

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No.

SHORT TITLE: Close Out of Reconciled Gas

DATE: 18 December 1998 **PROPOSED IMPLEMENTATION DATE:** 5 February 1999

URGENCY: Urgent

JUSTIFICATION:

This Modification Proposal has been raised by Review Group 263R to put in place the necessary amendments to the Network Code to facilitate and give effect to the Close Out Full and Final agreements. The Proposal deals specifically with reconciled energy and not Transportation, which will be addressed through a parallel Full and Final process.

Close Out seeks to settle Users reconciled gas positions in aggregate for the period gas day 1 March 1996 to gas day 31 January 1998 inclusive, provided that all Network Code Users agree to their individual aggregate reconciled gas position. It is a means to achieve financial settlement of IQR issues, non IQR queries, uninvoiced reconciliation and other issues for all relevant Users.

This approach recognises that line by line adjustment may not be cost effective or efficient for either Users or Transco and that a more pragmatic approach is desirable. The Proposal will realise benefits for all parties particularly with regard to delivery of a sufficiently robust final billed energy position, without the need to wait for individual meter point adjustment. This is achieved through aggregate reconciliation of individual meter points in order to provide a final Close Out amount.

By giving effect to Close Out this Modification Proposal will remove the uncertainty and risk for all Users associated with the period up to 1 February 1998, allowing resources to be released to focus on resolving current and future challenges for the industry.

The Proposal requires urgent status in order to meet the agreed Close Out timescales and ensure that a Modification is in place prior to completion of the Full and Final agreements.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Adjustments relating to the Close Out period would continue to be processed on a line by line basis. However this would take considerably longer and may result in disproportionate costs to Users and Transco.

Users would continue to bear the risk of uncertainty with regard to their accounts in respect of the Close Out period.

AREA OF NETWORK CODE CONCERNED:

Transition Document Part II. New section to be added.

NATURE OF PROPOSAL:

The proposed changes would only affect energy and would not become effective until Users sign the Full and Final agreements.

The changes required represent a pragmatic, transparent and non discriminatory approach to enable Close Out to be achieved in a satisfactory manner. They have been developed by Review Group 263R and as such can be regarded as a joint recommendation from Transco and the Shipper members.

Details of the Proposal are attached within the business rules. For clarity the main features are as follows:

1. Aggregate reconciliation

Reconciliation energy will be calculated in aggregate for all affected meter points.

2. IQR Plans, non IQR plans, reconciliation and other issues

It is anticipated that with the possible exception of Theft of Gas due to legal status there will be no exclusions from the Close Out process. To minimise risk for all parties, both entry and exit issues are covered under this Modification Proposal.

3. System Average Price

The system average price applied will be an average of the month end prices applicable for the period in which the User received energy allocations under the Network Code.

4. Neutrality

Transco will remain neutral with regard to Close Out. Reconciliation neutrality will be apportioned on the basis of January 1998 User Daily Quantity Outputs.

5. Invoicing

Gas reconciliation clearing and neutrality invoices will be issued through the Transco Ad Hoc system, following signature of Full and Final Agreements by all parties. Settlement of invoices will be under the terms of Network Code Section S. and the Network Code Supplement.

6. Credit Risk

Current Network Code Supplement Rules will apply. To ensure integrity of the Close Out process, netting off between Close Out invoices and other energy balancing invoices which do not relate to Close Out is not anticipated.

PURPOSE OF PROPOSAL:

This Modification Proposal will put into effect the reconciliation energy aspects of Close Out and ensure that all Users are dealt with in a consistent and non discriminatory manner.

By closing out the period 1 March 1996 to 31 January 1998 using agreed methodologies and mechanisms, the industry will have confidence that the settlement figures are robust and equitable. Moreover, resources which have been tied up for all participants over the Close Out period will be released to concentrate on current and future developments. This is the most efficient and pragmatic approach to resolving issues arising from the inception of Network Code.

IDENTITY OF PROPOSER'S REPRESENTATIVE: Paul Rogers

PROPOSER (please print): TIM DAVIS
SIGNATURE: 
POSITION: MANAGER, NETWORK CODE
COMPANY: TRANSCO

MODIFICATION PANEL SECRETARY'S USE ONLY

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