

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0614

"Suspension of Smaller Supply Point AQ Amendments for 2003 "

Version 1.0

Date: 14/02/2003

Proposed Implementation Date:

Urgency: Non-Urgent

Justification

The AQ Review requires Transco to calculate and notify to Users the Provisional Annual Quantities for Smaller Supply Points (SSPs) by 31 May 2003. Users have until 13 August 2003, the amendment phase, to provide a User Provisional Annual Quantity. Transco will notify Users by 14 September of the Annual Quantity that shall be applied in the Gas Year starting 1 October 2003.

Concern has been expressed that the amendment phase is costly for shippers and Transco to administer. Its value within the context of energy allocations and RbD has also been questioned. The AQ Sub Group has also been discussing the rules allowing amendments and some concern has been expressed that these, and indeed the wider RbD process, may need to be fundamentally reviewed.

In the meantime, this has produced significant uncertainty about the framework that will underpin the 2003 AQ review. Unless this uncertainty is resolved quickly there is a risk that shippers will face significant system and process development costs. This modification is intended to provide certainty to the market during 2003, which could provide an opportunity for a more detailed review of the AQ process to be undertaken.

This modification proposal is simple and quick to implement given the tight timetable - the amendment phase opens at end of May 2003. Users have to be provided with sufficient time and clarity in order to scope and implement system changes. Any confusion over what Users are being obliged to do, and/or complexity of implementation will increase the risk to RbD over 2003. A longer-term solution for 2004 onwards is outside the scope of this modification.

The alternative of rushed-through, last minute changes or continuation of the present arrangement is not considered acceptable given the importance of the AQ review process to the integrity of the settlement process

Nature of Proposal

Transco continues to calculate the Provisional AQ for all Supply Points and notify Users within current timescales.

Users can submit amendments for Larger Supply Points (LSPs) and any meter crossing the SSP/LSP threshold in either direction. Users cannot submit amendments where the AQ remains in the SSP market. Transco will reject any SSP to SSP amendments.

Manifest errors can be identified and amended by Users as part of the threshold crosser analysis. Any SSP AQs that move above the 73,200 kWh threshold (and visa versa for LSPs) will be captured in this analysis.

Users will be reliant upon Transco's provisional AQs for meters that remain in the SSP market.

Purpose of Proposal

To reduce the risks to RbD and Energy Allocations.

To ensure that AQs continue to be revised for 2003 by Transco. To ensure that shippers continue to have the opportunity to address manifest errors and differences in LSP AQs.

To provide a level of certainty to the framework of the 2003 AQ process.

To avoid the cost associated with the Shipper amendments phase of the AQ review process for 2003 while a review of the rules associated with this phase is undertaken and to allow a wider review of the RbD to take place.

To avoid the potential cost associated with making last minute system and process development for the 2003 AQ review for both Shippers and Transco.

To offer a cost effective solution to the uncertainty surrounding the 2003 amendment phase of the AQ review by providing a temporary solution for the 2003 review only that would afford adequate time to review the rules associated with the amendment phase and provide an opportunity to undertake a wider review of the RbD process

To offer a solution that is easy and quick to implement.

Consequence of not making this change

Competition in supply will be adversely impacted due to increased uncertainty and costs, and the potential destabilisation of the AQ Review.

Higher costs will ultimately be picked up by the end consumer.

Considerable uncertainty surrounding the framework and outcome of the 2003 AQ review.

Increased risk and cost to shippers of developing last minute system and process changes associated with the present uncertainty surrounding the 2003 AQ review.

Increased risk that the concerns voiced within industry concerning the AQ review process will remain unresolved or sub-optimal solutions implemented.

Increased level of risk due to destabilizing influence on Review Process and possibly on energy allocation. A potential of increased cost to industry from monitoring, policing and/or auditing User activity within the amendment phase that would undermine the trade-off between cost and accuracy that is associated with the implementation of the RbD settlement process and potentially destabilise the Review Process.

Area of Network Code Concerned

Section G

Proposer's Representative

Katherine Marshall (Scottish And Southern Energy plc)

Proposer

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Signature

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