

Stage 01: Proposal

0402:

Allocated Volume and AQ Comparison

To allow the Gas Transporters to publish Shipper Allocated Volumes alongside AQ's following the AQ review.



The Proposer recommends that this modification should progress to a Workgroup for Assessment



High Impact:
None



Medium Impact:
Transporters, Shippers



Low Impact:
None

What stage is this document in the process?

01

Proposal

02

Workgroup Report

03

Draft Modification Report

04

Final Modification Report

0402

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07 October 2011

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3 **Any questions?**

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4 **Joint Office**



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About this document:

This document is a proposal, which will be presented by the Proposer to the Panel on 20 October 2011. The Panel will consider the Proposer's recommendation, and agree whether this self-governance modification should proceed to consultation or be referred to a Workgroup for assessment.

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1 Summary

Is this a Self-Governance Modification

As this has no impacts on consumers we believe the Panel should determine the modification should follow self governance procedures.

Why Change?

Shippers currently have limited visibility of the way energy within the market is shared between all participants and particularly whether Shippers are unduly able to influence their AQs which may result in uneven allocation of volumes of energy and associated costs.

Solution

To ensure Shippers have adequate visibility of changes to AQ and the affect on allocated volumes the Network operator should publish regularly the volumes allocated to shippers by LDZ on an anonymous basis. A further report would be a monthly report of each shipper's AQs by LDZ, again on an anonymous basis.

Impacts & Costs

Any costs of this modification should be covered by the Shipper community. We imagine that they will be minimal as Xoserve already has this data and the modification would require the development and publication of the report in a format to be agreed.

Implementation

This modification should be implemented in March 2012. An alternative date for implementation would be April 2012 to allow all parties to view each others' positions prior to the 2011/12 AQ review and ensure there is appropriate transparency, or as soon as possible after a decision by the Authority.

The Case for Change

Presently, shippers have limited information of the way Xoserve allocates energy. Greater transparency about shipper's volumes, and more importantly, the changes to them will improve parties' ability to verify information about their performance and take a more informed view of the allocation process. Xoserve already has this information but it is not able to, or obliged to, publish it. Given its central role in the gas trading arrangements, publication of the proposed reports would better meet the following relevant objectives

C) Efficient discharge of the licensee's obligations, by providing greater transparency of the allocation processes and enabling shippers to validate the allocation process and
D) Securing of effective competition: (i) between relevant shippers; by enabling shippers to better visibility of the allocation process, to view the overall allocation to parties and provide a further means to validate the way energy volumes are allocated.

Recommendations

A short workgroup assessment period of two months is required for this modification.

2 Why Change?

Shippers currently have limited visibility of the way energy within the market is shared between all participants and particularly whether Shippers are unduly able to influence their AQ therefore producing an uneven allocation of costs. The AQ Process allows shippers to revise the data submitted in order to refine the allocation of gas. However, Xoserve does not verify this information and shippers have to rely on a limited set of reports provided under the UNC Modification P081 process to track changes in allocated volumes of gas during the AQ review process.

This provides an insufficient level of details for shippers to assess the validity of the allocation process and to determine whether variations in the forecast and actual volume of allocation is due to shipper performance or the way the Xoserve allocation algorithm operates.

Without a modification to the UNC Xoserve is presently unable to provide this information.

3 Solution

To ensure Shippers have adequate visibility of AQ changes and therefore the resulting allocated volume changes the Network operators should publish two additional reports; first, one that shows allocated volumes by shippers for LSP and SSP sites by LDZ, on a monthly basis and with shippers' identities concealed. The second should be a monthly report showing the aggregate of AQs for shippers on a LDZ basis. This report need not identify shippers by name but could use alternate names, in the manner used in the UNC Modification P 081 reports.

The solution is low cost; Xoserve should have this information; the change would allow it to publish the information. This would aid transparency in allocation of gas process and give all parties greater confidence about the industry's trading arrangements.

4 Relevant Objectives

Implementation is expected to better facilitate the achievement of **Relevant Objectives c and d.**

Proposer's view of the benefits against the Code Relevant Objectives	
Description of Relevant Objective	Identified impact
a) Efficient and economic operation of the pipe-line system.	no
b) 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.	No
c) Efficient discharge of the licensee's obligations.	yes
d) 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.	Yes no no
e) 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.	no
f) Promotion of efficiency in the implementation and administration of the Code	no

The reports would improve the efficiency of the allocation process by enabling shippers to validate the allocation process and to verify the volumes with their own estimates. They would give shippers better visibility of other shippers' actions and to understand anomalies and unusual results of the allocation process.

Xoserve has this information, but is unable to publish this without a change to the UNC

5 Impacts and Costs

Consideration of Wider Industry Impacts

We believe that Xoserve has this information and the costs of publishing it would be minimal

Costs

Indicative industry costs – User Pays
Classification of the proposal as User Pays or not and justification for classification
This is a user pays modification
Identification of Users, proposed split of the recovery between Gas Transporters and Users for User Pays costs and justification
The costs of this can be identified in the workgroup and adjusted accordingly
Proposed charge(s) for application of Users Pays charges to Shippers
Based on market share
Proposed charge for inclusion in ACS – to be completed upon receipt of cost estimate from Xoserve

Impacts

Impact on Transporters' Systems and Process	
Transporters' System/Process	Potential impact
UK Link	<ul style="list-style-type: none"> • none
Operational Processes	<ul style="list-style-type: none"> • limited impact
User Pays implications	<ul style="list-style-type: none"> • minor change

Impact on Users	
Area of Users' business	Potential impact
Administrative and operational	<ul style="list-style-type: none"> • none
Development, capital and operating costs	<ul style="list-style-type: none"> • none
Contractual risks	<ul style="list-style-type: none"> • none
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none"> • none

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Where can I find details of the UNC Standards of Service?

In the Revised FMR for Transco's Network Code Modification

0565 Transco Proposal for Revision of Network Code Standards of Service at the following location:

www.gasgovernance.co.uk/sites/default/files/0565.zip

Impact on Transporters	
Area of Transporters' business	Potential impact
System operation	<ul style="list-style-type: none">• none
Development, capital and operating costs	<ul style="list-style-type: none">• none
Recovery of costs	<ul style="list-style-type: none">• none
Price regulation	<ul style="list-style-type: none">• none
Contractual risks	<ul style="list-style-type: none">• none
Legislative, regulatory and contractual obligations and relationships	<ul style="list-style-type: none">• none
Standards of service	<ul style="list-style-type: none">• none

Impact on Code Administration	
Area of Code Administration	Potential impact
Modification Rules	<ul style="list-style-type: none">• none
UNC Committees	<ul style="list-style-type: none">• none
General administration	<ul style="list-style-type: none">• none

Impact on Code	
Code section	Potential impact
	<ul style="list-style-type: none">• to be determined
	<ul style="list-style-type: none">•

Impact on UNC Related Documents and Other Referenced Documents	
Related Document	Potential impact
Network Entry Agreement (TPD I1.3)	<ul style="list-style-type: none">• none
Network Exit Agreement (Including Connected System Exit Points) (TPD J1.5.4)	<ul style="list-style-type: none">• none
Storage Connection Agreement (TPD R1.3.1)	<ul style="list-style-type: none">• none
UK Link Manual (TPD U1.4)	<ul style="list-style-type: none">• none
Network Code Operations Reporting Manual (TPD V12)	<ul style="list-style-type: none">• none
Network Code Validation Rules (TPD V12)	<ul style="list-style-type: none">• none

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Impact on UNC Related Documents and Other Referenced Documents	
ECQ Methodology (TPD V12)	• none
Measurement Error Notification Guidelines (TPD V12)	• none
Energy Balancing Credit Rules (TPD X2.1)	• none
Uniform Network Code Standards of Service (Various)	• none

Impact on Core Industry Documents and other documents	
Document	Potential impact
Safety Case or other document under Gas Safety (Management) Regulations	• none
Gas Transporter Licence	• none

Other Impacts	
Item impacted	Potential impact
Security of Supply	• none
Operation of the Total System	• none
Industry fragmentation	• none
Terminal operators, consumers, connected system operators, suppliers, producers and other non code parties	• none

6 Implementation

If implemented, this modification would provide parties with greater visibility of the processes for AQ review and allocation of energy. To have value it should be implemented in time for the next AQ review. We believe that there should be few constraints to developing the reports and hence implementation should be early in 2012.

This modification should be implemented in March 2012. An alternative date for implementation would be April 2012 to allow all parties to view each others' positions prior to the 2011/12 AQ review and ensure there is appropriate transparency, or as soon as possible after a decision by the Authority.

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7 The Case for Change

In addition to that identified the above, the Proposer has identified the following:

Advantages

None other than those listed above

Disadvantages

There are no disadvantages to this modification, especially as it will increase transparency.

8 Legal Text

Text, either suggested or formal, should be inserted at this point. The status of this text should also be stated.

Insert subheading here

Insert text here

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9 Recommendation

The Proposer invites the Panel to:

- DETERMINE that Modification 0402 progress to Workgroup

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