

Modification Report
Proposal to amend Annex A of the CSEP NExA by replacing the current version of the
AQ Table
Modification Reference Number 0328
Version 3.0

This Modification Report is made pursuant to Rule 9.3.1 of the Modification Rules and follows the format required under Rule 9.4.

1 The Modification Proposal

The purpose of this Modification is to:

1. Facilitate an amendment to the CSEP NExA, Annex A Part 8 by replacing the current published version of the AQ Table with the version inserted below.
2. To update the table published in UNC TPD Section G Annex G-3 with the AQ values within the proposed Table inserted below.

Amendment to CSEP NExA, Annex A, Part 8

IGTs are required to adopt the AQ values present within the NExA AQ Table for the purpose of calculating domestic transportation charges through the Relative Price Control (RPC) Charging Methodology. The AQ values represent a reasonable estimate of the value of gas consumed in accordance with house type and geographical location. Periodically the values within the AQ Table are reviewed. The last review of the AQ Table was undertaken following the iGT AQ Review 2004/05 and the required changes to the AQ Table were implemented through Ofgem approval of Modification 75.

Revised SND data will be applied to all AQ values effective from 1/10/10. It is therefore reasonable to expect the AQ values contained within the CSEP NExA AQ Table be amended to take account of seasonal changes.

From the information published by xoserve on 4th August 2010, ScottishPower has calculated and applied an average AQ Conversion Ratio, based on the sum of conversion factors for EUC 01B by LDZ within a Geographical Area i.e. South, Average and North as displayed within the CSEP NExA Table.

For information a Modification has been raised to the iGT UNC to replace the current published CSEP AQ Table with the revised version

Replace the table in UNC TPD Section G Annex G-3

As a consequence of replacing the AQ Table held within the CSEP NExA, the AQ values published within the table held within UNC TPD Section G, Annex G-3 are to be updated. This table which is broadly similar to the CSEP NExA AQ Table was inserted into the UNC following approval of UNC Modification 99.

The revised AQ Table to be inserted within the CSEP NExA is as undernoted:

Estimated Average Annual Gas Consumption for New Build Dwellings in the UK							
NExA AQ Values Effective from							
Band	House Type	South SW, NT, WS, SO (92%)		Average WN, SE, NW, EA, EM, WM, NE (0%)		North NO, SC (108%)	
		AQ (kWh)	TPA	AQ (kWh)	TPA	AQ (kWh)	TPA
A	1 Bed	8,431	288	9,172	313	9,646	329
B	2BF, 2BT	10,176	347	10,785	368	11,105	379
C	2BS, 2BD, 3BT, 3BF	12,550	428	12,948	442	13,578	463
D	3BS, 2BB	13,724	468	13,983	477	15,118	516
E	3BD, 3BB	15,477	528	16,559	565	18,820	642
F	4BD, 4BT, 4BS	18,961	647	20,283	692	21,612	737
G	5BD, 5BS, 6BD	26,855	916	28,744	981	29,696	1,013

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User Pays

- a) **Classification of the Proposal as User Pays or not and justification for classification**

Not applicable.

- b) **Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification**

No User Pays charges applicable.

- c) **Proposed charge(s) for application of Users Pays charges to Shippers**

No User Pays charges applicable to Shippers.

- d) **Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from xoserve**

No charges applicable for inclusion in ACS.

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

Standard Special Condition A11.1 (a): the efficient and economic operation of the pipe-line system to which this licence relates;

Increased accuracy within the AQ values contained within the CSEP NExA AQ Table will improve the estimation of the amount of gas which is offtaken at the CSEP and subsequent energy allocation to Shippers over the gas pipeline.

This in turn will result in increased accuracy of costs.

Standard Special Condition A11.1 (b): so far as is consistent with subparagraph (a), the coordinated, efficient and economic operation of

- (i) the combined pipe-line system, and/ or***
- (ii) the pipe-line system of one or more other relevant gas transporters;***

Increased accuracy within the AQ values contained within the CSEP NExA AQ Table will improve the estimation of off-take quantities at the CSEP.

Standard Special Condition A11.1 (c): so far as is consistent with subparagraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (d): so far as is consistent with subparagraphs (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;***

Increased accuracy of AQ values will result in improved allocation of energy and costs between Shippers.

Wales & West Utilities consider amending the values within the AQ tables will ensure that the AQ values that are applied in both circumstances are likely to be more reflective of the actual gas usage at such properties. This will help to ensure that allocation of energy to Shippers will be more accurate and therefore further this relevant objective.

Standard Special Condition A11.1 (e): so far as is consistent with subparagraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards... are satisfied as respects the availability of gas to their domestic customers;

Implementation would not be expected to better facilitate this relevant objective.

Standard Special Condition A11.1 (f): so far as is consistent with subparagraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code;

Implementation would not be expected to better facilitate this relevant objective.

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

No implications on security of supply, operation of the Total System or industry fragmentation have been identified.

5 The implications for Transporters and each Transporter of implementing the Modification Proposal, including:

a) Implications for operation of the System:

Not applicable.

b) Development and capital cost and operating cost implications:

Not applicable.

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

Not applicable.

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

Not applicable.

6 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

Not applicable.

7 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

Not applicable.

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

Administrative and operational implications (including impact upon manual processes and procedures)

Not applicable.

Development and capital cost and operating cost implications

Not applicable.

Consequence for the level of contractual risk of Users

Not applicable.

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

The revised AQ values will require to be adopted for charging of transportation charges by iGTs.

IPL expressed concern that the revised values will ultimately affect IPL's transportation charges and that it was essential that accompanying calculations and justification can be reviewed by all parties affected and any comments or questions raised and answered before their implementation.

IPL would require at least 6 months for systems development and to allow for the new values to become effective in its quotation system.

10 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

Not applicable.

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

Advantages

- Outlined in above sections.

Disadvantages

- None identified.

12 Summary of representations received (to the extent that the import of those representations are not reflected elsewhere in the Modification Report)

Representations were received from the following parties:

Organisation	Position
First Utility	Comments
Independent Pipelines Limited (IPL)	Comments
National Grid Distribution	Supports
RWE npower	Supports

ScottishPower	Supports
Wales & West Utilities	Supports

In summary of the six representations received, two offered comments and four supported implementation of the Modification Proposal.

First Utility considers that the AQs contained in the CSEP NExA table should be as accurate as possible, they highlighted that the retrospective element creates unnecessary risk and uncertainty. Suggesting that development of the table should take place under the iGT UNC process with the involvement of all affected parties before the agreed numbers are then transposed into the UNC.

IPL strongly urge avoiding retrospective implementation dates (which have an economic and systems impact), so that these can be taken into account in financial and business planning. Amending NExA values retrospectively has a profound knock on effect on adoption values that can be offered to the market place, and consequently upsets the stability that is essential for making investment in new build sites.

IPL were disappointed that the current Modification Proposal had been put forward without development and review by all affected industry parties. Noting that a parallel modification, IGT031 had been raised under the IGT UNC and is currently being revised for resubmission at the September IGT UNC Panel. There is a risk that conflicting dual governance could occur should the IGT UNC and UNC proposals progress at different paces. IPL suggests that both Panels monitor the progress of each Modification Proposal to avoid dual governance issues.

National Grid Distribution considers the purpose of the AQ table located within Annex A Part 8 of the LDZ CSEP NExA, is to provide a reasonable assessment of the AQ for new CSEP Supply Points where there is insufficient consumption data to derive an AQ from consumption history in accordance with the provisions of the iGT UNC. This Modification Proposal seeks to update the values within the AQ table to reflect the impact of revised seasonal normal values. National Grid Distribution agrees that the proposed AQs have been calculated correctly taking account of these revised values.

We note that the table contained within UNC TPD Section G, Annex G-3 as introduced by UNC Modification 0099 was intended to mirror the CSEP NExA AQ table (being a reasonable assumption of consumption at various property sizes) and we therefore support the associated amendment of the values within this table as proposed.

RWE npower considers that amending the CSEP NExA and updating UNC TPD Section G, Annex G-3 with the AQ values proposed, would better secure competition by limiting the instances of inequitable allocation of charges owing to the misallocation of energy volumes. The implementation of this modification proposal can only be beneficial in that its introduction would ensure the AQ values that are related to CSEPs are more accurately recorded and as such, domestic Transportation Charges for Shippers iGT portfolios are more appropriately apportioned and levied.

RWE npower whilst in support of the modification proposal, would like to see the iGTs fully engaged in the complete process of the development and future application of SNDs. This would be a more prudent approach that ultimately should ensure that Shipper costs are more accurately attributed, thereby encouraging and facilitating the securing of effective competition between relevant Shippers.

ScottishPower considers this Proposal is required to ensure that AQ's are as accurate as possible. It has been recognised by Ofgem in their recent Consultation, 'Revision of typical domestic consumption values' that the typical annual consumption values for gas have reduced (suggesting a reduction in Medium Users from 20,500kWh to 16,500kWh) and this is supported by the revised Seasonal Normal Demand (SND) data, which also shows a reduction. Without the CSEP NExA table being amended to reflect the revised SND data the values will continue to be over-inflated. This will result in higher costs to Shippers and also impact on the accuracy of energy allocation and the estimation of gas off-take.

Wales & West Utilities consider this Modification Proposal only relates to updating values within the AQ tables with no system implications and therefore it could be implemented immediately following a direction from the Authority. However, the Proposer has also raised a modification proposal to the iGT UNC and, subject to the necessary implementation directions by the Authority; it may be prudent to implement both modification proposals at the same time.

13 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.

14 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.

15 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.

16 Proposed implementation timetable (including timetable for any necessary information systems changes and detailing any potentially retrospective impacts)

The CSEP NExA could be amended as soon as possible following the direction

from the Authority to implement this Modification. The table held within Section G, Annex G-3 should be updated following implementation of this Modification. However IPL would require at least 6 months for systems development and to allow for the new values to become effective in its quotation system.

In order to manage the necessary amendments to the GT and IGT codes it would be prudent co-ordinate implementation subject to the necessary implementation directions by the Authority.

17 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.

18 Recommendation regarding implementation of this Modification Proposal and the number of votes of the Modification Panel

At the Modification Panel meeting held on 21 October 2010, the Panel Voted UNANIMOUSLY in favour of implementing this Modification Proposal. Therefore the Panel recommend implementation of this Proposal.

The Panel agreed that the Proposal seeks to update the AQ values to be more reflective of actual usage. This would be expected to lead to more accurate and cost reflective allocation of energy, which would be expected to facilitate competition by allocating costs appropriately and, therefore, reducing potential cross-subsidies.

19 Transporter's Proposal

This Modification Report contains the Transporter's proposal to modify the Code and the Transporter now seeks direction from the Gas and Electricity Markets Authority in accordance with this report.

20 Text

Proposed Amendments to Transportation Principal Document Section G
UNIFORM NETWORK CODE – TRANSPORTATION PRINCIPAL DOCUMENT

SECTION G – SUPPLY POINTS

ANNEX G-3

Prospective Erroneous Large AQ Calculation Proforma

for use only where there has been a change of supplier and no meter readings are available and the AQ value is incorrect

(Residential Properties above 293,000 kWh use only)

Shipper:	Premise Address:
M Number:	
Meter Serial Number:	
Property Type:	Flat / Terrace / Semi Detached / Detached / Bungalow
Number of Bedrooms:	1 / 2 / 3 / 4 / 5 / 6

Is Gas Central Heating used?		YES / NO					
Additional equipment or extension to the property, e.g. swimming pool, annex (please state)							
Estimated Average annual gas consumption for domestic dwellings in the UK							
Band	House Type	South SW, NT, WS, SO (92%)		Average WN, SE, NW, EA, EM, WM, NE (0%)		North NO, SC (108%)	
		AQ (kWh)	TPA	AQ (kWh)	TPA	AQ (kWh)	TPA
A	1 Bed	8,431	288	9,172	313	9,646	329
B	2BF, 2BT	10,176	347	10,785	368	11,105	379
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D	3BS, 2BB	13,724	468	13,983	477	15,118	516
E	3BD, 3BB	15,477	528	16,559	565	18,820	642
F	4BD, 4BT 4BS, 4BB	18,961	647	20,283	692	21,612	737
G	5BD, 5BS 6BD	26,855	916	28,744	981	29,696	1,013
Previous Suppliers Last Read & Date							
Change of Supplier Opening Read & Date							
Estimated Annual Quantity:		KWh					

Shipper Representative:	
Shipper Signature:	
Date:	

N.B. INCORRECT OR INSUFFICIENT INFORMATION CAN RESULT IN REJECTION

For and on behalf of the Relevant Gas Transporters:

Tim Davis
Chief Executive, Joint Office of Gas Transporters