Modification Report
Proposal to amend Annex A Part 8 of the Connected System Exit Point (CSEP) Network Exit Agreement (NExA) by replacing the current version of the AQ Table with a revised Table to account for movements in AQ values as a result of the AQ Review 2004/05
Modification Reference Number 0075

Version 2.0

This Modification Report is made pursuant to Rule 8.9 of the Modification Rules and follows the format required under Rule 9.6.

1. The Modification Proposal

IGTs are required to adopt the AQ values present within the NExA AQ Table for the purpose of calculating domestic transportation charges through the Relative Price Control (RPC) Charging Methodology.

Under Annex A, Part 1 of the NExA, iGTs are required to undertake an AQ Review for all Larger and Smaller Supply Points, the procedure following the same process and timescales as those applied by Large Gas Transporters in accordance with the Uniform Network Code.

Following the completion of an AQ Review, analysis of the AQ values present within the AQ Table is performed to ensure that they remain fit for purpose and a reasonable estimate of the value of gas consumed in accordance with house type and geographical location.

A review of the AQ values present was undertaken by the Gas Forum iGT Workgroup and as a consequence of this review, a revised AQ Table has been produced. General consensus has been reached between iGTs and Shippers that Annex A, Part 8 of the NExA should be amended and that the current AQ Table should be replaced with the revised version.

A copy of the AQ Table, which it is proposed should replace that presently within the NExA is attached.

Section J 6.4 of the UNC provides that "The Transporter will not agree with the Connected System Operator to amend any provision of CSEP Network Exit Provisions which governs or otherwise is directly relevant to the arrangements between the Transporter and Users pursuant to the Code except:

(a) in the case where the Connected System Operator is a Gas transporter, by way of modification pursuant to the Modification Rules (subject to paragraph 6.4.3), for which purposes the relevant provision of the CSEP Network Exit Provisions shall be deemed to form a part of the Code;"

This Modification Proposal has been raised in order to facilitate the proposed change to the NExA in accordance with this obligation.

ESTIMATED AVERAGE ANNUAL GAS CONSUMPTION FOR NEW BUILD DWELLINGS IN THE UK

NExA AQ Values Effective from……

Band	House Type	South SW, NT, WS, SO (92%)		Average WN, SE, NW, EA, EM, WM, NE (0%)		North NO, SC (108%)	
		AQ (kWh)	TPA	AQ (kWh)	TPA	AQ (kWh)	TPA
A	1 Bed	8,815	301	9,585	327	10,127	346
B	2BF, 2BT	10,639	363	11,270	385	11,659	398
C	2BS, 2BD, 3BT, 3BF	13,120	448	13,530	462	14,255	486
D	3BS, 2BB	14,348	490	14,611	499	15,871	542
E	3BD, 3BB	16,180	552	17,303	590	19,758	674
F	4BD, 4BT, 4BS, 4BB	19,823	676	21,195	723	22,690	774
G	5BD, 5BS, 6BD	28,077	958	30,035	1,025	31,176	1,064

2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives

Implementation of this Proposal should help to ensure that the AQ values related to CSEPs are more accurately recorded, such that Transportation Charges are more appropriately apportioned and levied. By improving cost reflectivity, implementation would be expected to better facilitate the securing of effective competition between relevant Shippers.

EON, in support of this proposal, agreed that "*Relevant objective A11.1 (d) (i) the securing of effective competition between relevant shippers, will be better facilitated through improving cost reflectivity*".

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NG UKD also agreed implementation would better facilitate the securing of efficient competition.

3. The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

The implementation of this Proposal should not have any adverse effect on security of supply, operation of the Total System, or industry fragmentation.

4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including

a) implications for operation of the System:

No implications for operation of the system have been identified.

b) development and capital cost and operating cost implications:

No development and capital cost and operating cost implications have been identified.

c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

No cost recovery mechanism is proposed.

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

No such consequences on price regulation have been identified.

5. The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

No such consequences have been identified.

6. The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

No systems implications have been identified.

7. The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

No such implications have been identified.

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

Connected System Operators would need to consider the changes needed to ensure continued compliance with their revised NExA once revised as envisaged in the Proposal.

9. Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

No such consequences have been identified.

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

Advantages

- AQ values related to CSEPs more accurately recorded
- Transportation Charges more appropriately apportioned
- Improved cost reflectivity

Disadvantages

- None identified

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

Organisation	Abbreviation	Position
E.ON UK	EON	For
National Grid Distribution	NG UKD	For
RWE Npower Plc	RWE	For
Scottish Power	SPower	For

NG UKD "*supports the re-assessment of the values within the AQ table as this is consistent with the impact of the revised Weather Annual Load Profiles on Annual Quantities for UNC Supply Points following implementation of UNC Modification 0012*".

NG UKD added "*The purpose of the AQ table located within Annex A Part 8 of the LDZ CSEP NExA is to provide a reasonable assessment of the AQ for new CSEP Supply Points where there is insufficient consumption data to derive an AQ from consumption history. This Proposal seeks to update the values within the AQ table to reflect the recent experience of successive years of warmer weather as applied to those Supply Points directly connected to Distribution Networks and the National Transmission System*".

RWE, in support of the Proposal, commented that "*RWE Npower consider that the NExA table is pivotal in determining the charges that CSEP Users have to pay to both iGTs and Large Transporters. We are concerned that inaccuracies in the AQ Values in the NExA further exposes Users to the misallocation of energy volumes through the RbD smearing method. For these reasons RWE Npower suggest that it may be appropriate to reference or include the NExA table in the Uniform Network Code due to the impacts it has on Users of the Code*".

SPower added that "*One of the key elements that drives the calculation of iGT Transportation Charges under the Relative Price Control Charging Methodology is the Annual Quantity (AQ) value assigned to a Supply Point by reference to the CSEP NExA AQ Table. Upon completion of the AQ Review a re-evaluation is made of the AQ values present within the AQ Table to ensure that they continue to represent the estimated annual offtake value in relation to*

house type and geographical area. In addition to AQ values re-calculated by the use of actual meter readings, an adjustment has been applied to take account of the revisions to WAALP data applied from 1/10/05.

SPower also wished to raise a general point of concern that *"iGTs continue to use AQ values present within the current NExA AQ Table when setting RPC charges. The continued use of these values not only affect iGT charges but those applied by Large Transporters at the CSEP. The revised AQ values present within the table contained within the Modification Proposal should in real terms have become effective from 1/10/05. The extended application of current AQ values disadvantages both Shippers, Suppliers and ultimately end consumers as the large majority of these values now appear to be over inflated when compared to the values present within the revised table. Inaccurate AQ values also undermines the effectiveness and integrity of RbD. ScottishPower have raised a further Modification to UNC with the ultimate aim of removing the AQ Table from the NExA and inserting this within iGT Network Codes. This to a degree should assist in reducing the period of time required to facilitate future amendments. However will not fully overcome the risks associated with a delay in implementation and we would ask that both Large Transporters and iGTs work together to bring about a solution that will ensure that future changes to the AQ values are achieved as close to the new Gas Year as possible*".

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

Implementation is not required to enable each Transporter to facilitate compliance with safety or other legislation.

13. The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Implementation is not required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence.

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

No programme of works would be required as a consequence of implementing the Modification Proposal.

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

Implementation can be immediate on receipt of direction from Ofgem.

16. Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications of implementing this Modification Proposal upon existing Code Standards of Service have been identified.

17. Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 15 June 2006, of the 9 Voting Members present, capable of casting 10 votes, 10 votes were cast in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

18. Transporter's Proposal

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

19. Text

UNC legal text changes are not required.

Subject Matter Expert sign off:

I confirm that I have prepared this modification report in accordance with the Modification Rules.

Signature:

Date :

Signed for and on behalf of Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters

Signature:

Date :

