

Final Modification Report (Revised)
Urgent Modification Reference Number 0043
Postponement of the 1996 Annual Quantity (AQ) Update Process

This modification report is made pursuant to Rule 9 of the Modification Rules and follows the format required under Rule 8.12.4.

1. Circumstances Making this Modification Urgent:

In accordance with Rule 9.2(a) Ofgas has agreed that this modification should be treated as URGENT because of the proximity of the date by which Annual Quantity should be determined, under section G1.6.9, and given that the AQ Appeal process for 1995/6 has only recently closed.

2. Procedures Followed:

TransCo agreed with Ofgas (and has followed) the following procedures for this Proposal.

- 21 June 1996 - AQ Review process discussed with the community at the Network Code Surgery session.
- 26 June 1996 - Modification Proposal discussed with Ofgas
- 26 June 1996 - Modification Proposal 0043 determined as URGENT by Ofgas
- 26 June 1996 - Modification Proposal 0043 circulated to Shippers
- 3 July 1996 - Representations received from Shippers
- 5 July 1996 - Modification Report to Ofgas
- 11 July 1996 - Appeals Process Workshop
- 11 July 1996 - Revised Proposal, following Appeals Workshop, discussed with Ofgas
- 12 July 1996 - Modification Report to Ofgas
- 15 July 1996 - Implement Proposal

3. The Modification Proposal:

This proposal will extend the existing Supply Point AQ's, Meter Point AQ's, End User Category Structure, NDM SOQ's and Bottom Stop SOQ's into the next Gas Year. The NDM profiling parameters for Demand Estimation (ALP's & DAF's) will be updated.

An Appeal window for existing AQ's will be opened from 15 July 1996 and will remain open until 31 December 1996. AQ Appeals submitted before October 1996 (if successful) will become effective from 1 October 1996. Appeals submitted from 1 October to 31 December 1996 (if successful) will become effective from the Supply Point Registration date of the Supply Point Reconfirmation. In addition, an incoming Shipper will have an opportunity, after taking effective ownership of the site, to update a prevailing AQ up to 30 June 1997; the appealed AQ will be effective from the Supply Point Registration Date of the Supply Point Reconfirmation, but not earlier than 1 October 1996. Similarly, for firm sites, Shippers will be able appeal against the Bottom Stop SOQ value recorded. When an appeal has been agreed there will be no retrospective adjustments to the Energy Balancing Charges.

4. Text provided pursuant to Rule 9:

See attached sheet.

5. TransCo's opinion:

This modification will enable both parties to focus activities on those sites where the AQ's are less robust.

6. Extent to which the modification would better facilitate the relevant objectives:

This proposal will allow the application of resources to the correction and improvement of known data and avoid the uncertainty which would arise from issuing revised data from September 1996.

7. The implications for TransCo of implementing the Modification Proposal, including:

a) implications for the operation of System and any BG Storage Facility:

No impact on storage or operation of the system.

b) development and capital cost and operating cost implications

None.

c) extent to which it is appropriate for TransCo to recover the costs, and proposal for the most appropriate way for TransCo to recover the costs:

Proposals will not involve substantial additional costs and as such TransCo will not be seeking any recovery of costs above those already budgeted.

d) analysis of the consequences (if any) this proposal would have on price regulation:

None.

8. The consequence of implementing the Modification Proposal on the level of contractual risk to TransCo under the Network Code as modified by the Modification Proposal;

This reduces the contractual risk as both parties will be operating with a more consistent and agreed set of data.

9. The development implications and other implications for computer systems of TransCo and related computer systems of Relevant Shippers;

An AQ appeal mechanism already exists and so the implications are negligible.

10. The implications of implementing the modification for Relevant Shippers,

An AQ appeal mechanism already exists and so the implications are negligible. It also gives an enhanced period for query resolution.

11. The implications of implementing of the modification for terminal operators, suppliers, producers and, any Non-Network Code Party;

None.

12. Consequences on the legislative and regulatory obligations and contractual relationships of TransCo and each Relevant Shipper and Non-Network Code Party (if any), of the implementation of the Modification Proposal;

None.

13. Analysis of any advantages or disadvantages of the implementation of the Modification Proposal;

This proposal extends the period to review and correct the AQ's for meter points and avoids the need to process large volumes of new data that has only recently been finalised.

14. Summary of the representations (to the extent that the import of those representations are not reflected elsewhere in the modification report;

Representations have been received from seven Shippers. All expressed support for the modification in principle but wanted to see the following substantive refinements to the process (a number of minor issues have additionally been raised which are due to be discussed on 11 July - please see attached representations).

1. Summary of Shipper Representations.

a) Query Period - It is recommended that the period (15th July - 31st December) be extended to at least July 1997, with intervening deadlines for Shippers to raise queries etc. This window should cover both existing sites and new business.

b) Procedures - It does not appear that any changes have been made (to the AQ Appeals process). To make sure that the Appeals option is used fully, and thereby improve the quality of the portfolio, it is essential that the procedures are as simple and user friendly as possible.

c) transportation charges should be effective from 1st October 1996 and not when successfully appealed.

- d) AQ appeals should be back dated, if appropriate to 1st March 1996
- e) EUC appeals should be permitted
- f) Shippers require copies of the software used to convert meter reads into AQ's.

TransCo Response

- a) Both parties require certainty of costs for a reasonable period of time. As such an annual review process for AQ's was agreed as it is to neither parties benefit to time fluctuating costs throughout the gas year. To address genuine concerns over the quality of the initial AQ's an extended query resolution is appropriate but TransCo believe it is neither parties benefit to extend any uncertainty throughout the gas year.
 - b) A review of the necessary update procedures was undertaken at the meeting on 11 July to take account of the concerns expressed. The agreed approach and simplified data requirements will be circulated to all Shippers.
 - c) AQ queries submitted before 1st October 1996, if successful, will be effective from that date. TransCo believe that there is ample time prior to the 1st October 1996 for the shipping community to undertake this work and gain the advantage of the 1 October application.
 - d) The 1995/96 query process closed in early May and as such TransCo believe it is not appropriate to re-open an already agreed process, that was extended by Modification 020 and 021 that were implemented in April 1996.
 - e) TransCo believe that EUC's have a second order effect upon transportation charges and as such it is inappropriate to have large amounts of clerical effort by both parties resolving potentially modest changes in transportation costs. However, for large NDM sites that have been placed in an EUC band at the opposite extreme of its actual consumption, it may be appropriate to address inconsistencies.
- A Network Code Modification (0039), "End User Category Challenges", has also been raised by National Power and this will be discussed at the Modification Panel on 18 July 1996.
- f) The issue of software will be discussed at the meeting of the 11th July (item b above).

15. The extent to which the implementation is required to enable TransCo to facilitate compliance with safety or other legislation;

Not applicable.

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- 16. **Having regard to any proposed change in the methodology established under Standard Condition 3(5) or the statement; furnished by TransCo under Standard Condition 3(1) of the Licence;**

None

- 17. **Programme of works required as a consequence of the implementation of the Modification Proposal;**

The query process that closed in early May will be re-opened on 15th July 1996.

- 18. **Proposed implementation timetable;**

Re-open query process 15th July 1996

Close query process 31st December 1996

Incoming Shipper query process will be open until 30 June 1997

- 19. **Recommendation for the implementation of the modification;**

TransCo has revised the Modification, in light of the representations and discussion on 11 July, and believe this revised Modification should now be implemented.

- 20. **Restrictive Trade Practices Act**

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

- 21. **TransCo Proposal**

This Modification Report contains TransCos proposal to modify the Network Code and TransCo now seeks a direction from the Director General in accordance with this report.

Signed for and on behalf of British Gas TransCo.

Signature: *[Handwritten Signature]*

Date: 12.7.96

Name: *[Handwritten Name]*

Position: *[Handwritten Position]*

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Director General of Gas Supply Response

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct British Gas TransCo that the above proposal be made as a modification to the network code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:



Date: 12/7/96

Name: K S O'HANA

Position: G7

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause

1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:

- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") within 28 days of the date on which the Agreement is made; or**
- (ii) if, within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.**

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.

DRAFT DATED 12 JULY 1996

URGENT MODIFICATION PROPOSAL: 0043 - POSTPONEMENT OF THE 1995 AQ UPDATE PROCESS

LEGAL DRAFTING

TRANSITION DOCUMENT, PART II, PARAGRAPH 7

7.9 Annual Quantities and End User Categories for Gas Year 1996/97

7.9.1 Subject to the further provisions of this paragraph 7.9, in relation to the Gas Year 1996/97:

- (a) notwithstanding Sections H1.7 and H1.8 and anything done pursuant thereto, there will be no redefinition of End User Categories and accordingly the End User Category definitions will be the same as those applying for the Gas Year 1995/96, and Section H1.9 shall not apply in relation to End User Categories or the EUC peak load factor;**
- (b) the Annual Quantity of each NDM Supply Meter Point and the value of any variable referred to in Section G1.6.7 of each NDM Supply Point Component shall be the Annual Quantity (following any revision thereof pursuant to the preceding provisions of this paragraph 7) and value for the Gas Year 1995/96, and the End User Category of each NDM Supply Point Component shall be the End User Category applicable for the Gas Year 1995/96; and accordingly Sections G1.6.6 to G1.6.13 (inclusive) and H3 shall not apply in respect of such Annual Quantities, values and End User Categories,**
- (c) the Annual Quantity of each DM Supply Meter Point shall be the Annual Quantity for the Gas Year 1995/96, notwithstanding Section G1.6.1(i);**
- (d) the Supply Point Capacity and NTS Exit Capacity which a User is registered as holding at or in respect of an NDM Supply Point Component will be that applying in respect of such Supply Point Component for the Gas Year 1995/96 and accordingly shall not be redetermined pursuant to Section H4;**
- (e) for the purposes of Section H4.2, the EUC peak load factor in respect of each End User Category shall be that applicable for the Gas Year 1995/96, notwithstanding Section H4.4;**
- (f) subject to Section G5.2.3(a)(ii), the Bottom-stop Supply Point Capacity of each DM Supply Point Component shall be the Bottom-stop Supply Point Capacity applicable for the Gas Year 1995/96, and Section G5.2.3(a)(i) shall not apply in respect of the determination of such Bottom-stop Supply Point Capacity for the Gas Year 1996/97.**

7.9.2 Subject to paragraph 7.9.6, from 15th July 1996 until 31st December 1996 a User may notify TransCo that the User considers that the Annual Quantity of a Supply Meter Point, comprised in a Supply Point of which on 15th July 1996 the User is the Registered User, fails to satisfy the requirement (in accordance with paragraph 7.9.7) in Section G1.6.9.

7.9.3 Subject to paragraph 7.9.6, from 15th July 1996, where a Supply Point Confirmation made in respect of a Proposed Supply Point whose Annual Quantity is not less than 73,200 kWh (2,500 therms) becomes or will become effective not earlier than 16th July 1996 nor later than 30th June 1997, the Proposing User may, not later than one month after the Supply Point Registration Date nor more

than 8 Business Days earlier, notify TransCo that the Proposing User considers that the Annual Quantity of a Supply Meter Point, comprised in the Proposed Supply Point fails to satisfy the requirement (in accordance with paragraph 7.9.7) in Section G1.6.9.

7.9.4 In relation to any such notification as is referred to in paragraph 7.9.2 which is made on or after 1st October 1996 or as referred to in paragraph 7.9.3:

- (a) Sections G1.6.8(b) and G1.6.10(a) shall apply as though the User's notification had been made under Section G1.6.8(a) (disregarding sub-paragraphs (i) and (ii) thereof), and on the basis that references to the relevant Gas Year are to the period from the Supply Point Registration Date of the Supply Point Reconfirmation pursuant to Section G1.6.10 or the 1st October 1996 (whichever is the later) to 30th September 1997;
- (b) Section G1.6.10(b) and (c) shall not apply, and no revision or adjustment shall be made in respect of the rate or amount of any Supply Point Transportation Charge, in respect of any period before the Supply Point Registration Date of the Supply Point Reconfirmation pursuant to Section G1.6.10; and Section G1.6.10(d) shall apply;
- (c) where the Annual Quantity is revised, subject to paragraphs (a) and (b):
 - (i) (in accordance with Section G1.6.8(b)(ii)) the End User Category to which the relevant NDM Supply Point Component belongs, and
 - (ii) the Supply Point Capacity and NTS Exit Capacity which the User is registered as holding at or in respect of such NDM Supply Point Component

shall be determined by reference to such revised Annual Quantity.

7.9.5 In relation to any notification as is referred to in paragraph 7.9.2 which is made before 1st October 1996:

- (a) Sections G1.6.8(b) and G1.6.10 shall apply as though the User's notification had been made under Section G1.6.8(a) (disregarding sub-paragraphs (i) and (ii) thereof), and on the basis that references to the relevant Gas Year are to the period from 1st October 1996 to 30th September 1997;
- (b) where the Annual Quantity is revised, subject to paragraph (a), paragraph 7.9.4(c) (i) and (ii) shall be determined by reference to such revised Annual Quantity.

7.9.6 A notification under paragraph 7.9.2 or 7.9.3 may only be given where the quantity which the User estimates (in accordance with Section G1.6.8(b)(i) should be the Annual Quantity of the Supply Meter Point differs from the Annual Quantity) of the Supply Meter Point in accordance with paragraph 7.9.1 by not less than:

- (i) where the Annual Quantity of the Supply Point is greater than 732,000 kWh (25,000 therms), 10%;
- (ii) where the Annual Quantity of the Supply Point is greater than 293,000 kWh (10,000 therms) but not greater than 732,000 kWh (25,000 therms), 20%;
- (iii) where the Annual Quantity of the Supply Point is not greater than 293,000 kWh (10,000 therms), 30%.

7.9.7 For the purposes hereof Section G1.6.9 shall be construed on the basis that the period therein referred to is the period of 12 months ending 31st July 1996 and that the reference in that Section to the quantity offtaken shall be treated as being to the quantity which would under seasonal normal conditions have been offtaken.

7.9.8 Where TransCo notifies the Registered User before 31st December 1996 that a material error has been made in determining (pursuant to this Transition Document) the Annual Quantity of any Supply Meter Point for the Gas Year 1995/96 (which pursuant to paragraph 7.9.1 is to be the Annual Quantity for the Gas Year 1996/97), TransCo and the User will discuss in good faith the manner in which and time at which such error may be corrected.

7.9.9 References in this paragraph 7.9:

- (i) to the Gas Year 1995/96 are to the period from the date of the Code to 30th September 1996;
- (ii) to Supply Meter Points are to Supply Meter Points which exist as at 30th September 1996;
- (iii) to Supply Point Components are (but without prejudice to paragraph (ii)) to Supply Point Components comprised in Supply Points which are not, on or after 1st October 1996, New Supply Points.