

## Annex A

### Guidelines on submitting Domestic AQ Amendments

#### Introduction

Ofgem has been closely involved in discussions concerning AQ 2001. We have been assured by Transco, that it has constructed robust systems to calculate, analyse and disseminate AQ values throughout the industry. Equally, we have confidence that Transco has developed sufficient systems to facilitate AQ amendment and appeal volumes, provided reasonable behaviour is exercised. This note is designed to provide some guidance on what constitutes reasonable behaviour.

#### Guidance

The amendments phase of the AQ review commences, for smaller supply points, on 1 June 2001 and concludes on 13 August 2001. Prudent and sensible use of systems during this window will ensure that all amendments are processed and responded to in a timely manner by Transco. Therefore, Ofgem **strongly** urges shippers not to submit large volumes of amendments towards the final stages of this phase. That is, we expect shippers to distribute amendments reasonably and evenly throughout the time period.

Furthermore, Ofgem suggests that shippers/suppliers consider carefully the reasons for submitting amendments, which must be consistent with the rules of Transco's network code. Provided that Transco can demonstrate its adherence to code (i.e that it has utilised the latest valid reading and an additional reading greater than 6 months earlier), Ofgem expects there to be limited reasons as to why a shipper/supplier would have grounds to challenge this value. Ofgem suggests that a shipper/supplier deciding to challenge an AQ value, should be able to demonstrate at least one of the following circumstances :-

- the Transco proposed AQ was calculated utilising inaccurate meter asset data;
- the Transco proposed AQ was calculated utilising inaccurate meter reading data; and
- Transco did not propose a revised AQ for 2001.

In all cases any amendment should satisfy AQ tolerance requirements.

#### Possible consequences of failures to comply with licence conditions

The relevant shipper licence conditions which apply to the AQ process are standard condition 2 (2) and (3). Set out below is a brief summary of these licence conditions.

Condition 2 (2) obliges the licensee not to pursue any course of conduct which is likely to prejudice :-

- (a) the safe and efficient operation, from day to day, by a relevant transporter of its pipe-line system;
- (b) the efficient balancing by that transporter of its system or;
- (c) the due functioning of the arrangements provided for in its network code.

Condition 2 (3) outlines the licensee's obligations to provide transporters with information about the amounts of gas to be delivered to a transporters pipe-line system. The licence condition states that shippers should not "knowingly or recklessly act in a manner likely to give a false impression to a relevant transporter as to the amount of gas to be delivered by the licensee on a particular day to that transporters pipe-line system or as to the amount of gas to be comprised in its offtakes there from on that day--"

The Gas Act 1986 provides Ofgem with powers to enforce licence conditions. In the event of a licence breach occurring, there a number of options open to Ofgem. For example, formal action may be taken against the licence holder in accordance with the Gas Act 1986.

Under the Utilities Act Ofgem also has powers to impose financial penalties on a licence holder where it is satisfied that the licensee has contravened or is contravening any relevant condition of its licence or relevant requirement of the Gas Act 1986. The Act 1986 (as amended) suggests that a penalty must not exceed 10% of the turnover of the licensee.

#### Monitoring

Transco is able to produce sophisticated reports that will indicate, amongst other things, shippers compliance to Transco's network code. Ofgem will have regular meetings with Transco throughout the AQ process to review these reports closely, to monitor compliance to the above guidelines and to evaluate the effects of shipper activities throughout the AQ process.

### Conclusion

In general terms, Ofgem is disappointed that it is necessary to provide guidance on what constitutes reasonable behaviour during the 2001 Domestic AQ. However, Ofgem advises shippers and Transco to carry out their obligations during the 2001 AQ process in such a way as to preserve RbD as a simple and effective basis on which to determine quantities used for the purposes of calculating transportation charges. If monitoring reports suggest that a shipper via the AQ process fails to comply with the terms of Transco's network code and pursues a course of action that places it in breach of its licence obligations as set out above then further action may be taken against the licence holder.