

CODE MODIFICATION PROPOSAL No. 0089

"Clarification of Timescales to Revise AQ for Small Supply Point threshold-crossers"
Version 2.0

Date: 11/07/2006

Proposed Implementation Date: 01/09/2006

Urgency: Non-Urgent

Proposer's preferred route through modification procedures and if applicable, justification for Urgency

(see the criteria at http://www.ofgem.gov.uk/temp/ofgem/cache/cmsattach/2752_Urgency_Criteria.pdf)

This purpose of this Modification Proposal has been discussed within the Distribution Workstream in May 2006. We do not believe further development is required and the therefore our preferred route is to proceed direct to consultation.

Nature and Purpose of Proposal (including consequence of non implementation)

Summary of Modification 0640

Modification 0640 "End of Year Reconciliation of Specific Categories of Smaller Supply Points" placed an incentive on Shippers to submit AQ revisions if they reasonably believe that a Small Supply Point has increased its offtake so that it becomes a Large Supply Point.

The Modification introduced the concept of a "User Annual Quantity Revision Difference Transportation Charge Adjustment" which is charged to Shippers for any Supply Point that is not revised prior to the Provisional AQ calculation.

TGP believes that the current deadline operated by xoserve is not in keeping with the intention of Modification 0640 and that operational efficiency is being penalised as a result. The purpose of this Modification is to provide clarity on the timescales required.

Rationale of New Modification

Section TPD G 1.6.2 states that "*no later than the AQ Review Date the Transporter shall determine the Provisional Annual Quantity in respect of each Supply Meter Point*" and TPD G 1.6.1 (c) further states that "*the "AQ Review Date" is a date which the Transporters determine but shall in any event be no later than 31 May in the preceding Gas Year.*"

The start date of the Provisional AQ calculation is determined by xoserve and is communicated to all Shippers through the AQ sub-group. According to xoserve, the calculation takes a couple of months, with repeated refinements of the initial calculation undertaken up to 31 May. The information is then released to the community, with Small Supply Point Information being released by 31 May and Larger Supply Point Information by the 30 June, to enable Shippers to validate the proposed Aqs.

xoserve has interpreted the UNC to mean that any Shipper AQ revisions need to be submitted prior to the start of the Provisional AQ calculation. We understand this is to prevent xoserve being placed under pressure from Shippers to be given early indication of their prospective AQs.

We contend that this interpretation is contrary to the intention of Modification 0640. Mod 640 addressed the concern that Users could selectively tailor their AQ submissions to take account of the revised AQ values calculated by the Transporters. However until the calculated values are released Users do not have sight of the revised AQ values generated by xoserve.

There are obvious benefits in utilising a meter read obtained at the end of the winter period to support the AQ review; otherwise actual peak consumption of a site will not be taken into account. At present these reads are not available until well after the mid-March cutoff date. In order to capture these reads and ensure optimum AQ values are submitted, it seems appropriate therefore that shippers have a more realistic cut-off date. We propose that Shipper AQ revisions should be accepted up to 30 business days (six business) weeks after the initiation of the Provisional AQ calculation to enable xoserve to complete an initial calculation for all Supply Points. To provide maximum clarity it is additionally proposed that the UNC incorporates a requirement on xoserve to inform Shippers of the Provisional AQ calculation commencement date.

Consequence of non-implementation

If the modification is not implemented, there will be continuing ambiguity over the deadline by which shippers are required to submit revisions, with sub-optimal AQ revisions as a consequence.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives, specified in Standard Special Condition A11.1 & 2 of the Gas Transporters Licence

Clarification that the cut-off point of the submission is at the end of the Provisional Annual Quantity calculation will improve the quality of the AQ revision by enabling users to utilise winter period meter readings. Therefore this modification would better facilitate the achievement of the relevant objective:

A11.1 (d) The securing of efficient competition between relevant shippers, suppliers and DN operators.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

a. Proposed implementation timetable

TGP believes that this Proposal can be implemented as soon as it is approved by Ofgem.

b. Suggested legal text

Uniform Network Code – Transportation Principal Document – Section E:

Paragraph 7.4.3. Amend to read as follows:

“Where, as a result of the revision of the Annual Quantity of a Smaller Supply Point pursuant to Section G1.6, the Supply Point becomes a Larger Supply Point and:

- (a) the Annual Quantity is increased by more than:
 - (i) 20% of the Annual Quantity at the start of the preceding Gas Year; and*
 - by*
 - (ii) 15,000 kWh; and**
- (b) there has not been a change in Registered User for the Supply Point since the last revision of the Annual Quantity of the Supply Point pursuant to Section G1.6; and*
- (c) the Annual Quantity of the Supply Point was not increased such that the Smaller Supply Point became a Larger Supply Point within thirty Business Days after the commencement of the Provisional Annual Quantity calculation by the Transporter.”*

Uniform Network Code – Transportation Principal Document – Section G:

Insert New Paragraph 1.6.3 to read as follows:

The Transporter shall inform all Users of the commencement date of the Provisional Annual Quantity calculation for the relevant Gas Year at least thirty Business Days prior to the commencement of the Provisional Annual Quantity calculation.

Renumber Paragraphs as appropriate.

c. Advantages of the Proposal

- Clarifies current obligations on Users.
- Improves operational efficiency by allowing Users to submit readings utilising winter readings.
- Aligns operational practice with the intent of implemented Modification 0640.

d. Disadvantages of the Proposal

- None identified.

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

No such implications are anticipated.

f. The implication for Transporters and each Transporter of implementing the Modification Proposal, including

i. implications for operation of the System

xoserve will be required to a make a minor adjustment to it processes to incorporate a later start date for calculation of the User Annual Quantity Revision Difference Transportation Charge. We do not anticipate that any system changes will be required.

ii. development and capital cost and operating cost implications

We do not believe that this Proposal will result in any increased costs.

iii. extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs

It is not anticipated that this Proposal will result in any increased costs. However any possible administrative cost associated with changes to xoserve processes will be recovered through all Transporters.

iv. analysis of the consequences (if any) this proposal would have on price regulation

No such consequences are anticipated.

g. 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 are anticipated.

h. 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 system implications are anticipated.

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

We do not anticipate any significant implementation costs for Users.

Code Concerned, sections and paragraphs

Uniform Network Code, Transportation Principal Document, Section E.

Proposer's Representative

Gareth Evans (Total Gas and Power Limited)

Proposer

Steve Ladle (Total Gas and Power Limited)

Signature

.....