



Urgent Modification Proposal 0309

Close Out of Reconciled Gas

18 January 1999

Present Position

Following the introduction of the network code in 1 March 1996, it soon became apparent that the transportation and energy invoices being issued by Transco to shippers contained many inaccuracies. The inaccuracies in the main were caused by poor data quality and systems problems. As a result the Invoice Quality Review (IQR) project was set up to ensure that there would be no reoccurrence of these problems in the future. However, the inaccurate invoicing of the past also needed to be addressed. While it would be possible to individually investigate and correct for all errors that occurred between 1 February 1996 and 31 January 1998 (which has been designated as the Close Out period), this would be both a costly and time consuming approach for the industry, prolonging the historic uncertainty. This gave rise to the IQR Close out project which was developed by Review Group 263R. The aim of the IQR Close Out process is to estimate the value of the corrections required for outstanding transportation and energy invoice queries, rather than individually calculate and correct for each one.

Transco maintains that it is financially neutral with regard to energy balancing and therefore, only shippers would be effected by the close out of energy invoices, whereas for transportation both Transco and shippers would be impacted. Shippers are not obliged to participate but all shippers would need to agree the energy aspect of close out for the same period, as any adjustment would be smeared across the community.

Proposal

The modification proposes that all meter points should be reconciled in aggregate to establish the reconciliation energy quantity (that is the adjustment required between allocated energy and actual energy), rather than on a meter by meter point basis. There will be no volumes excluded from the process, except for the theft of gas. Throughout a period the price of gas varies each day, and therefore, Transco calculates a system average price (SAP) every day. The SAP is used to calculate an energy value. It is proposed that the most appropriate way to calculate the reconciled energy value for the period, is through applying an average of the SAP over the month, at the end of the month (30 days), on the basis of the number of months the shipper was active and therefore, allocated energy. This would ensure that shippers are not exposed to prices that they would not have experienced. All neutrality amounts would be repaid or recovered through the neutrality mechanism and apportioned according to each shippers share of NDM (Non Daily Metered) allocations for January 1998. The energy reconciliation clearing and neutrality invoice would be sent out to shippers once all shippers have signed up to settlement, as code modification would only come in to effect once the full and final settlement has been signed.

Possible Impact on Customers

There is no known impact on customers.

Further Information

The Transco contact is Paul Rogers on (0121) 623 2014
The Ofgas contact is John Kennedy on (0171) 932 5903