

MODIFICATION PROPOSAL

SHORT TITLE: Manage the effects of inappropriate AQs resulting from the 1997 AQ Review Process.

DATE: 16th December 1997

PROPOSED IMPLEMENTATION

DATE: 1st January 1998

URGENCY: Urgent

JUSTIFICATION:

The 1997 AQ Review Process revised some AQs to materially erroneous values. This has resulted in some anomalous increases in NTS and LDZ Capacity charges for certain Registered Users from 1 October 1997. Due to the number of AQs requiring investigation/correction, some erroneous AQs may not be corrected until 1998. Until then, NTS and LDZ Capacity charges will continue to be inappropriately inflated.

Although this Modification is to be implemented from 1st January 1998, it is to formalise arrangements that have been in effect from 1st October 1997.

In some cases, Commodity charges (which will be corrected through Reconciliation) may also be temporarily affected.

Furthermore, to enable Users to appeal all erroneous AQs, there is a need to extend the current deadline for these appeals to 31st January 1998.

With respect to DM Interruptible Supply Points and their BSSOQ, there is a need to extend the transitional arrangements in the Network Code.

This Modification requires urgent implementation, as it proposes a mechanism to mitigate the effect of erroneous AQs on cashflow and to adjust charges that are currently being generated.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

If this modification is not implemented, Registered Users will be subject to inappropriately increased Capacity charges until the relevant AQs are revised. Capacity charges will not be corrected through Reconciliation; In respect of Commodity charges, some Registered Users may experience short term cash flow impact. Furthermore, if the AQ appeal window is not extended to 31st January 1998, there is a risk that Shippers will not have sufficient time to take corrective action in appealing AQs.

With respect to BSSOQ, non-compliance with provisions of Network Code.

AREA OF NETWORK CODE CONCERNED:

This modification will mainly affect Section S. Some amendments will also be needed to Section G.

NATURE OF PROPOSAL:

Shippers will be offered the facility to withhold an amount from their October, November, December and January Capacity invoices. This amount, calculated by Transco and advised to Shippers, will be based on ZCA, CCA and NNX charges for September, adjusted for the 1st October price changes.

Transco will undertake an adjustment of capacity charges on 1 March 1998, based on the AQs held on the system at that time. This adjustment will be at meter point level.

For those Shippers whose NDM allocation increased more than 40% between 30th September and 1st October, Transco will allow an amount (equating to the amount greater than 40%) to be withheld from the October Commodity invoice. This amount will be payable with the November Commodity invoice.

To be inserted in Transition Document Part II, Miscellaneous, Section S, paragraph 3:

1. In respect of users NTS and LDZ Capacity Invoices for the months of October, November and December 1997 and January 1998:
 - a) Transco will calculate percentage reductions which shall apply in respect of NTS Exit Capacity Charges, LDZ Capacity Charges and Customer Charges (for the avoidance of doubt, NNX, ZCA and CCA charge types respectively, based on September 1997 values).
 - b) the percentage reduction calculation will reflect the decrease in the Charges in (a) above applicable from 1st October 1997 in accordance with Transco's Transportation Charging Statement
 - c) the percentage reduction will be applied to the User's NTS Capacity Invoice and LDZ Capacity Invoice for October 1997 to January 1998.
 - d) the reduction amount may be withheld by Users from the amount due in respect of Capacity Invoices for the months of October 1997 to January 1998 inclusive.
2. No further Invoice Queries which relate to Annual Quantities may be raised by Users in accordance with Section G paragraph 1.6 or section S paragraph 4 in relation to these revised charges.
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 - a) On or after 1st March 1998, Transco will recalculate Users NTS Exit Capacity and LDZ capacity Charges for the months of October 1997 to January 1998 inclusive, using the Annual Quantities which apply as at 1st March 1998.
 - b) Following the recalculation in 3(a) above, an Ad Hoc Invoice will be issued by Transco showing an amount payable by or owing to Users. Such amount will attract interest, which will be payable in accordance with Section S paragraph 3.6.4. (ii).

- 4 a) Where the difference between the User's total NDM output allocation from 30th September 1997 to 1st October 1997 represented an increase of greater than 40 per cent then 4 (b) below applies.
- b) Where 4 (a) above applies Transco will calculate an amount that may be withheld in respect of the User's Commodity Invoice for October 1997 ("the withheld amount").
- 5 The Invoice Due Date for the withheld amount shall be the Invoice Due Date for the User's Commodity Invoice for November 1997, provided that no interest will be payable by Transco or the User in the respect of the withheld amount.

The following amendment is required to Section G:

In Section G 1.6.8.(a), 1.6.11 and 1.6.12, replace "31st December" with "31st January"

To be inserted in Transition Document Part II, Section G, paragraph 5.2.3:


Until 30th September 1998, the Bottom-stop Supply Point Capacity in respect of an Interruptible DM Supply Point Component shall, notwithstanding Section G5.2.3., be equal to the prevailing Supply Point Capacity.

PURPOSE OF PROPOSAL:

This modification proposal will ensure that Shippers are appropriately offered cashflow relief not materially financially disadvantaged as a result of this years AQ Update process. It will also provide Shippers with adequate time to appeal erroneous AQs, therefore ensuring correct transportation charging through 1998.

In addition this proposal will, with respect to DM Interruptible Supply Points and their BSSOQ, ensure that Transco will be in compliance with the provisions of Network Code.

IDENTITY OF PROPOSER'S REPRESENTATIVE: Claire Robinson

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SIGNATURE: 
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COMPANY: Transco

MODIFICATION PANEL SECRETARY'S USE ONLY

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