

Draft Modification Report

Modification Reference Number 0325

Consolidation of Section G1.6 (AQs)

This draft Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 8.9.3.

1. The Modification Proposal

It is proposed that Section G1.6 of the Network Code Principal Document be redrafted to reflect the Annual Quantity (AQ) review process that is expected to operate this year. At the moment, the basis for the proposed process exists only in the Transition Document and is date specific, applying only to the review undertaken in 1998.

2. Transco's opinion

Transco's opinion is that this modification should be implemented as soon as practicable following Ofgem's acceptance of this report.

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

In 1998, Modification 0136 introduced an AQ process that simplified the mechanism by which Transco's proposed AQ ("provisional") values could be amended by the shipper. This mechanism allowed the amendment to be processed without resorting to an appeal and also gave shippers more time to review the provisional values than the original Section G1.6 rules allowed. The resulting 1998 review was generally viewed as a considerable improvement over that which took place in 1997. The purpose of this proposal is to enable the 1998 process to become the model for future reviews since the consensual view of the AQ Review Group, (a sub-group of the SPA and Metering Workstream), is that it is more efficient than the original process drafted into the Network Code.

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

a) implications for the operation of the System

It is not anticipated that the introduction of this modification will have any implication for the operation of the system.

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

Development costs resulting from changes to UK-Link and associated procedures will be incurred if the proposal is implemented.

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**

Transco does not intend to recover any costs other than those provided for in the Transportation Statement.

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

This proposal does not have any affect on price regulation.

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**

Transco believes that this proposal reduces its level of contractual risk since the proposed AQ update process has a number of checks and safeguards incorporated into it to ensure the AQs that go live on 1st October meet the requirements of shippers. This should in turn reduce the number of disputes and queries resulting from their introduction into dependent Network Code processes.

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

IS changes will be required to implement this proposal.

Most of the UK-Link functionality required to implement this proposal was developed for last year's AQ review process. However, some further system modifications will be required to bring the system in line with the changes recommended by the AQ Review Group, following a review of the operation of last year's process. The required system modifications include changes to both functionality and file formats

These changes will impact shippers systems.

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

Shippers will be provided with increased opportunities to revise or correct AQs. This, coupled to simpler, fully automated processes should give greater industry confidence that AQs are relatively free of data related errors and meet the requirements of the Network Code.

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**

Transco is not aware of any implications for any non-Network Code party although the increased period over which AQs can be reviewed means that there is more opportunity for end-consumers to become involved in the process.

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 has not been informed of any such consequences.

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

Advantages

The proposed process provides the industry with more time to review and amend provisional AQs than the process currently described in the Network Code.

The new process is two stage; the first stage (“amendment phase”) allows the shipper to change the provisional AQ held in a temporary database; the second stage (“appeal phase”) is the original AQ appeal process, presently detailed in the Network Code, which permits the shipper to challenge and, if successful, change the AQ on the site and meters database.

Additional to the process changes above, are provisions which have been included to reduce shipper risk, these are: the ability to appeal an AQ on confirmation has been retained and the period available to shippers to do this has been extended until the end of May; and where a shipper detects an erroneous AQ that gives rise to material discrepancies, it will be able to appeal the AQ. This facility also will be available until the end of May.

Where the shipper requests an amendment to the provisional AQ, each request will be individually validated. Last year, such requests were validated by batch sampling.

Disadvantages

None that Transco is aware of.

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

No representations submitted to date.

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

This modification 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

This modification is not proposed as a result of changes to the methodology established under Standard Condition 3(5).

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

System enhancements and new procedures are being developed in parallel with this proposal. Transco has initiated a number of familiarisation workshops and training sessions to ensure shippers can operate under the new rules as soon as they are implemented.

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

This modification can be effected immediately after approval since the necessary system changes are in the advanced stages of development. Consequently, it is not expected that implementation will need to be delayed for IS reasons.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends that this modification proposal should be implemented as soon as practicable after the date of this report.

17. Text

PRINCIPAL DOCUMENT

SECTION G

Delete G1.6

G1.6 shall read:

1.6 **Annual Quantity**

For the purposes of this paragraph 1.6:

- 1.6.1 (a) the “**relevant Gas Year**” is the Gas Year in which the Annual Quantity of a Supply Meter Point is to apply.
- (b) the “**preceding Gas Year**” is the Gas Year ending at the start of the relevant Gas Year.
- (c) the “**AQ Review Date**” is a date which Transco determines but shall in any event be no later than the 31st May in the preceding Gas Year.
- (d) the “**User Provisional Annual Quantity**” is the Registered User’s determination of what the Provisional Annual Quantity in respect of a Supply Meter Point should be .

1.6.2 Calculation of Provisional Annual Quantity

For each relevant Gas Year no later than the AQ Review Date Transco shall determine the Provisional Annual Quantity in respect of each Supply Meter Point. The “**Provisional Annual Quantity**” shall be either:

- (a) in respect of a NDM Supply Meter Point which has been Isolated at any time during the Relevant Metered Period or for a DM Supply Meter Point which has been Isolated at any time during the period of 12 months ending on the AQ Review Date the Annual Quantity applicable for the preceding Gas Year; or
- (b) in respect of a DM Supply Meter Point, where paragraph (a) does not apply, where there are Supply Meter Point Daily Quantities for each Day in the period of 12 months ending on the AQ Review Date, the sum of such Supply Meter Point Daily Quantities; or
- (c) in respect of an NDM Supply Meter Point where paragraph (a) does not apply or where Section H3.2.4 does not apply, the quantity assumed to be offtaken in a period of 12 months, determined in accordance with Section H3; or
- (d) in respect of a Supply Meter Point where paragraphs (a), (b) and (c) do not apply, the Annual Quantity applicable for the Preceding Year unless the Supply Meter Point is a New Supply Meter Point in which case the Provisional Annual Quantity shall be the estimated quantity provided by the first Registered User in accordance with paragraph 7.3.7(i).

1.6.3 Transco shall no later than 31st May in the preceding Gas Year for Smaller Supply Meter Points and 30th June in the preceding Gas Year for Larger Supply Meter Points in respect of each Supply Meter Point notify to the Registered User the Provisional Annual Quantity in respect of the relevant Gas Year and supporting details including:

- (a) the Supply Meter Point Reference Number; and
- (b) where available, the Meter Readings used by Transco to determine the Provisional Annual Quantity.

1.6.4 Amendment of Provisional Annual Quantity

Following the notification of the Provisional Annual Quantity the Registered User may, not later than 13th August in the preceding Gas Year notify Transco that it considers that the Provisional Annual Quantity does not satisfy the requirement in paragraph 1.6.6.

1.6.5 When submitting a notification pursuant to paragraph 1.6.4, the Registered User:

- (a) shall specify, evidence as required by Transco including:
 - (i) the Supply Meter Point Reference Number; and
 - (ii) two Meter Readings in accordance with Section H3; and
 - (iii) the User Provisional Annual Quantity;

- (b) where the Supply Meter Point has a Provisional Annual Quantity of greater than 293,000 kWh (10,000 therms), may specify (but shall not be required to specify) in addition to the two Meter Readings in paragraph (a) (ii):
 - (i) two Meter Readings, for which one of the Meter Read Dates falls within a period from 1st November to 31st December of the preceding Gas Year and the other Meter Read Date falls within a period from 1st March to 30th April of the preceding Gas Year; and
 - (ii) where there has been a meter exchange at the Supply Meter Point, one or more Meter Readings which fall within the period between the Meter Read Dates of the two Meter Readings in paragraph (b) (i) and;
 - (iii) an estimate of the quantity offtaken derived from the two Meter Readings in paragraph (i).

If the Registered User fails to comply with this paragraph then the notification pursuant to paragraph 1.6.4 will be rejected.

- 1.6.6 The requirement referred to in paragraph 1.6.4 is that the Provisional Annual Quantity, User Provisional Annual Quantity or Annual Quantity of a Supply Meter Point should represent, or (as the case may be) such variable should reflect, reasonable assumption(s) as to the quantity offtaken (or, in the case of a New Supply Meter Point or a Supply Meter Point notified to Transco under paragraph 1.6.13 (a) (ii), which would have been offtaken) from the System in the period of 12 months ending on the period(s) by reference to which the Provisional Annual Quantity, User Provisional Annual Quantity and the Annual Quantity or such variable is determined.
- 1.6.7 The “**Annual Quantity**” of a Supply Meter Point shall be either:
- (a) where following a notification under paragraph 1.6.4 Transco considers that the requirement in paragraph 1.6.6 is satisfied the User Provisional Annual Quantity; or
 - (b) where paragraph (a) does not apply the Provisional Annual Quantity where Transco determines that the requirement in paragraph 1.6.6 is not satisfied in respect of the User Provisional Annual Quantity.
- 1.6.8 The “**Annual Quantity**” of a Supply Point or a Supply Point Component is the sum of the Annual Quantities for each Supply Meter Point comprised in that Supply Point or Supply Point Component.
- 1.6.9 Subject to paragraph 1.6.2, where a DM Supply Meter Point becomes an NDM Supply Meter Point or an NDM Supply Meter Point becomes a DM Supply Meter Point the Annual Quantity of the Supply Meter Point shall not be affected by a change in its status to NDM or DM.

1.6.10 Subject to paragraph 1.6.2, where a Supply Meter Point is Isolated the Annual Quantity for that Supply Meter Point shall remain unchanged.

1.6.11 Where a Supply Point Confirmation made in respect of a Larger Supply Point becomes or will become effective not earlier than 31st December of the relevant Gas Year or later than 31st May in the relevant Gas Year, the Proposing User may, not later than 23 Business Days after the Supply Point Registration Date nor more than 7 Business Days earlier, notify Transco that the Proposing User considers the Annual Quantity of a Supply Meter Point or (as the case may be) variable that determines the EUC of the Supply Point, comprised in the Proposed Supply Point fails to satisfy the requirement in paragraph 1.6.6 and shall have the right to appeal the Annual Quantity under paragraph 1.6.13 (a) (i).

1.6.12 Transco shall not later than 14th September in the preceding Gas Year notify to the Registered User the Annual Quantity for each Supply Meter Point applicable for the relevant Gas Year and the applicable End User Category (where appropriate) in respect of each Supply Point.

1.6.13 Appeal Process

Where following the notification of the Annual Quantity further to paragraph 1.6.12:

- (a) in respect of any Larger Supply Meter Point, the Registered User may not later than 31st December of the relevant Gas Year (or in the case of Larger Supply Meter Points under paragraph 1.6.11, 23 Business Days after the Supply Point Registration Date) notify Transco that the Registered User considers that the Annual Quantity of that Supply Meter Point substantially fails to satisfy the requirement in paragraph 1.6.6. either:
 - (i) on the basis of substantial evidence as to the actual consumption of gas; or

- (ii) because of a change in the Consumer's Plant which results in a change in the basis on which gas is consumed.

- (b) Notwithstanding the Registered User's right to appeal in paragraph (a), in respect of any Supply Meter Point, the Registered User may not later than 31st May in the relevant Gas Year notify Transco that the Registered User considers that the Annual Quantity of a Supply Meter Point substantially fails to satisfy the requirement in paragraph 1.6.6 provided that the Registered User may only so notify Transco in the case of:
 - (i) a Larger Supply Meter Point where the Registered User's reasonable estimate of the Annual Quantity, is equal to or less than 25% of the Annual Quantity or is equal to or greater than 400% of the Annual Quantity; and
 - (ii) a Smaller Supply Meter Point, where the User considers that it should be a Larger Supply Meter Point.

- (c) where a Registered User so notifies Transco:
 - (i) pursuant to paragraph (a) (i) or paragraph (b) and the Registered User shall with such notice provide to Transco details as set out in paragraph 1.6.5 together with the Registered User's reasons or evidence for its view and a reasonable estimate of the quantity or (as the case may be) value which the Registered User considers should be the Annual Quantity or such variable of such Supply Meter Point;

- (ii) pursuant to paragraph (a) (ii) the Registered User shall with such notice provide to Transco in a format specified by Transco details of the Registered User's reasons or evidence for its view and a reasonable estimate of the quantity or (as the case may be) value which the Registered User considers should be the Annual Quantity or such variable of such Supply Meter Point;

- (d) Transco will consider the details provided by the Registered User under paragraph (c) above, and where it is reasonably satisfied that the Annual Quantity or such variable notified to the Registered User pursuant to paragraph 1.6.12 substantially fails to satisfy the requirement in paragraph 1.6.6 and that estimate of the Annual Quantity provided by the Registered User satisfies the requirement in paragraph 1.6.6, then Transco shall substitute the Annual Quantity with that estimate of the Annual Quantity Subject to 1.6.15 or (as the case may be) variable for the relevant Gas Year.

1.6.14 Where Transco agrees to revise the Annual Quantity or End User Category under paragraph 1.6.13 (d):

- (a) the Registered User may submit a Supply Point Reconfirmation (in accordance with paragraph 2.2.5) in respect of the relevant Supply Point on the basis of the revised Annual Quantity or End User Category;

- (b) with effect from the Supply Point Registration Date in respect of such Supply Point Reconfirmation, Supply Point Transportation Charges, UDQOs and Energy Balancing Charges (so far as to be determined by reference to or directly or indirectly a function of Annual Quantity or End User Category) shall be determined by reference to the revised Annual Quantity or End User Category;

- (c) no adjustment, revision or redetermination in respect of any such Supply Point Transportation Charge, UDQO and Energy Balancing Charge in respect of or accruing in respect of any Day before the Supply Point Registration Date will be made, it being agreed that such amounts and charges will be determined (and, in the case of charges, payable) by reference to the Annual Quantity and End User Category notified by Transco pursuant to the foregoing provisions of this paragraph 1.6 unless and until any revision is made pursuant paragraph (a).

1.6.15 Where, Transco notifies any Registered User of that Supply Meter Point in the relevant Gas Year that a material error has been made in the calculation of any such Annual Quantities or any variables, Transco and the User concerned will discuss in good faith the manner in which and time at which such error may be corrected, having regard in particular to the need to ensure that the Registered User continues to enjoy the benefit (in relation to the corrected Annual Quantity) of this paragraph 1.6.

1.6.16 A User which is the Registered User of a Smaller Supply Meter Point, in relation to which the Supply Point Premises are premises in respect of which Condition 35 of the Supplier's Licence applies, may make an election for the purposes of this paragraph by submitting to Transco at any time a notice of such election.

1.6.17 Where a Registered User makes an election pursuant to paragraph 1.6.16, the Supply Meter Point shall be a Larger Supply Meter Point.

SECTION H3

Delete H3.1.1 to H3.1.4

3.1.1 shall read:

3.1.1 Subject to paragraphs 3.12 and 3.1.3, the Annual Quantity or the Provisional Annual Quantity of an NDM Supply Meter Point for each Gas Year shall be determined (on the basis of a standard 365 Day year) by seasonal normal adjustment of the metered quantity for a period ending before such gas year in accordance with this paragraph 3.

3.1.2 shall read:

3.1.2 In the circumstances in paragraph 3.2.4 the Annual Quantity or the Provisional Annual Quantity of the NDM Supply Meter Point for a Gas Year shall be that applicable for the Preceding Year.

3.1.3 shall read:

3.1.3 For the Gas Year in which a New Supply Meter Point is established its Provisional Annual Quantity shall be the quantity specified by the relevant User in accordance with section G7.3.7.

3.1.4 shall read:

3.1.4 Upon annual determination thereof in accordance with this paragraph 3, the Annual Quantity of an NDM Supply Meter Point will be notified to the Registered User in accordance with Section G 1.6.12.

TRANSITIONAL DOCUMENT PART II

Delete Sections 7.6 to 7.14

Delete Sections 8.4.6 to 8.4.10

Delete Section 8.15.3

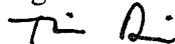
Delete Section 8.5 and replace with:

8.5 H3.2.3 Until Transco determines but in any event no later than the 2nd March 2001, for the purposes of a redetermination in accordance with Section H3 Transco shall not be required to take account of any Valid Meter Reading for which the Meter Read Date is earlier than 2nd March 1996.

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: 19 July 1999