

Modification Report
Revision of Existing AQ Appeals Window
Modification Reference Number 0531
 Version 1.0

This 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

This Proposal introduces changes to the existing AQ Process by recommending the removal of the restrictions currently in force in respect of processing appeals. The existing regime currently offers differing windows of opportunity as detailed below:

Appeal Type	Appeals Window	Network Code Reference
New Business	Jan 1 - 31 May	G1.6.11
AQ Change	Oct 1 - 31 Dec	G1.6.13(a)(i)
Change in Use	Oct 1 - 31 Dec	G1.6.13(a)(ii)
Manifest Error	Jan 1 - 31 May	G1.6.13(b)(i)
Threshold Crossers	Jan 1 - 31 May	G1.6.13(b)(ii)

This Proposal would remove these restrictions and allow all types of Appeals to be processed all year round in respect of Larger Supply Meter Points (it would however be necessary to suspend this facility for a limited period between 1st August and 14th September inclusive each year in order to facilitate AQ re-calculation processing).

2. Transco's Opinion

As outlined in the section 'Nature of Proposal' the existing AQ appeals process has time restrictions in respect of appeal types. This Modification Proposal aims to remove such restrictions allowing Users to appeal the Annual Quantity in respect of a Larger Supply Point at any time of the year with the exception of a period of approximately six weeks during August and September. As the proposer Transco supports this Modification Proposal and is of the opinion that, if implemented, it would bring benefits to Users by increasing the flexibility of what is already acknowledged as a robust process. Transco further believes that this Proposal would result in charges for NDM Users being more consistent with actual gas consumption and the applied AQ being a more appropriate estimate representing a more equitable cost allocation to Users.

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

Removal of the time restrictions currently in place should result in AQs being maintained in a more timely manner and being a better reflection of gas consumed. In facilitating more accurate cost allocation this Proposal furthers the securing of effective competition between relevant shippers and between relevant suppliers.

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

a) implications for the operation of the System:

Transco is not aware of any such implications.

b) development and capital cost and operating cost implications:

Transco is not aware of any such implications.

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 believe it is appropriate to put in place any special cost recovery measures.

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

Transco is not aware of any such consequences.

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 is not aware of any reason to believe that the level of its contractual risk will alter as a result of implementation of this Modification Proposal.

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

Minimal changes to Transco's systems are anticipated as a result of the implementation of this Modification Proposal. Transco is not aware of any implications for the development of Users' computer systems.

7. The implications of implementing the Modification Proposal for Users

Implementation of this Modification Proposal removes the timing restrictions currently in place surrounding the revision of AQs for Larger Supply Points. This will enable Users to ensure that AQs are maintained in a more timely manner bringing benefits to all NDM User (including RBD) in terms of a more equitable cost allocation.

8. The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non-Network Code Party

Transco is not aware of any such implications.

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 is not aware of any such consequences.

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

Advantages of implementing this Modification Proposal

- Removes the time restrictions currently in place for processing of AQ appeals thereby improving flexibility.
- Facilitates a more equitable cost allocation to Users.
- Peaks in system transactions may be smoothed.

Disadvantages of implementing this Modification Proposal

- May be a peak in volumes of appeals following the transfer of portfolios resulting from mergers / acquisitions.
- May provide greater potential for shippers to gain a commercial advantage as a result of their appeals activity.

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

Seven representations have been received in respect of this Modification Proposal, all are supportive of its objectives and acknowledge that Users would benefit from its implementation.

Scottish Power (SCP) however raises two questions:

1) Will the proposal allow the AQ values of threshold crossers moving from Smaller to Larger Supply Points and Larger to Smaller Supply Point to be appealed.

Transco confirms that it is the intention that the Proposal will allow such appeals.

2) Are there any proposals to introduce a 'fast track' process for the Nomination and Confirmation of appeals. SCP states 'Presently, delays can occur if a new Supplier is attempting to register a Supply Point that is subject to appeal. With the extension of the appeals window this problem may become more acute with a greater number of sites being unable to transfer due to activity within the appeals process.'

Transco, in conjunction with the AQ Sub group, have reviewed the existing appeals process and has developed a "straw man" paper entitled 'AQ 2002 & beyond 'Straw Man Discussion Threads'. This does not however consider a fast track process for the Nomination and Confirmation of appeals. Transco is aware

of the issue highlighted and anticipates further discussion in respect of this matter will take place in the AQ Sub Group.

SCP further highlights the potential that the Modification Proposal, if implemented, provides for shippers to gain a commercial advantage as a result of their appeals activity and states ' In order to ensure that the appeals process is not used to allow Shippers to gain a commercial advantage, we believe that appeals activity requires be monitored with adequate reporting put in place.'

Whilst recognising that the potential to gain a commercial advantage exists, Transco is not persuaded that this Modification Proposal will increase the incentive to do so. However, Transco will continue to monitor and report upon behaviour in respect of appeal activity, using established reporting mechanisms from the existing appeals process. Transco intends to present and discuss its findings at the AQ Sub Group.

BGT states ' Without this modification Users will be prevented from making the adjustment to AQ immediately that data is available to support the appeal or amendment.' it further states ' The accuracy of the AQ will in turn improve the accuracy of the deeming process for Non-Daily Metered supply points'. BGT concludes by stating 'The modification will also allow this workload for both Transco and Users to be more evenly spread through the year and avoid the concentration of this activity in the months prior to and after the effective date for revised AQs.'

Transco agrees that the implementation of this Modification Proposal should bring benefits in work load management.

Powergen, agrees that if implemented it will facilitate the amendment of erroneous AQs. Powergen states ' We believe this is a move in the right direction as it would give us the opportunity to correct erroneous AQ's.'

Transco concurs with this view. Transco believes that the ability to correct / amend erroneous AQs on a more timely basis should result in more equitable cost allocation to all Users.

Three respondents highlight benefits such as improved billing, improved customer service, more equitable cost allocation. BP states ' We support this modification as it improves the quality of system information and transportation billing.' Innogy states 'it allows suppliers more flexibility to appeal AQ's, and should therefore improve the quality of cost allocation and the accuracy of the reconciliation by differences process.' Mobil states 'This will allow the User to ensure that the applied AQ represents a more timely estimate of gas consumption and more equitable cost allocation. This proposal should also result in increased customer satisfaction.'

Transco concurs with these views.

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

Transco is not aware of any such requirement.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 4(5) or the statement furnished by Transco under Standard Condition 4(1) of the Licence

Implementation of this Modification Proposal is not required to facilitate any such change

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

Minimal changes to Transco's systems are anticipated as a result of the implementation of this Modification Proposal.

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

This Modification Proposal may be implemented within three months of direction being given.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this Modification Proposal.

17. Restrictive Trade Practices Act

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. Transco's Proposal

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Gas & Electricity Markets Authority in accordance with this report.

19. Text

SECTION G - AMEND PARAGRAPH G1.6.11 AS FOLLOWS

1.6.11

For the purposes of this paragraph 1.6.11, the "**Effective Period**" shall mean the Gas Year excluding the period of time commencing from and including 1 August until and including 14 September. Where a Supply Point Confirmation made in respect of a Larger Supply Point becomes or will become effective during the Effective Period ~~not earlier than 31st December of the relevant Gas Year or later than 31st May in the relevant Gas Year~~, the Proposing User may during the Effective Period but 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 End User Category of the Supply Point (pursuant to Section H 1.2), 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).

SECTION G - AMEND PARAGRAPH G1.6.13 AS FOLLOWS

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 ~~July~~ ~~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 during the Effective Period) notify Transco that the Registered User considers that the Annual Quantity of that Supply Meter Point 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 Larger Supply Meter Point, the Registered User may not later than 31st ~~July~~ ~~May~~ in the relevant Gas Year notify Transco that the Registered User considers that the Annual Quantity of a Supply Meter Point fails to satisfy the requirement in paragraph 1.6.6 provided that the Registered User may only so notify Transco in the case of...

Signed for and on behalf of Transco.

Signature:

Steve R Phillips
Director of Shipper Services

Date:

Gas and Electricity Markets Authority Response:

In accordance with Condition 9 of the Standard Conditions of the Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference **0531**, version **1.0** dated **29/04/2002**) be made as a modification to the Network Code.

Signed for and on Behalf of the Gas and Electricity Markets Authority.

Signature:

The Network Code is hereby modified with effect from, in accordance with the proposal as set out in this Modification Report, version **1.0**.

Signature:

Process Manager - Network Code
Transco

Date:

Annex

1. Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which The Restrictive Trade Practices Act 1976 ("the RTPA"), had it not been repealed, would apply to this Agreement or such arrangement shall not come into effect:
 - (i) if a copy of the Agreement is not provided to the Gas and Electricity Markets Authority ("the Authority") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Authority gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraphs 1(6) or 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996 ("the Order") as appropriate

provided that if the Authority does not so approve the Agreement then Clause 3 shall apply.
2. If the Authority does so approve this Agreement in accordance with the terms of the Order (whether such approval is actual or deemed by effluxion of time) any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which the RTPA, had it not been repealed, would apply this Agreement or such arrangement shall come into full force and effect on the date of such approval.
3. If the Authority does not approve this Agreement in accordance with the terms of the Order the parties agree to use their best endeavours to discuss with Ofgem any provision (or provisions) contained in this Agreement by virtue of which the RTPA, had it not been repealed, would apply to this Agreement or any arrangement of which this Agreement forms part with a view to modifying such provision (or provisions) as may be necessary to ensure that the Authority would not exercise his right to give notice pursuant to paragraph 1(5)(d)(ii) or 2(2)(b)(ii) of the Order in respect of the Agreement as amended. Such modification having been made, the parties shall provide a copy of the Agreement as modified to the Authority pursuant to Clause 1(i) above for approval in accordance with the terms of the Order.
4. For the purposes of this Clause, "Agreement" includes a variation of or an amendment to an agreement to which any provision of paragraphs 1(1) to (4) in the Schedule to the Order applies.