

**Draft Modification Report**  
**Clarification of Timescales to Revise AQ for Small Supply Point threshold-crossers**  
**Modification Reference Number 0089**

Version 1.0

This Draft Modification Report is made pursuant to Rule 7.3 of the Modification Rules and follows the format required under Rule 9.6.

## **1. The Modification Proposal**

### **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 and

we proposed 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.

### **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.

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

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 implementation of this modification would increase cost reflectivity and so better facilitate the achievement of the relevant objective:

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

The potential for improved accuracy will also facilitate the economic and efficient operation of the pipeline system.

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

No such implications are anticipated.

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

### **a) implications for operation of the System:**

No such implications are anticipated.

### **b) development and capital cost and operating cost implications:**

No significant development, capital or operating cost implications are anticipated.

### **c) 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 it is proposed that any possible administrative cost associated with changes to xoserve processes will be recovered through all Transporters.

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

No such consequences are anticipated.

**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 are anticipated.

**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**

xoserve will be required to make a minor adjustment to its processes to incorporate a later start date for calculation of the User Annual Quantity Revision Difference Transportation Charge. It is not anticipated that any system changes will be required.

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

Users have suggested there would not be any significant implementation costs for Users as a result of implementing the Proposal.

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

No such implications have been identified.

**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**

- 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.

**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)**

Written representations are now sought in respect of this Draft Report.

**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. However the SME notes that some work may be required by xoserve to change processes.

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

This Proposal can be implemented as soon as it is approved by Ofgem. However the SME notes that consideration may need to be given to any changes that may need to be carried out by xoserve.

**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**

## 19. Text

### UNIFORM NETWORK CODE - TRANSPORTATION PRINCIPAL DOCUMENT

#### SECTION G - SUPPLY POINTS

Amend 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. 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. The Transporter shall no later than 31 May in the preceding Gas Year for Smaller Supply Meter Points and 30 June in the preceding Gas Year for Larger Supply Meter Points in respect of each Supply Meter Point notify to the Registered User the Provisional Annual Quantity in respect of the relevant Gas Year and supporting details including:

- (a) the Supply Meter Point Reference Number; and
- (b) where available, the Meter Readings used by the Transporter to determine the Provisional Annual Quantity.

***Representations are now sought in respect of this Draft Report and prior to the Transporters finalising the Report***

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 :