for TransCo of implementing the Modification Proposal, including:

a) implications for the operation of System and any BG Storage Facility:

None

b) development and capital cost and operating cost implications

None

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 estimated cost of this modification is small, and so any cost will be recovered through existing mechanisms.

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

TransCo is not aware of any impact upon Price Regulation.

8. 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;

This modification proposal may result in the revision of transportation charges for a number of Supply Meter Points, which will require amending, via ad hoc invoices.

9. The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers;

The process will be manually based, hence no system changes will be required.

10. The implications of implementing the modification for Relevant Shippers.

If implemented Relevant Shippers will need to set up processes to lodge AQ appeals within the timescales defined within this modification.

11. The implications of implementing of the modification for terminal operators, suppliers, producers and, any Non-Network Code Party;

None

12. Consequences on the legislative and regulatory obligations and contractual relationships of TransCo and each Relevant Shipper and Non-Network Code Party (if any), of the implementation of the Modification Proposal;

TransCo has not been informed of any consequences of the legislation and regulatory obligations and contractual implications of implementing this proposal.

13. Analysis of any advantages or disadvantages of the implementation of the Modification Proposal;

Advantages: If implemented this process will help to ensure appropriate AQ's are attached to Supply Meter Points, with the consequential effect upon transportation charges.

Disadvantages: If AQ appeals are upheld April, May, June and July transportation invoices may need reconciling via further ad hoc invoices.

14. Summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the modification report;

British Gas Trading

British Gas Trading have some concerns regarding the tolerance level criteria enabling an AQ appeal to be raised. The modification specifies that AQ appeals can only be lodged where the Shipper's estimated AQ is greater than 200% or less than 50% of the current AQ. British Gas Trading recommend that the 200% threshold is reduced to 50%.

Kinetica

Kinetica raised concerns for tolerance levels involving DM Supply Meter Points. They consider the 200% level is too high and if they are unable to appeal against this AQ could be subject to ratcheting charges. They feel that the current tolerance levels detailed within Transition Document Part II 7.6.3 should remain unchanged. Kinetica also request that this mechanism should be investigated with a view to making it permanent.

TransCo Response

British Gas Trading

TransCo does not feel the 200% threshold should be reduced. It is unlikely that Shippers will wish to appeal against existing AQ's that are below the Shipper's estimated AQ.

Kinetica

This modification proposal only covers NDM Supply Meter Points. Shippers when nominating for DM Supply Meter Points are required to submit the relevant AQ's, as such they will not necessarily be subject to ratcheting.

15. The extent to which the implementation is required to enable TransCo to facilitate compliance with safety or other legislation;

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

16. 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;

This modification is not required to comply with the above clause.

17. Programme of works required as a consequence of the implementation of the Modification Proposal;

Not applicable.

18. Proposed implementation timetable;

If implemented this proposal will become operational on 25 April 1996. Consequently Shippers will be able to lodge AQ appeals for Confirmations submitted that comply with the criteria set out in this proposal.

19. Recommendation for the implementation of the modification:

TransCo recommends the procedure outlined in this modification proposal are implemented.

20. 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.

21. TransCo Proposal

This Modification Report contains TransCo's proposal to modify the Network Code and TransCo now seeks a direction from the Director General in accordance with this report.

Signed for and on behalf of British Gas TransCo.

Signature:

Date:

Name:

Position:

Director General of Gas Supply Response

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct British Gas TransCo that the above proposal be made as a modification to the network code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:

Date:

Name:

Position: