

NETWORK CODE MODIFICATION PROPOSAL

i)Title: Continuous and Fair AQ/EUC Review Process - NDM.

ii)Date: 18th January 1999

iii)Proposed Implementation Date: 31st March 1999

iv)Type: URGENT

v)Justification for Treating as an Urgent Mod.: The last two AQ/EUC reviews have been disadvantageous for shippers. Transco have given shippers no comfort that AQ 99 will avoid similar mistakes. AQ 99 should be stopped, and Transco will acknowledge timescales for implementing an alternative are tight.

vi)Nature and Purpose of Modification Proposal:

This proposal concerns the calculation of AQs and End User Categories (EUCs) (and hence SOQs) for NDM sites.

Two years running shippers have been exposed to overcharging and excessive workloads due to Transco's mistakes in calculating AQs and EUCs. Mistakes in AQ97 are still coming to light. Transco has proved itself incapable of carrying out an annual review properly.

A process is required which:

- Removes Transco's privileged position in being able to calculate and apply values unless shippers can prove it wrong.
- Gives customers a say. (Ofgas has argued that customers have a legitimate interest in setting AQs and SOQs).
- Allows gross errors to be corrected at any time of year.
- In order to remove artificial and unreasonable deadlines which place undue strain on shippers at certain times of year, decouples the setting of AQs and Winter/Annual ratios on the one hand from determination of demand models and defining bands for EUCs on the other.

Outline of Proposed Process:

i)Customers to have the right to all data relevant to their premises.

ii) Customers, Supplier or Transco may propose a change in the AQ or EUC of one or more sites/meters, in the following circumstances:

a)When a new valid read is obtained and the AQ calculated using it differs from the existing AQ by more than 10%, the AQ crosses a significant threshold, or the

Winter/Annual ratio band changes. This shall apply only when a period of at least six months has elapsed since the last change.

or b) When the End Users equipment changes, in which case the meter AQ should be reassessed as for a new site.

or c) When there is evidence, confirmed in writing of a change in use, in which case the meter AQ should be reassessed as for a new site.

or d) When Transco proposes to change the definition of End User Categories in terms of AQ and Winter/Annual ratio changes. In this case, as from the effective date of the change, EUCs and Load Factors for individual sites will be reassigned on the basis of AQs and Winter/Annual Ratios in operation at that date. Shippers and customers will have one month to appeal reassignments, and the change of definition will be not take place until all such appeals have been resolved to the satisfaction of all parties.

iii) The proposing requesting party shall supply the other parties with existing and proposed AQ, winter/annual ratio and EUC and data/evidence supporting the change. The change shall come into effect one month after receipt of the proposal by all parties unless either of the non proposing parties objects, in which case any change will take effect 2 working days after the disagreement is resolved.

An objection must specify an item of data or a calculation which is claimed to be incorrect, however any party may object to a batch of proposed changes if more than one error is found.

Transco may not put forward a new proposal whilst proposals affecting the same shipper and/or End User are under consideration or in contention. Likewise a shipper may not put forward a new proposal whilst proposals affecting it are under consideration or in contention. No party may propose changes affecting more than 1/12th of a shipper's portfolio in any one month.

iv) Incoming shippers: both on the offer and on the confirmation, Transco shall notify the incoming shipper of existing AQ, winter annual/ratio and EUC, any proposed change and all supporting detail. The incoming shipper will have a month to appeal the new figures before they are applied. Where the AQ/EUC are not currently under revision, Transco shall notify the incoming shipper of the current and previous values and date of last change.

v) In applying ii)a) above, each party will have its own means of detecting when a significant change has occurred to avoid having to recalculate AQs whenever it gets a meter reading. Transco for example could use the reconciliation calculation as a trigger. Whenever the reconciliation factor goes outside a suitable tolerance it would trigger an AQ /EUC calculation.

vii) Furthering Relevant Objectives:

The above proposals will clearly:

- Remove Transco's privileged position in the setting of AQs and EUCs.
- remove shippers exposure to the consequences of Transco's mistakes.
- give customers an equal say.

- Allow changes in customers' gas burning appliances and other changes of use to be taken account of in a more timely fashion.

viii)Consequence of not making this change:

- Continuance of a set of rules which are biased in Transco's favour and which have in practice put significant strains on shippers.
- A high probability of an AQ 99 with similar problems to the last two years.
- A strong disincentive for shippers and customers to negotiate innovative contracts.

ix)Area of Network Code Concerned:

P.D. Section G:

Alter 1.6 to reflect the fact that AQs and EUCs may change at any point in the year and to incorporate relevant wording from iv) above. In particular alter para G1.6.9 as follows:

- after: 'New Supply Meter Point,' add 'Change of Use or change in the Customer's gas burning appliances,'
- replace: '31st July in the preceding Year' with: 'on the date on which a change is proposed'.

P.D. Section H:

Sub Section 1:

- remove the restriction as to the time in the year when new demand models etc. may be introduced. is the main one affected.and /or paragraphs that are to be amended or affected.
- specify that EUCs will be defined in terms of AQ and Winter/Annual ratio bands only.
- Make it explicit that the introduction of new EUC definitions may not coincide with reassessment of AQs and Winter/Annual ratios.

Sub Section 3:

amend to reflect the wording of iv) above.

Para 3.4:

amend to specify that the EUC referred to is that applying before the proposed change.

New Sub Section to define Winter/Annual ratio and its derivation.

x)Organisation: The Gas Light and Coke Co.

xi)Proposer: R Evans



xii)Proposer's Representative: R Evans

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