

CODE MODIFICATION PROPOSAL No. 0096

"Reconciliation following AQ Amendment, SSP becoming LSP following inter
process amendment of AQ"
Version 2.0

Date: 17/07/2006

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)

Urgent procedures are not sought for this Proposal.

This Modification Proposal has been initially discussed at the Distribution Workstream in June. As such, the Proposer considers that no further development is required and the Modification Proposal is now in a suitable form to be issued to Users for consultation.

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

Modification Proposal 640 was implemented in June 2004 and introduced arrangements to reconcile the energy, and transportation commodity charges, where the revision of the Annual Quantity (AQ) had caused the Supply Point to be re-classified as a Larger Supply Point (LSP). The Modification Proposal (640) contained a number of exclusions in order to simplify the amendment. These exclusions were considered, at the time, to be of little significance and of low materiality. However, it is now apparent from figures made available by [xoserve at a Billing Operations Forum] that this is not the case. Summary of the impact of these exclusions is contained within an Appendix (attached).

These exclusions are contained within Paragraph 7.4.3 of Section E

"7.4.3 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 at least 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 prior to the Provisional Annual Quantity being calculated by the Transporter

then paragraph 7.4.4 will apply."

This Modification Proposal seeks to remove the exclusion contained at 7.4.3 (c) and would therefore allow the reconciliation of all Larger Supply Points (LSPs) which were previously Smaller Supply Points (SSPs) prior to the AQ revision, regardless of the fact that an amendment of the AQ may have taken place since the previous annual process.

Consequence of not making this change

Significant amounts of energy will continue to be allocated to the incorrect sector, i.e. that this will be allocated in aggregate across SSPs rather than correctly applied to the LSP sector. Please see Appendix for assessment of impact.

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

We believe that this modification proposal would further the relevant objectives as defined in SSC A11 of the Gas Transporters Licence as follows:-

By ensuring the correct allocation of energy and transportation commodity charges following revision of Annual Quantities -

- (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

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

The Proposer considers that this will have a minimal impact upon systems and require no system development. The processes for calculation of reconciliation is already in place and implementation of this Modification Proposal would create a modest amount of additional calculations and reconciliation to perform.

Appendix to Modification Proposal - Reconciliation following AQ Amendment

Modification Proposal 640 Adjustments - 2004/5 Gas Year

	(Mwh)
Initial Threshold Crosser Volume established	4,093,625
Less Exclusions Applied	
Shipper Transfers	989,372
Appealed during appeals window	205,916
Increases less than 15k and 20%	75,878
SSP to LSP after appeals window (no reconciliation)	341,787
Other Reasons (eg Duplicates)	149,098
Final Reconciliation Volume	2,331,574
Unreconciled Volume due to exclusions	1,271,166

NB - Unreconciled Volume represents 35% of misallocated energy
(Source: Information provided by xoserve in response to request)

Based on the Reconciliation invoices issued this would represent **c£17M** of misallocated charges between the SSP and LSP markets which were identified then excluded from the reconciliation process.

Code Concerned, sections and paragraphs

Transportation Principal Document
TPD Section E;

Proposer's Representative

Mike Young (British Gas Trading Ltd)

Proposer

Mike Young (British Gas Trading Ltd)

Signature

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