

Draft Modification Report
Revision of Existing AQ Appeals Window
Modification Reference Number 0531

Version 2.0

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

This Modification 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)

The Proposal aims to remove these restrictions allowing 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 the applied AQ being a more appropriate estimate of annual gas consumption representing a more equitable cost allocation to Users with these benefits flowing through to Reconciliation by Difference (RbD).

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

Removal of the time restrictions currently in place should result in AQ's being maintained in a timely manner and more reflective of gas consumed. In facilitating more accurate cost

allocation this proposal furthers the development of competition between relevant shippers and 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 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 upon which gas consumption for Reconciliation by Difference (RBD) is based, resulting in a more equitable cost allocation to Users.

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.

Facilitates AQ being more reflective of actual gas consumption.

Peaks in system transactions may be smoothed.

Disadvantages of implementing this Modification Proposal

May be a peak in appeals following the transfer of portfolios resulting from mergers / acquisitions.

May provide greater potential for Users to manipulate AQs in order to ease cashflow discrepancies during periods of peak demand.

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

Representations in respect of this Modification Proposal are now invited.

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 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 with effect from 1st July 2002.

16. Recommendation concerning the implementation of the Modification Proposal

Transco recommends implementation of this Modification Proposal.

17. 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...

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:

Steve R Phillips
Director of Shipper Services

Date: