



Shippers, Transco and Other Interested Parties

Our Ref: Net/Cod/Mod  
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24 March 2003

Dear Colleague,

**Decision on request for urgency status for modification proposal 0624  
'Changes to the 2003 Annual Quantity (AQ) Amendment Process.'**

Ofgem has considered the request from Transco for Modification Proposal 0624 to follow urgent procedures.

We consider that the modification merits urgent status. Further details on Ofgem's decision is set out below:

**Modification Proposal**

The modification proposes to put in place more robust network code rules to govern the amendments phase of Transco's AQ review process. The modification seeks to make changes in the following areas:

- To put in place a revised tolerance limit for smaller supply point amendments to 20% and removes the 1,000 kWh tolerance threshold currently established in the code. Any smaller supply point amendments which seeks an alteration of less than 20% will be rejected;
- introduce into the code reasons for amendment activity. That is, amendments should be challenging data used by Transco in its calculation i.e inaccurate meter asset/read data;
- the modification seeks to introduce rules obliging shippers to submit amendments in a balanced manner. That is, shipper amendment activity may generate AQ increases and decreases. Shippers should not be selective in their AQ amendment submissions.

Whilst the industry has undertaken a number of full domestic AQ reviews some shipper amendment submissions have raised significant concerns about misallocation of charges amongst domestic shippers, the AQ methodologies applied by some shippers and the robustness of Transco's AQ network code rules.

Transco's network code does not include any rules setting out criteria for AQ amendment submission and it is open to shippers to decide whether to submit AQ amendments that increase or decrease Transco's provisional AQ values.

Therefore, some shippers have decided only to submit AQ amendments that decrease Transco's provisional AQ. This sort of amendment activity has taken place even though some shippers AQ methodologies generate amendments resulting in higher AQs. In some cases these values are not sent to Transco which suggests some shippers are using their AQ methodologies in an unbalanced way. It is the selective submission of amendments that can adversely affect the commercial position of shippers. That is, customer's gas consumptions have not decreased, however, the charges allocated through RbD are based on unrepresentative lower AQ values. Therefore, an unbalanced approach to amendment activity can influence the apportionment of Transco's RbD charges.

Transco's AQ sub-group which is attended by a number of shippers has discussed and developed this modification proposal. The sub-group recognises that unless robust AQ network code rules are put in place there is potential for significant commercial impact upon shippers. Therefore, Ofgem considers that urgent consideration of this proposal is warranted.

The timetable for the modification proposal to follow urgent status is set out below:

Issued to Ofgem for decision on urgency	21 March 2003
Proposal agreed as urgent	24 March 2003
Proposal issued for consultation	25 March 2003
Close out of representations	31 March 2003
Final report to Ofgem	02 April 2003
Ofgem decision expected	07 April 2003

If you wish to discuss any aspect of this letter, please do not hesitate to contact me on the above number.

Yours sincerely

Roger Morgan  
**Manager, Gas Infrastructure**