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Your Reference 0089

Re: Modification Proposal 0089 Clarification of Timescales to Revise AQ for Small Supply Point threshold-crossers

Dear Julian,

Thank you for your invitation seeking representations with respect to the above Modification Proposal. National Grid opposes implementation of this proposal.

National Grid recognises the impact on Users in the Smaller Supply Point sector of those Supply Points that should be subject to individual meter point reconciliation and recognising these impacts National Grid's predecessor Transco raised Network Code Modification Proposal 0640 in July 2003.

The subsequent implementation of Modification 0640 introduced a 'once a year' reconciliation exercise whereby following the AQ Review of consumption of individual Supply Points over the previous twelve months, consideration is given with respect to those Supply Points which have been re-designated 'Larger Supply Points' (having previously been classified 'Smaller Supply Points').

Assessment is made as to whether, in the previous year, the Supply Point may have in fact consumed sufficient quantities to have warranted earlier re-classification as a 'Larger Supply Point'. Subject to certain criteria it was the industry's view that a reconciliation should be carried out to correct the anomaly.

During development of Modification 0640, a number of conditions were identified in which it was deemed to be inappropriate to undertake the annual reconciliation. One such exclusion is where the Registered User undertakes pro-active management of AQs during the year such that an understated AQ is appealed in the early part of the year (E7.4.3(c)).

National Grid believes that the current deadline comprised in this exclusion is appropriate. This proposal seeks to extend the scope of this exclusion and from a principle perspective we do not support measures that would potentially reduce the amount of energy reallocated from Smaller Supply Points to newly increased Larger Supply Points under the reconciliation process introduced by Modification 0640. xoserve have estimated that the proposal if implemented could remove 50gWh or more from the Mod 0640 reconciliation at a direct cost to Smaller Supply Point Users.

Comments on the Draft Modification Report

1. The Modification Proposal – Rationale for New Modification

National Grid believes that the relevant section of the Uniform Network Code (UNC) is E7.4.3(c) which states that in order to be subject to the Annual reconciliation the AQ of the Supply Point must not have been increased “...prior to the Provisional Annual Quantity being calculated...”. A reasonable interpretation of this would appear to be that the time referred to is the commencement of the calculation process.

It is worthy of note that Modification 0640 addressed cross-subsidies caused by Smaller Supply Points consuming gas at Larger Supply Point quantities. It is Modification 0624 which considered selective amendments of AQs during the Annual Review Process.

Further, to clarify, a User may challenge the Transporters’ proposed AQ for a Supply Point up to 13 August in the preceding year (G1.6.4) and existing AQs up to 31 July (G1.6.13). However, to avoid the reconciliation introduced by Modification 0640 the AQ must be appealed by the date specified in E7.4.3(c).

The Proposal as detailed within the Draft Modification Report v1.0 does not appear to contain the following element as detailed in version 2.0 of the Modification Proposal “*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.*” We would point out that such an obligation would have to be incumbent on Transporters as xoserve are not party to the UNC.

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

If a smaller number of End Of Year Reconciliations are triggered there would be an increased cross-subsidy between individual Users at Smaller Supply Points with large consumptions and all RbD Users.

10. Advantages

Decreases the number of End of Year Threshold Crosser calculations, if Users are active in appealing in the additional 30 business days requested by the proposer. This reduces the workload for xoserve in calculating those Reconciliations and for Users in validating.

10. Disadvantages

If there is a reduction in End of Year Reconciliations, this would increase the cross-subsidies between individual Users at SSPs with large consumptions and all RbD Users, by reducing the amount of energy reallocated from Smaller Supply Points to newly increased Larger Supply Points.

19. Legal Text

Pursuant to comments in respect of section 1 (above), it is Section E7.4.3(c) which details the relevant exclusion from the Modification 0640 annual reconciliation (E7.4.4). As such, this would appear to be the relevant location to specify that the AQ must be increased within 30 business days of the commencement of the Provisional Annual Quantity calculation to avoid the annual reconciliation as opposed to within Section G1.6.3 as detailed within the Draft Modification Report.

Alternatively, as currently drafted, introducing the following text: “*A User shall be required to submit to the Transporter any revisions to the Annual Quantity within 30 Business Days from commencement of the Provisional Annual Quantity calculation*) within G1.6.3 has the potential to conflict with G1.6.13 which details that the User has until 31 July to submit an AQ Appeal.

If you require any further information in respect of this representation please contact Chris Warner on 07778 150668 or email chris.warner@uk.ngrid.com.

Yours sincerely

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