

MODIFICATION PROPOSAL: 0097

SHORT TITLE: Relief from overrun charges resulting from CVA error

DATE: 12 November 1996

PROPOSED IMPLEMENTATION DATE: 1 March 1996

URGENCY: Urgent

JUSTIFICATION: The CVA perform the task of allocating title to gas amongst Users at each entry point to the TransCo network. The amounts of gas are reconciled with actual flows and the allocations for each month are "closed out" and provided to TransCo on the 15th working day of the following month.

The Network Code monthly processes are then run. Post close out changes to allocations are not admitted as these would affect the energy position and, therefore, the financial close out for all Users.

In the early months of Network Code, late receipt of information has had an adverse effect on CVA operations to provide timely and accurate allocations by the close out date. This problem is being addressed but is not expected to be entirely resolved in the 1996/7 winter period.

While it is not practical to reopen energy allocations after close out, it is possible to adjust for errors which lead to entry capacity overrun charges. This is because a reversal of capacity overrun charges levied on a User does not affect the monthly accounts of other Users. There is, nonetheless, a consequence to other Users as overrun charges count towards formula revenue and a reversed charge is passed on, through K, to the next pricing period.

When the industry was consulted on 25th September, those Users who expressed a view, supported reversal of entry overrun charges to the extent these arise because of substantiated CVA errors which are only uncovered after close out.

CONSEQUENCE OF NOT MAKING THIS CHANGE: Users will be required to pay overrun charges which result from an error by a CVA agent.

AREA OF NETWORK CODE CONCERNED: Transition Document

NATURE OF PROPOSAL: Provide a means for Users to query entry overrun charges which are thought to be affected by alleged CVA allocation errors for a period of up to 10 days following invoice production. The User would request the CVA to investigate (at no cost to TransCo) and certify the error to TransCo by the invoice due date.

In addition, for the period between March and September 1996 inclusive, Users would have until 8th December to notify TransCo of instances of alleged CVA error affecting overruns in that period and, the CVA would have until 15th January 1997 to certify these errors to Transco.

TransCo would then recalculate the overrun charge. This procedure would only apply for overrun charges of at least £500 in value. There would be no provision to revise any Entry Allocation Statement or affect any UDQI of any user. It is anticipated that instances of CVA error will be eliminated by summer 1997 and it is proposed that the above procedure would terminate in October 1997.

PROPOSED TEXT:

Transition Document Part II paragraph 8

Insert the following under Section B:

- "B2.6.1 (1) For the period from 1st March 1996 until 31st October 1997, where:
- (i) a single person is for the time being appointed, pursuant to an Agreement (the "**Agency Agreement**") of which a copy has been provided to TransCo, as User Agent to submit Entry Allocation Statements on behalf of all Users at the System Entry Points comprised in an Aggregate System Entry Point;
 - (ii) a User incurs a System Entry Overrun Charge in any month in respect of such Aggregate System Entry Point;
 - (iii) not more than 10 Business Days after the date of submission of the Invoice Document which contains such charge, or in relation to Gas Flow Days before 1st October 1996 not later than 8th December 1996, the User notifies TransCo that the User believes that the condition in paragraph (2) is satisfied;
 - (iv) the amount by which the System Entry Overrun Charge would (pursuant to paragraph (4)) be reduced is not less than £500; and
 - (v) the User procures that (at no cost to TransCo) the User Agent submits to TransCo, not later than the Invoice Due Date, or in relation to Gas Flow Days before 1st October 1996 not later than ~~31st December 1996~~, a certificate (subject to paragraph (5)) as to the matters set out in paragraph (3),

15th January 1997.

then the amount of the System Entry Overrun Charge will, with effect from the date on which TransCo receives the User Agent's certificate, be reduced in accordance with paragraph (4), and an appropriate invoice adjustment will be made in accordance with Section S.

- (2) The condition is that, as a result of a failure (subject to paragraph (5)) by the User Agent:

- (i) to comply with a material requirement of the Agency Agreement, or
- (ii) to receive a routine communication which was submitted pursuant to the Agency Agreement by the User or any other party to the Agency Agreement,

the User's Entry Allocation Statement (as at the Entry Close-out Date) did not correctly reflect the User's entitlement to gas delivered to the System at the relevant System Entry Point.

- (3) The User Agent's certificate shall:
 - (i) refer to the User's notification to TransCo under paragraph (1)(iii);
 - (ii) state that the User Agent has investigated the matter and that the condition in paragraph (2) is satisfied;
 - (iii) provide a brief description of the basis on which such condition is satisfied; and
 - (iv) state the quantity which, had the failure referred to in paragraph (2) not occurred, would have been set out in the User's Entry Allocation Statement (as at the Entry Close-out Date).
- (4) The System Entry Overrun Charge shall be reduced so that the User is liable only for the amount, if any, which the User would have incurred by way of System Entry Overrun Charge if the UDQI in respect of the relevant System Entry Point had been the quantity certified pursuant to paragraph (3)(iv).
- (5) TransCo may from time to time publish or revise implementation terms (generally or in relation to a particular Agency Agreement) for the purposes of this paragraph, in which case:
 - (i) a User Agent's certificate shall be in such form as TransCo may reasonably specify in such implementation terms;
 - (ii) a failure shall be counted for the purposes of paragraph (2) only where it is such a failure, or a failure in relation to such a provision of the Agency Agreement, as is described in such implementation terms.
- (6) Nothing in or done pursuant to this paragraph shall entitle the User or any other User to revise any Entry Allocation Statement, or affect any UDQI of any such User.

IDENTITY OF PROPOSER'S REPRESENTATIVE: A.G. Raper

PROPOSER : M. W. Piggin

SIGNATURE :

POSITION : Capacity Development Manager

COMPANY : TransCo

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number: 0097

Date Received