



## Urgent Modification Proposal 0203

### Decision

#### Manage the Effects of Inappropriate AQs Resulting from the 1997 AQ Review Process

07 July 1998

This modification was accepted by Ofgas on 25 June.

#### **Present Position**

Under its Network Code, Transco has an obligation to undertake a review of each supply point's Annual Quantity (AQ) on an annual basis. This review, known as the AQ review process, allows Transco to estimate the demand for gas, for each supply point, for the forthcoming gas year. These AQs are also used to calculate a shipper's capacity charge, a charge based on the pipeline capacity required by that shipper to supply gas to a particular site. The 1997 AQ review process revised some AQs to materially erroneous values. This has resulted in anomalous increases in capacity charges for some shippers from 1 October 1997. Due to the number of AQs requiring investigation and correction, some erroneous AQs may not be corrected until 1998. Until then, capacity charges will continue to be inappropriately inflated.

#### **Proposal**

This modification provides shippers with the facility to withhold an amount, calculated by Transco, from their capacity invoices for October 1997 to January 1998 inclusive. This amount will be based on the difference between the invoice values for a shipper's October 1997 to January 1998 capacity invoices and that shipper's September 1997 capacity invoice, adjusted for the price changes that occurred on 1 October 1997.

On 6 March 1998, Transco recalculated each shipper's capacity charges on the basis of the AQ information then on its system. Following the recalculation, Transco issued an adjustment invoice for the amount owing to, or payable by, the shipper. This amount attracted interest payments at Base Rate + 1%.

This modification extended the deadline for AQ appeals until 31st January 1998, in order that there was sufficient time to allow shippers to appeal erroneous AQs. A further extension was available from 7 April to 20 April 1998.

#### **Possible Impact on Customers**

This modification primarily involves the charges levied by Transco to shippers for the transportation of gas through Transco's pipelines. Customers may benefit from this modification if they have agreed with their shipper that Transco's charges can be passed through to them in their gas bill.

#### **Further Information**

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