

Transco, shippers and interested parties

Your Ref:
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27 June 2003

Dear Colleague

Modification Proposal 0611 'Amendment to timetable relating to the finalisation of end User Categories and Demand Models'

Background

Transco is required by section H of its network code to submit to shippers its demand estimation proposals for the forthcoming gas year. These proposals include end user category (EUC) definition and NDM profiling parameters (including Annual Load Profiles (ALPs) and Daily Adjustment Factors (DAFs)). The timetable for the agreement of the proposals is set out in the Network Code, with reference to absolute dates. Modification proposal 0611 seeks to amend this timetable as outlined below.

Modification Proposal

The Network Code allows Transco and shippers to seek Ofgem disapproval to Transco applying the proposed EUC and demand model data. Currently the Code sets out absolute dates for shippers and Transco to seek Ofgem disapproval and for Ofgem to make a decision. In Transco's view the absolute dates provide it with no flexibility if it completes its final proposals at an earlier date.

The existing annual timetable is:

Publication of Transco's proposals	by 30 June
Shippers to submit representations	by 15 July
Transco review representations	by 14 August
Transco submit final proposals	by 15 August
Application for disapproval	by 22 August
Ofgem determination	by 31 August

The modification proposes that if Transco is able to complete its final proposals prior to 15 August it can submit them to Ofgem (immediately upon completion). Transco and shippers would have an opportunity to disapprove (if necessary) within five business days with Ofgem's determination provided five business days after.

The proposed revised timetable is:

Publication of Transco's proposals	by 30 June
Users to submit representations	by 15 July
Transco review representations	by 14 August
Transco submit final proposals	by 15 August
Application for disapproval	within five business days of submission of final proposals by Transco (but in any event by 22/08)
Transco completes notification of demand data	14 September

Transco's View

Transco suggests that the current timetable should be amended to introduce flexibility into the process without removing Transco's obligation to undertake activities by certain dates. Transco suggests from previous experience that processing the agreed EUC data earlier allows it more time to update systems. If Transco is able to issue EUC data at an earlier date, but not later than 15 August for each gas year, it would enable the application for disapproval and Ofgem determination deadlines to be brought forward.

Respondents Views

There were five respondents to Transco's consultation. All respondents supported implementation. The majority of respondents raised the following point which is set out below.

Flexibility

Respondents views on this modification are summed up by one respondent in particular, who commented that 'both Transco and Users currently have a very limited amount of time in which to make the necessary updates to their systems which in turn inform their processes for demand forecasting, pricing etc..... This (proposal) will afford the maximum time available to all parties whilst retaining an absolute requirement to submit final proposal no later than 15th August.'

All respondents to Transco's consultation supported this modification because it provides more flexibility to the process of finalising NDM demand data. Shippers use this data to aid their analysis of demand forecasting which may influence their risk/decision making processes. Therefore, if Transco is able to provide this data earlier than the absolute dates set out in the timetable, it seems sensible to amend the process and bring forward shipper disapproval and Ofgem's determination.

Ofgem's Views

This modification is seeking to amend the timetable for this work, rather than the approach to it. If Transco is able to finalise this work before 15 August it seems sensible to provide its proposals earlier rather than wait for the absolute deadline. Whilst the absolute date stays in place, an earlier circulation would provide shippers with more time to evaluate the impacts on their systems and decision/risk taking processes. Therefore, the timely provision of this information furthers Transco's relevant objective of operating an economic and efficient pipeline system.

Ofgem's Decision

For reasons set out above we have decided to consent to this modification. If you wish to discuss any aspect of this modification, please do not hesitate to contact me using the above details.

Yours sincerely

Roger Morgan

Manager, Gas Infrastructure