

Draft Modification Report
Modification Reference Number 0322
Removal of Isolated Only NDM Meter Points from NDM Supply Meter Point Demand

This draft 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:

The Network Code Principal Document Section G3.4.3. states:

‘In the case of an NDM Supply Meter Point, NDM Supply Meter Point Demand will continue to be determined in accordance with Section H2 until such time as a Supply Point Withdrawal has (in accordance with paragraph G3.2) become effective in respect of the Supply Point in which the Supply Meter Point is or was comprised: but for the purposes of Individual NDM Reconciliation the Metered Quantity in respect of any period after the date of Isolation (and before reconnection) shall in accordance with paragraph 3.4.2 be deemed to be zero’.

An ‘isolated only’ meter point is a meter point which has been isolated by Transco but from which the shipper has not withdrawn. Isolation means that no gas can be offtaken at the meter point but in all other respects the shipper remains the registered user.

Isolation, and its commercial significance in the Network Code, has been discussed in detail by the SPA/Metering Workstream. The consensus of the group is that NDM isolated meter points should not be included in the demand attribution and allocation process and consequently attendees at the March 1999 Workstream meeting expressed their broad support for this Modification Proposal.

It is proposed that the Network Code is modified to establish that an NDM isolated meter point is excluded from the NDM demand attribution and allocation processes.

This Modification Proposal represents a long term, sustainable, solution but cannot be implemented until the fully automated process currently under development within UK-Link is completed.

2. Transco's opinion:

Transco is planning to implement a major functionality change to its UK-Link system in September 1999 which is expected to provide an ‘end to end’ solution for the isolations process. Transco has raised this Modification Proposal to support industry aspirations which seek the equitable treatment of isolated and isolated and withdrawn meter points in respect of the NDM demand attribution process. Transco believes that a common approach in this respect facilitates the economic and efficient use of the system and is therefore supportive of the objectives of the Modification Proposal.

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

Currently, NDM isolated only meter points are included in the determination of NDM demand and, after the gas flow day, are allocated gas. Since the meter point is physically isolated, no gas can be offtaken, (theft excluded), and consequently, any gas allocated, together with the associated commodity charges, will be reconciled back to the shipper when a meter read is processed. These rules mean that a shipper is required to source gas to meet its NDM nomination, only to be repaid for this gas as part of the reconciliation. Arguably this results in risk for the shipper in terms of the relative unit gas costs as well as requiring unnecessary cash flows. This Modification Proposal removes this risk and therefore meets Transco's PGT licence 'relevant objective' by better facilitating the economic efficiency of the system.

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

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

Transco does not believe that the implementation of this Modification Proposal will have any direct impact on the physical operation of the system, although as described above, the NDM demand attribution and allocation process will more accurately reflect actual offtake requirements.

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

Amendment to Transco's UK-Link system is required. Subject to successful implementation of this Modification Proposal, it is planned to incorporate this within the specification for UK-Link Change Request 1575/2. This change represents a major investment to provide a full process solution for isolations.

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 costs to Transco will be treated as ordinary business costs. No extraordinary cost recovery is planned.

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

None identified.

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:**

None identified.

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

Major functionality changes to Transco's UK-Link system are required. It is also possible that shippers will need to amend their systems. It is planned that, subject to implementation of this Modification Proposal, the changes will be implemented as part of UK-Link Change Request 1575/2 in September 1999.

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

Shippers will benefit from the implementation of this Modification Proposal as they will no longer be required to source gas to meet their NDM nominations in respect of isolated only meter points.

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:**

None identified.

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:**

None identified.

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

Advantages:

This Modification Proposal enables the NDM demand attribution and allocation process to be more representative of the true offtake requirements of each shipper. This in turn reduces the quantity of gas processed through reconciliation.

Disadvantages:

None identified.

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

Not applicable.

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

Not applicable.

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:**

Not applicable.

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

The development and implementation of UK-Link Change Request 1575/2.

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

Subject to final confirmation of the release date for UKL1575/2, this Modification Proposal should be implemented with effect from September 1999.

16. **Recommendation concerning the implementation of the Modification Proposal:**

Transco recommends that this modification is implemented in accordance with the above timescale.

17. **Text :**

Principal Document

New Paragraph:

Delete G3.4.3 Replace with:

"G3.4.3

" In the case of a NDM Supply Meter Point which has been Isolated (and unless and until it is reconnected) NDM Supply Meter Point Demand will cease to be determined in respect of that NDM Supply Meter Point in accordance with Section H2 ."

Paragraph E7.2.2(c)

Add the text:

“:In determining the User LDZ Aggregate AQ, no account shall be taken of Smaller Supply Points to which Section G paragraph 3.4.3 applies.”

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Report.

Signed for and on behalf of Transco.

Signature:

Tim Davis
Manager, Network Code

Date: