

## TOTAL GAS & POWER LIMITED

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Dear Julian,

### **Modification Proposal 0095 "Reconciliation following AQ Amendment, SSP becoming LSP following Change of Registered User"**

Total Gas & Power Limited does not support the implementation of Modification Proposal 0095.

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

Modification proposal 640 was implemented in June 2004 to incentivise Shippers to submit revisions for any Small Supply Point (SSP) site where it became evident during the gas year that its gas consumption (AQ) would be over the SSP threshold of 73,200 kWh (2,500 Therms). The modification set out, amongst others, a criterion that the site had been with the same Registered since the last AQ review. Modification 0095 seeks to remove this criterion.

At present AQs can only be revised if the User has two meter readings six months apart and it may take significant longer for a User to become aware of a possible threshold breach. If a customer switches during that time, then the new User will be obliged to increase the threshold, incurring the administrative and development cost of doing so. The previous Shipper is also dependent on the new User revising the AQ prior to the commencement of the provisional AQ calculation to avoid the User Annual Quantity Revision Difference. The removal of any exclusion criteria with regard to changes of User will therefore result in Shippers being penalised for activities of a site's previous User.

The modification also creates interdependencies between Users who will have to act in a certain manner to avoid their competitors incurring penalty charges. There will inevitably be situations where this will not occur, and the number of Inter-Shipper Disputes will increase markedly as a way of settling these increased costs.

To avoid these situations, Modification 640 struck a pragmatic balance between the amount of resources that a Shipper and the Transporter's agent would expend in identifying, submitting and processing AQ revisions. Information provided by xoserve at the distribution workstream in June 2006 demonstrated that significant analysis was undertaken when originally defining the criteria for when a revision would be necessary. This information illustrated that it is appropriate to only revise sites when a single Shipper supplies them during the Gas Year. Both Users suffer the benefits and disadvantages of an inappropriate AQ, with the original User advantaged (through changes in RbD) by any subsequent increase undertaken by the new User. It was therefore considered inappropriate for a new



User to be penalised for not undertaking a subsequent revision.

Penalising Shippers for the activities of their competitors, with the resultant increase in Inter Shipper Disputes is neither economic or efficient with regard to the relevant objective laid out in Standard Special Licence Condition A11 of the Transporter's licence, and so we do not support this modification.

### **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;*

The removal of any exclusion criteria will result in a marginal improvement in the level of data quality held by xoserve. This improvement will be negligible, compared to the increased workload that will be incurred by Shippers in firstly monitoring their portfolio for such changes, secondly adjusting AQ's of sites that have been acquired mid-year and thirdly resolving any payment discrepancies through the inter-shipper dispute process. As a result, this modification does not further this relevant objective.

- (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.*

Does not apply to this 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:**

This modification will result in a significant increase in the level of AQ revisions that Xoserve will be required to process. Xoserve may be required to increase system capacity which will result in substantial additional costs incurred by the Transporters

**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**

There may be changes required to the UK Link system to cope with the increase in AQ revisions mid-year.

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

Removing the requirement for a site to be supplied by one User in a gas year before a renomination is triggered will result in substantial additional work undertaken by Shippers in adjusting AQs and resolving discrepancies through ISDs.

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

Any costs incurred by the Shipper in processing additional AQ revisions will be passed through to the Supplier who will incur costs from retrospectively billing the customer for the extra consumption. Suppliers, and ultimately consumers, will therefore incur additional costs.



## **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**

As a consequence of this modification, Shippers will be obliged to submit more AQ revisions to xoserve.

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

### **We have identified the following advantages:**

- Marginal improvement in data quality for some sites

### **We have identified the following disadvantages:**

- Significant increase in the amount of work undertaken by Shippers in monitoring threshold crossers.
- Substantial increase in the number of AQ revisions submitted by Shippers
- Consequent increase in the amount of work undertaken by xoserve in processing changes.
- Shippers adversely impacted by the activities of other Shippers.
- Significant increase in the number of inter-shipper disputes that are processed.

## **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 charge Shippers for sites which previously were excluded from the revision process. In addition, there will be a consequential increase in the volume and number of reconciliation's undertaken. Xoserve will therefore be required to undertake an impact assessment to see the affect this will have on UK Link, which may identify a requirement to increase system capacity as a result.

## **Proposed implementation timetable (including timetable for any necessary information**



**systems changes)**

An adjustment of the revision criteria midway through a gas year will result in Shippers being penalised for not changing those sites which were previously excluded by paragraph E 7.4.3 (b) UNC (TPD).

In light of this, if this modification were to be implemented then the implementation date should coincide with the AQ review date.

**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

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