

## TOTAL GAS & POWER LIMITED

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31 August 2006

Dear Julian,

### **Modification Proposal 0089 "Clarification of Timescales to Revise AQ for Small Supply Point threshold-crossers"**

Total Gas & Power Limited supports the implementation of Modification Proposal 0089.

#### **Our comments are as follows:**

At present Shippers are required to re-declare any sites that meet the criteria for a threshold crosser by the start date of the Provisional AQ calculation as a result of xoserve's unilateral interpretation of the current ambiguous guidelines within the UNC. This interpretation is not unanimously agreed by all Shippers and places unnecessary restrictions upon the data that Shippers may use in determining a more accurate AQ value for a site. Owing to the nature of these sites, which are predominately Small-Medium Enterprises, their meters are likely to be read twice a year. This means that many of these sites will not have sufficient readings for a picture of their consumption to be formed until April and a mid-March deadline also means that winter consumption cannot be taken into account with regard to revisions.

The proposed revised deadline of thirty business days after the commencement of the provisional AQ calculation is unambiguous and has the added benefit of allowing sufficient time to incorporate winter readings into their calculations. In addition, providing clarity as to the exact nature of the deadline, and allowing the use of winter readings, will remove the perverse incentive on Shippers to use poor quality readings to determine the AQ of a site to avoid paying the User Annual Quantity Revision Difference Transportation Charge Adjustment.

This modification therefore brings benefits to the whole community, and we support its implementation

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

##### ***Gas Transporter Licence Standard Special Condition A11.1***

- (a) ***the efficient and economic operation of the pipe-line system to which this licence relates;***

Does not apply to this objective

- (b) ***so far as is consistent with sub-paragraph (a), the coordinated, efficient and economical operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line***



*system of one or more other relevant gas transporters;*

Does not apply to this objective

- (c) *so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

Does not apply to this objective

- (d) *so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:(i) between relevant shippers;(ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;*

Defining a clear cut-off date of 30 business days after the commencement of the provisional AQ calculation will allow all Shippers have a consistent interpretation of the UNC requirements, work to a clear deadline and allows additional time to procure meter readings. This enables the Shipper to calculate revised AQ values with increased accuracy of revised AOs and hence encouraging competition through appropriate cost targeting.

- (e) *so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers' licences) are satisfied as respects the availability of gas to their domestic customers; and*

Does not apply to this objective

- (f) *so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.*

This modification attempts to clarify the deadlines placed upon Shippers with regard to revising threshold crossers within the UNC and therefore furthers this relevant objective.

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

No implications identified

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

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

No implications identified for Transporters.

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

UK Link currently operates to a deadline for submission of reads. This modification will adjust the current deadline, so the program of works undertaken by xoserve to implement this modification will be relatively minor.



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

Do not anticipate any costs requiring recovery outside of allowed revenue

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

No consequences identified.

**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**

We do not anticipate any increase in contractual risk for the Transporters.

**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**

We do not anticipate any major changes to the UK Link system. There will be a minor adjustment to the current deadline within UK Link for submitting revisions.

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

Clarifying the re-nomination deadline for a site gives a Shipper certainty as to the obligations placed upon them with regard to revising AQs. This will enable them to plan their meter reading procurement for appropriate sites to ensure that any revised AQs are accurate. This will result in a more appropriate targeting of resources, and may result in efficiency savings as Shippers reduce the amount of additional reads procured for this process. We would not anticipate any increase in workload for Shippers.

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

The ability for Shippers to use a wider range of reads, encompassing the winter peak, will ensure that AQs will be more accurate for the Large Supply Points sites affected and consequently all Small Supply Points will benefit. This should improve cost targeting to Shippers, and so improve the accuracy of customer billing.

**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**

Shippers will have their contractual obligations clarified through the insertion of a clear revision deadline into the UNC.

**Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

**We have identified the following advantages:**



- Clarity of the obligations placed upon Shippers with regard to revising threshold crosser AQs.
- Significant improvement in data quality for threshold crosser sites as winter readings can be used.
- Overall beneficial impact on Rbd as AQ revisions for Large Supply Points are substantially improved.

**We have identified the following disadvantages:**

- None identified.

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

Not required for this purpose

**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**

Not required for this purpose

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

Xoserve will be required to adjust their processes to take account of the revised deadline. We do not anticipate this work to be significant however, as it should involve little more than an adjustment to parameters that currently exist within UK Link.

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

The AQ review is started around mid-March. In order for the revised deadline to be effective for 2007, the modification will need to be implemented by the end of 2006.

**Implications of implementing this Modification Proposal upon existing Code Standards of Service**

No implications identified

***Further Comments***

None

Should you wish to discuss our response further, please feel free to contact me.

Yours faithfully

Gareth Evans



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