



Modification Proposal 0302

Exclusion of Isolated Only NDM Meter Points from NDM Supply Point Demand

24 December 1998

Present Position

A supply point is isolated when a shipper no longer wishes to provide a site with gas. The isolation ensures that gas cannot be offtaken from the system but the incumbent shipper still remains the registered shipper to that site. Transco currently forecasts the consumption of gas at sites which it knows to be isolated. Therefore, an isolated site is initially subject to commodity charges, capacity charges and a fixed customer charge.

Following changes to its IT systems on 20 September 1998, the commodity charge is later reconciled by Transco to reflect that no gas has been consumed. However, even if a reconciliation takes place, the shipper is still exposed to cash flow costs and an exposure to the different prices at which gas may be debited from and credited to it. Shippers consider it inappropriate that Transco forecasts consumption at a site when it knows that gas cannot be consumed at that site because it has been isolated.

Proposal

The modification proposes that a shipper can request Transco to place a site that has been isolated in a Transco holding account. Firstly, the shipper notifies Transco of the isolation. Secondly, the shipper completes the isolation request form, and Transco nominates and confirms the supply point. As a result, Transco will not forecast demand at that supply point. This will ensure that the shipper will no longer be liable for commodity charges. However, the shipper will still be liable for capacity charges, as capacity will continue to be reserved, and the fixed customer charge. Thirdly, the isolated supply point will be placed in Transco's account. Finally, if another shipper nominates the site, Transco will object to the confirmation on behalf of the isolating shipper. This will protect the shipper from losing the isolated site.

Possible Impact on Customers

This modification will ensure that shippers will no longer be exposed to gas costs or cash flow costs. Thus the main impact of this modification is to reduce the financial risk to shippers of isolating a site. This may encourage shippers to isolate, rather than isolate and withdraw a site. Therefore, less capacity will be available for other customers.

Further Information

The Transco contact is Chris Warner on (0121) 623 2014

The Ofgas contact is John Kennedy on (0171) 932 5903