

NETWORK CODE MODIFICATION PROPOSAL No. 0374

SHORT TITLE: Cost Reflective Charging for Loads in End-User-Category 9

DATE: 29 November 1999

PROPOSED IMPLEMENTATION DATE: 1 October 2000

URGENCY: Non-urgent

JUSTIFICATION:

The Network Code envisages (G1.5.2) that all Supply Meter Points with an AQ greater than 58.6 GWh (2 mill thms) shall be 'Daily Read' unless (G1.5.4) Transco determines that 'it would not be practicable or economic for Supply Meters at a particular Supply Point to be Daily Read'.

Transco have indicated that, as at 24 November 1999, there are currently 45 large 'NDM' loads with AQs over 2 mill thms/yr. These loads have a combined consumption of 4355 GWh (149 mill thms) and are supplied by 13 shippers, the largest share for a single shipper being 980 GWh, 33.4 mill thms.

These loads are assigned to EUC (End-User Category) 9. Loads in this EUC have a load factor based on that of 138 large datalogged loads which may have little in common with the 'very large NDM' users.

This treatment of loads totalling nearly 150 mill thms/yr can distort gas allocations for 'real' NDM loads. This will be a particular problem if there is a cluster of such loads in any LDZ and/or if the assumed load factors are significantly wrong. (The maximum such load in any LDZ is 1303 GWh, 44.5 mill thms, equivalent to about 75,000 domestic customers)

Moreover, as such loads are treated as having load factors of about 70%, the shippers with such loads may not be paying a fair share of capacity or energy-balancing charges. This would mean that the other shippers and other gas users are bearing excessive transportation and energy-balancing charges and thus subsidising the 'EUC9' loads and their shippers.

Transco have recently written (26 October 1999) to shippers with EUC9 loads to say 'Please submit a renomination for this Supply Point with a GNT of DM as soon as possible'. Code rule G1.11.2 says in effect that 'the Registered user shall make a Supply Point Reconfirmation to give effect to such [a change] not more than 3 months after the relevant date'.

However there is neither a deadline nor any sanction if affected shippers choose not to do so.

In some cases it may be that the load cannot give dataloggers fitted, though this is understood to apply only to a minority of the loads.

This Modification proposes a different and fairer regime, which would apply to any loads in EUC9 as from 1 October 2000.

Immediate action is required to enable a schedule to be publicised quickly so that shippers/users who may at present have no incentive to convert an 'EUC9' load to DM but would wish to avoid a more cost-reflective NDM treatment as from 1 October 2000 (ie who might instead prefer to have the loads datalogged by then) have time to pursue that option.

NATURE OF PROPOSAL:

It is proposed that a more realistic and more cost-reflective treatment should be introduced as from 1 October 2000 for loads which would otherwise fall into EUC9 (above 2 mill thms/yr).

it is proposed that -

- Gas usage profiles for all remaining 'very large NDM' (EUC9) loads at 1 October 2000 are individually modelled based on their recent meter readings, an assumed within-week profile (which, for example, might be derived for each load from DM loads with a similar SIC or from all DM loads over 2 mill thms/yr) and the relevant Composite Weather Variable.

- Each load is then treated as an individual EUC.

The costs of such modelling and any systems changes should be charged to the loads concerned - this will require a pricing proposal in due course.

- Where new loads would have AQs over 2 mill thms/yr and no datalogger or an existing NDM load is estimated as having an AQ over 2 mill thms/yr then until either the AQ is reduced below 2 mill thms/yr on appeal or the loads profile and load factor can be estimated as above, the load should be treated as falling within the EUC1 category for the relevant LDZ, i.e. it would be treated as having the domestic load factor for that LDZ.

(The fourth element above is for completeness. It is intended primarily to address the possibility that an existing NDM load which has had an AQ below 2 mill thms/yr is estimated as having an AQ above that level. Generally the shipper concerned would appeal against the AQ anyway and the load might be given a lower AQ, but a 'rule' is needed to specify what would happen in the remote circumstance that an NDM load did actually cross the threshold.)

To this end, the following schedule is proposed -

- A suitable Workgroup should be created urgently, to consider the issues and recommend a suitable treatment by 15 February 2000 (possibly with alternatives if no consensus is reached)

- Transco will carry out necessary implementation (including systems work) by August 2000 in parallel with the standard NDM review next year.

It is envisaged that additional costs incurred by Transco in implementing the systems and other changes would in principle be recovered fully from the shippers concerned. A pricing proposal is needed to this effect. (Issues to be addressed would include recovery of the costs incurred in the event that at any stage all the EUC9 loads become daily-metered and whether there should be a limit on the recovery from EUC9 loads in the event that the costs would be charged to a small number of loads.)

The issue should be progressed primarily as an 'Energy Balancing' issue, but with reports to the Capacity and Supply Point Administration Workstreams and to the Demand Estimation Steering Committee and representation on the Workgroup open to these too.

A simpler but less cost-reflective alternative would be to ensure that the loads remaining in EUC9 have a low load factor, which would act as an incentive for the shippers/users concerned to ensure that the loads become datalogged and treated as 'DM'. This option could be developed as a default position if it is not possible in some cases to implement the above methodology.

PURPOSE OF PROPOSAL: To protect Shippers and gas-users from inappropriate charges and cross subsidy.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

NDM allocations would continue to be distorted. Large gas users who remain in EUC9 and their shippers will be subsidised by other gas users and shippers.

AREA OF NETWORK CODE CONCERNED: Section H

PROPOSED TEXT:

The intention is that a Workgroup identifies the most appropriate Code changes, but a recommended outline follows.

H1.1.4 - amend to -

'.....whose Annual Quantities exceed 2,196,000 kWh (75,000 therms) or 58,600,000 kWh(2 mill thms), certain provisions of this Section H are modified as herein provided.

H1.7.3 - add at end, after subparagraph (ii) -

'except that each Supply Meter Point with an AQ which exceeds 58,600,000 kWh (2 mill thms) but is not Daily Read shall be treated as an individual End-User Category.'

H4.5 (new paragraph) -

4.5 NDM Supply Meter Points with AQs that exceed 58,600,000 kWh

4.5.1 Notwithstanding the remainder of this Section 4, each NDM Supply Meter Point with an AQ which exceeds 58,600,000 kWh (2 mill thms) shall be treated as an individual End-User Category, in line with paragraph 1.7.3, and -

- i) where three or more past meter readings are available which are reasonably believed to be accurate its Seasonal Normal Demand Profile (i.e. its ALPs) and its Daily Adjustment Factors (DAFs) shall be constructed by using multiple regression to determine a relation between gas taken in a period (as the endogenous variable) and the total value of the relevant LDZs Composite Weather Variable in that period and the number of days in that period (as exogenous variables)
- ii) otherwise, the Annual Load Profile for the Supply Meter Point shall be calculated by scaling the Annual Load Profile relating to supply points in that LDZ with AQs below 73,200 kWh (after application of the peak load scaling factor, in line with section 4.3) to give the appropriate AQ for the Supply Meter Point.
- iii) in both cases above the resulting profile may be adjusted to reflect any evidence about the weekly profiles for the Supply Meter Point providing this does not alter the implied load factor.

4.5.2 Loads covered by this section 4.5 may change to Daily Read status in accordance with the relevant rules for altering the status of such Supply Meter Points.

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MODIFICATION PANEL SECRETARY'S USE ONLY

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