

Final Modification Report
Modification Reference Number 0316
Revision of Booking Rules for DM NTS Exit Capacity

This Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal:

“ Firstly, the proposer considers that on the current snapshot date of the 8th of each month Transco already knows of any changes in supply point capacity which will be effective by the 15th of each month. Therefore it is proposed that the snapshot should be based on a forward view of supply point capacity effective from the 15th of each month, rather than on supply point capacity held on the snapshot date. Secondly, it is proposed that the snapshot date, currently 8th of each month, is brought closer to the effective date of the 15th of each month, since there does not appear to be justification for why Transco requires 7 days notice for the capacity bookings to be implemented on AT-LINK. This would require amendment to Clause 3.7.3 of Network Code.”

2. Transco's opinion:

In respect of the proposal to bring forward the “snapshot date” from the 8th of each month to a date closer to the effective date of the 15th of each month, Transco believes this is achievable and follows recent improvements to the processes used and proposed system upgrades. Transco believes the booking window could be reduced by two days. This would give a revised “snapshot date” of the 10th of each month.

In respect of the proposal to take a forward view of supply point capacity effective on the 15th of each month, rather than on supply point capacity held on the snapshot date (the 8th), Transco believes that this would be of limited benefit for two reasons. Firstly, there are very few changes (typically two per month) within all the firm DM sites during the capacity booking window of the 8th to the 15th. Secondly, it would ignore those capacity changes that are made effective after the snapshot date and up to the 15th (e.g. ratchets, capacity changes at short notice). In addition, this proposal would create the need to interrogate the Sites and Meters database to meter point level to gain the necessary information (currently confirmation numbers are used) which would significantly increase the level of workload. Therefore, Transco sees little merit in this part of the proposal and believes the benefit would be outweighed by the increase in complexity and workload .

3. **Extent to which the proposed modification would better facilitate the relevant objectives:**

The proposals would improve the accuracy of the DM exit capacity bookings undertaken by Transco on behalf of shippers, which would improve both the targeting of NTS capacity invoices and Transco's assessment of the levels of exit capacity held by shippers. This could help further the efficient and economic operation of the system.

4. **The implications for Transco of implementing the Modification Proposal, including:**

a) **implications for the operation of the System:**

Transco is not aware of any such implications.

b) **development and capital cost and operating cost implications:**

The reduction in the capacity booking window from four working days to two working days is achievable due to system improvements implemented as part of ongoing developments.

The forward-looking view of shippers' capacity holdings would require the development and introduction of a new systems report at a projected cost of £25,000 , and an increase in ongoing workload of five man days per month at a cost of £10,000 per annum (including an allocation of support and sustaining costs).

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 DM Exit capacity booking process is a Network Code requirement placed on Transco and is undertaken for all shippers. The costs are included within the price control formula and there will be no specific charges introduced.

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

No such consequences are envisaged.

5. **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:**

The reduction in the capacity booking window from four to two working days may increase the level of risk associated with the booking of shippers' DM exit capacity in time for the 15th of each month and removes any allowance for slippage for unforeseen circumstances, such as failures to the Business Objects report system.

6. **The development implications and other implications for computer systems of Transco and related computer systems of Users:**

The reduction in the capacity booking window from four working days to two working days will involve automation of the process used for extracting data from Transco's Unique Sites database (made viable by the introduction of a new Unique Sites Database) and automation of data input to AT Link.

The forward-looking view of shippers' capacity holdings would require the development and introduction of a new Business Objects report.

7. **The implications of implementing the Modification Proposal for Users:**

Users will benefit from NTS capacity invoices based on a closer representation of the levels of DM exit capacity booked.

8. **The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Storage Operators, suppliers, producers and, any Non-Network Code Party:**

The proposals may reduce the number of invoices received by consumers relating to capacity charges incurred by the previous shipper following a shipper-shipper transfer.

9. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each User and Non-Network Code Party of implementing the Modification Proposal:**

Transco is not aware of any such consequences.

10. **Analysis of any advantages or disadvantages of implementation of the Modification Proposal:**

Advantages (if implemented in full) :

More accurate booking of NTS exit capacity

Improves targeting of NTS capacity invoices
Reduces risk of “double charging” of NTS capacity (arising from sites moving from DM to NDM)

Disadvantages (if implemented in full) :

Would not take account of capacity changes that are made effective after the snapshot date and up to the 15th (e.g. ratchets).

As the number of capacity changes between the 8th and the 15th has been only two per month, the benefits would be minor.

The ‘forward looking’ view would introduce a greater level of workload and complexity.

The reduction in the booking window would allow less time for the booking process and would remove any allowance for slippage.

11. Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report):

Three representations were received from Aquila Energy (AE), Eastern Power and Energy Trading (EPET) and British Gas Trading (BGT).

All respondents agree with the proposal to move the current snapshot date from the 8th to the 10th day of a month because of the resulting improvement in accuracy in capacity booking.

AE agrees with Transco’s view that the proposal to take a forward looking view of supply point capacity would create an unnecessary amount of work and would be unlikely to lead to a corresponding increase in the accuracy of assessing capacity requirements.

EPET and BGT support the proposal to take a forward looking view of supply point capacity, based on a snapshot date as close to the 15th as possible.

Both EPET and BGT are of the opinion that this proposal, if implemented in full, would result in more accurate capacity bookings and would improve the accuracy of invoices by reducing the potential for double charging to occur when a site moves from DM to NDM between the 8th and the 15th day of a month. Although EPET acknowledged that the occurrence of such instances are rare, BGT expresses the view that the accuracy of invoices is an important issue and feel it is unacceptable that Transco should charge twice for the same capacity due to an inability to invoice correctly.

BGT seeks assurances from Transco that if this proposal cannot be implemented in full then shippers will be fully refunded for any double charging of capacity.

EPET provides further comment to its earlier suggestion to book capacity on a retrospective basis. It acknowledges that this would not be possible at the current time but may be considered under a review of exit capacity under the RGTA programme.

BGT proposes that Transco should move the snapshot date by two working days not two calendar days, which it believes would not have an adverse impact on Transco operations.

BGT also disputes Transco's argument that taking a forward looking view would significantly increase workload. It proposes that Transco should have the IT capability to run queries and reports which will automatically interrogate the S&M database. More detailed reasons are requested of why Transco does not see this as a feasible option.

BGT does not accept the argument that taking a forward looking view of Supply Point Capacity would ignore capacity changes (e.g. ratchets) made effective after the snapshot date. It states that under the current rules these changes are not reflected either, and therefore this proposal would not worsen the current situation but may lead to some improvement in the accuracy of bookings.

Transco Response:

Transco welcomes shippers' support for the proposed reduction in time between the snapshot date and the effective date.

In respect of the respondents views' expressed on the forward-looking view of booking capacity, no points have been raised further to those discussed at the workstream and Transco remains of the view that there is insufficient argument to support a change to the capacity booking regime towards a forward-looking basis. The principal argument expressed by shippers that it would reduce the likelihood of double charging of capacity for DM to NDM site changes is not, in Transco's view, significant for the following reasons. The number of changes are rare (around two per month among all sites), the present booking process is improved from the annual booking process it replaced, and, more importantly, the present process allows shippers to exercise control over the timing of DM/ NDM changes.

Transco has concerns on the "forward-looking basis" which arise from the difficulties associated with assessing and booking capacity levels using a forecast rather than an actual basis, as at present. This could introduce 'moving target' difficulties by having to take account of capacity requirements at various status's (e.g nomination status and confirmation status). The necessary validations of this data would require both checking additional S&M screens and comparisons between old and new confirmation numbers. The level of detail and validation necessary, as well as the assessment of a capacity holding position on an anticipated basis, rather than an actual, could lead to increased inaccuracy in capacity booking, rather than improvements. In respect of the comment raised about the IT capability to interrogate the S&M database, Transco's concerns on the forward-looking basis do

not rest on the ability to interrogate this database. Indeed, as part of the present process the database is interrogated at confirmation level to assess shippers' capacity requirements.

Transco acknowledges that other capacity changes, such as ratchets, are already not taken into account within the present capacity booking process. However, Transco draws attention to this point to avoid any misconception that a forward-looking approach would address all capacity changes, including ratchets..

Regarding EPET's suggestion to book capacity on a retrospective basis, Transco sees merit in its principle and agrees with EPET's further suggestion to re-assess this possible approach within the context of a future review of the NTS exit capacity regime.

In respect of BGT's view that the snapshot date should be brought closer to the effective date by two working days, rather than two calendar days, the reason calendar dates are quoted by Transco is that the snapshot and effective dates are expressed in Network Code as specific dates (e.g 8th, 15th). In practice, the move from the 8th to the 10th will, in the majority of occasions, reduce the booking window by two working days.

12. The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation:

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

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence:

Implementation is not required as a consequence of any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence.

14. Programme of works required as a consequence of implementing the Modification Proposal:

There are no modifications required to the UK-Link Systems and therefore a programme of works will not be required as a result of implementing the Modification Proposal.

15. Proposed implementation timetable (inc timetable for any necessary information systems changes):

Subject to an early Ofgem decision on the final modification report :

1) in respect of the reduction in the booking window, and subject to successful implementation of the necessary database changes, the snapshot date could be changed from the 8th to the 10th of each calendar month from November 1999.

2) in respect of the “forward looking” approach, due to the need to develop a new Business Objects report and accompanying system changes, implementation would be expected to be in December 1999.

16. Recommendation concerning the implementation of the Modification Proposal:

Transco believes that part of the modification proposal, that of the reduction in the capacity booking window, is achievable and could be reduced from four to two working days. Transco, however, believes that modifying the capacity booking process to a “forward-looking” view would introduce a significant increase in complexity and workload for little benefit and does not support this part of the proposal.

17. 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.

18. Transco's Proposal:

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

19. Text:

SECTION B : (SYSTEM USE AND CAPACITY)

Paragraph 3.7.3

Delete and replace with :

“3.7.3 A User shall only be registered as holding DM NTS Exit Capacity, in accordance with this paragraph 3.7 in respect of such capacity held by the User as at the 10th of the calendar month, with effect from the 15th of each calendar month and for the period of one calendar month from such date (the “capacity period”)”

Signed for and on behalf of Transco.

Signature:

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Tim Davis

Manager, Network Code

Date: 17 August 1999

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 Transco that the above proposal (as contained in Modification Report Reference 0316, version 1 dated 16/08/99) be made as a modification to the Network Code.

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

Signature:

L. S. Hughes

L. S. HUGHES

NETWORK OPERATIONS

Date: 16/2/2000

The Network Code is hereby modified, with effect from _____, in accordance with the proposal as set out in this Modification Report, version 1.

Signature:

Process Manager - Network Code
Transco

Date:

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause

- 1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:
- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

- 1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.

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