TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0428

"Optional LDZ Tariff"
Version 3.0

Date: 15/09/2000

Proposed Implementation Date: 01/11/2000

Urgency: Non-Urgent

Justification

Nature of Proposal

This modification proposal contemplates the incorporation of the optional LDZ tariff into the Network Code. Transco's proposal to introduce the optional LDZ tariff was the subject of Pricing Consultation Paper PC56. Ofgem gave its decision not to veto the proposed change to Transco's pricing methodology on 17 July 2000.

It is proposed that the following changes are made to the Network Code to allow the implementation of the new tariff to take effect :

a) Determination of the optional LDZ rate for an LDZ supply point

The optional LDZ rate will be defined by the formula in the Transportation Statement and is a function of two variables; supply point capacity (SOQ) and distance.

[For reference it is presently :

Optional LDZ Rate = 902 x [(SOQ) -0.834] x D + 772 x (SOQ) -0.717]

i) SOQ

For the purposes of determining the optional LDZ rate , the SOQ used will be consistent with the Network Code rules for all other supply points, i.e :

Firm - the registered supply point capacity

Interruptible - previous year's peak daily consumption ("bottom stop SOQ")

Shared Supply Meter Points (SSMPs) - aggregate SOQ of the "logical" supply points

LDZ CSEPs - aggregate CSEP Capacity plus an element representing the interruptible component (if any)

ii) Distance

Transco will advise as part of the transportation offer, the value of the variable "D". This will be determined as the notional, straight-line distance of a pipeline between the "notional NTS connection point" and the offtake point. This is consistent with the empirical data used to develop the charging function. Each notional NTS connection point and nominated exit point will be given an eight figure Ordnance Survey grid reference number and the distance between the connection point and exit point calculated to an accuracy of +/- 0.05km. The grid reference number of the exit point will represent either the curtilage of the nominated premise or the point of offtake from the Transco system, whichever gives the shorter distance. The grid reference of the notional NTS connection point will represent the closest point on the NTS to the exit point. Rules will be introduced that will provide shippers the opportunity to dispute figures given by Transco. Transco will provide the nominating shipper the grid references used in determining the distance, the value of the distance itself, and the determined optional LDZ rate.

b) Set Up Rules

The optional LDZ tariff will be available to both the incumbent and competing shippers at any supply point, and will be obtained using a nomination, offer and confirmation process. The SPA rules for requesting and obtaining an optional LDZ rate will match the existing SPA rules as closely as possible.

Transco will be able to advise the shipper of the optional LDZ rate, the distance between the connection and exit points, the eight figure Ordnance Survey grid references of the relevant points and the supply point capacity of the system exit point provided the shipper supplies it with the following information: the point of offtake and, in certain circumstances, a revised grid reference for the connection point, supply point or CSEP.

In the case of a supply point, a shipper wishing to nominate a site on the optional LDZ rate will inform Transco of its intention as part of its submission of a standard supply point nomination in line with current practice. Transco will issue an optional LDZ offer as a supplement to the standard offer.

The procedures to deal with CSEPs will reflect the above process. Essentially, to obtain an optional LDZ offer the shipper will simply be required to supply Transco with the same information as required for a supply point. If the shipper requires the optional LDZ rate to apply, it will advise Transco at the time it becomes a User at the CSEP.

All the above transactions associated with initialising the optional LDZ tariff at an offtake will be managed "off line" from the UK-Link SPA system.

Time-scales for transferring to this tariff will normally be consistent with the supply point transfer process. Exceptions will be when the specified exit point needs to be removed from the sites and meters database for administrative purposes. In this case, up to 2 months (to check) notice may be required before the tariff can be applied. Also, where an incumbent shipper at an exit point wants to transfer to the optional LDZ tariff, the confirmation effective date should be the first day of a month. Failure to request such a date will result in Transco revising the transfer date to the first of the month following the requested date.

c) Other

i) Reconciliation

Reconciliation Charge adjustments will not apply in respect of the optional LDZ rate.

ii) LDZ supply point ratchet charges/ Overrun charges

The supply point ratchet charge for supply points on the optional LDZ rate, and the overrun charge in respect of CSEPs on the optional LDZ rate, will be a function of the optional LDZ rate rather than the standard LDZ charge.

Purpose of Proposal

The purpose of this modification proposal is to give effect to the optional LDZ tariff, implementation of which is being progressed following Ofgem’s decision not to veto Transco’s proposed change to its pricing methodology for the introduction of the tariff.

The consultation exercise for Transco’s pricing proposal generated significant support from almost all respondents to the consultation, and early implementation is important to achieve the efficiency benefits that were identified in the pricing consultation paper.

Consequence of not making this change

The optional LDZ tariff, which was proposed in the Pricing Consultation Paper PC56 and attracted widespread industry support, will not be available to shippers.

Area of Network Code Concerned

Sections B & E.

Proposer's Representative

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Proposer

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Signature

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