

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 374(a)

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

DATE: 23 December 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 mtpa) 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 has indicated that, as at 24 November 1999, there are currently 45 large 'NDM' loads with Aqs over 2 mtpa. These loads have a combined consumption of 4355 GWh (149 mtpa) and are supplied by 13 shippers, the largest share for a single shipper being 980 GWh, 33.4 mtpa.

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 mtpa may distort gas allocations for other NDM loads. This could 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 mtpa, 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 appropriate capacity or energy-balancing charges. This would mean that the other shippers and other gas users are bearing inappropriate transportation and energy-balancing charges and may be regarded as subsidising the 'EUC9' loads and their shippers.

Transco has 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 have dataloggers fitted, though this is understood to apply only to a minority of the loads.

This Modification proposes a different regime, which could 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 that may at present have no incentive to convert an 'EUC9' load to DM but would wish to avoid a different NDM treatment as from 1 October 2000 (ie that might instead prefer to have the loads datalogged by then) have time to pursue that option.

NATURE OF PROPOSAL:

It is proposed that different treatment should be introduced as from 1 October 2000 for loads which would otherwise fall into EUC9 (above 2 mtpa).

it is suggested 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 mtpa) and the relevant Composite Weather Variable.

- Each load is then treated as an individual EUC.

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

- Where new loads would have AQs over 2 mtpa and no datalogger, or an existing NDM load is estimated as having an AQ over 2 mtpa, then until either the AQ is reduced below 2 mtpa on appeal or the load 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 mtpa 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 Development Workgroup should be created to consider the issues and recommend a suitable treatment by 15 February 2000 (possibly with alternatives if no consensus is reached)

- A decision should be taken allowing sufficient time for Transco to 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 could in principle be recovered fully from the shippers concerned. A pricing proposal may be 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.)

A simpler 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 potential cross subsidy.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

NDM allocations would continue to be potentially distorted. Large gas users that remain in EUC9 and their shippers may be regarded as being subsidised by other gas users and shippers.

AREA OF NETWORK CODE CONCERNED:

Section H

IDENTITY OF PROPOSER'S REPRESENTATIVE: Paul Rogers

PROPOSER (please print): Tim Davis

SIGNATURE:

POSITION: Manager, Network Code

COMPANY: BG Transco plc

MODIFICATION PANEL SECRETARY'S USE ONLY

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