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Your Ref:

Our Ref : Net/Cod/Mods/316

Dear Julian,

**Modification proposal 0316: Revision of booking rules for DM NTS exit capacity**

*Current position*

On the 8<sup>th</sup> day of every month, Transco takes a snapshot of a supply point's capacity requirement. Should this have changed, Transco will make the necessary system changes so that the new requirement is reflected on AT-Link. Currently, the time taken for such changes means that the new exit capacity level will not become effective until the 15<sup>th</sup> of that month. The exit capacity invoice is based on the exit capacity level assessed at this snapshot.

Any exit capacity requirement changes that take place between the 8<sup>th</sup> and 15<sup>th</sup> will not be picked up by Transco until the following month's snapshot. Consequently, a site that changes from Daily Metered (DM) to Non Daily Metered (NDM) status would be double charged for exit capacity until the following month when the status change would be registered. Conversely a site that changes from NDM to DM would not be charged for capacity until the following month. Furthermore, changes that take place to a supply point's capacity requirement after the snapshot window will also not be reflected until the following month.

*Proposal*

BGT proposed the following:

- the snapshot should be based on a forward view of the supply point capacity that would be effective from the 15<sup>th</sup> onwards; and
- the actual snapshot date should be brought closer to the effective date of the 15<sup>th</sup>.

*Transco's recommendation*

Transco has agreed to push back the snapshot date. Recent system changes would allow this date to be pushed back to the 10<sup>th</sup> of each month. Any capacity bookings would still be effective from the 15<sup>th</sup> of that month.

However, Transco has not recommended using a forward view of supply point capacity effective from the 15<sup>th</sup> of each month. The reasons Transco gives are:

- Typically, only two firm DM sites per month would benefit. Transco says that this is typically the number of such sites that switch to NDM status in the period between the 8<sup>th</sup> and 15<sup>th</sup>.
- Transco would need to interrogate the Sites and Meters database to meter point level, significantly increasing the complexity and workload out of proportion to any benefit gained.
- Transco would incur £25,000 development costs plus £10,000 per annum running costs.

The charges affected by the forward looking view are unlikely to be more than several times £10,000.

#### *Ofgem's views*

The reduction in the time between the snapshot and the date of implementation of the revised capacity booking is a welcome improvement in the accuracy of exit capacity booking hence shipper charges.

In light of the significant Transco costs involved in the implementation of a forward looking view as compared with the relatively small improvement in exit charge accuracy and the forthcoming review of exit capacity Ofgem supports Transco's recommendation not to implement this aspect of the original proposal.

Both aspects of the original modification proposal were intended to make relatively minor improvements to the accuracy of DM NTS exit capacity bookings hence shipper charges. However, the inaccuracy of these charges relates to the use of a snapshot to set one month's charges. It may be more appropriate to make an assessment on a daily rather than monthly basis.

The current method of capacity booking at exit has evolved from a regime that was originally put in place whereby shippers booked their own capacity requirements. The current regime whereby Transco books/allocates exit capacity has been in place for some time. It is not unreasonable to have expected Transco to have developed the capacity booking regime such that shippers were more accurately charged for their DM NTS exit capacity requirements. The NDM regime does this.

During the consideration of this modification proposal Ofgem has sought assurance from Transco in relation to the more accurate billing of exit capacity. Transco has stated that this could be assessed "within the context of a future review of the NTS exit capacity regime". Transco was unwilling to give any other commitment.

Ofgem expects to publish a consultation document on exit capacity in the next few months. Though it is possible that this review could recommend changes to the exit capacity regime for October of this year, at this time both the timing and scope of any recommendations are unclear. If changes were to be made for October 2000 then there appears little benefit in making a move to a daily, perhaps retrospective assessment of capacity at this time. However, in the absence of any recommendations flowing from the review of exit capacity Transco has little incentive or inclination to develop a regime that more accurately charges for exit capacity. Transco's position in this area is frankly disappointing.

#### Ofgem's decision

Ofgem agrees with Transco's recommendation to partially implement the original modification proposal, i.e. to only push back the snapshot date to the 10th of each month. Any capacity bookings would still be effective from the 15th of that month. However, a firmer Transco commitment to improve the accuracy of capacity bookings this year irrespective of the forthcoming review of exit capacity would have been welcome. I have attached Ofgem's direction in relation to this modification proposal.

Please circulate this letter to shippers and other interested parties.

Yours sincerely



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Network Operations