

MODIFICATION PROPOSAL No: 0208

SHORT TITLE: Amendments to the AQ Update Process for 1998

DATE: 2nd February 1998

PROPOSED IMPLEMENTATION

DATE: 1 March 1998

URGENCY: Urgent

Version 1.3

JUSTIFICATION:

Transco has an obligation under Section G1.6. of the Network Code to undertake a review of AQs on an annual basis. Review Group 0121 was convened to develop this process for 1997. This resulted in the implementation of Modification 0136, which implemented a number of transitional arrangements for the 1997 AQ Review process. It was also proposed that Review Group 0121 should be re-convened following the 1997 AQ Update, to consider how the process could be further developed for 1998 and beyond.

Review Group 0121 has considered the options for future reviews of AQs. Two proposals were developed. Some Shippers questioned the appropriateness of a review in 1998, as many AQs would only recently have been revised and some issues with underlying data would not have been fully resolved. However, the majority of Shippers within the group believed that a review of I&C AQs was required in 1998, using similar processes to those used in 1997, but with extended periods for both Transco and Shippers to review and amend AQs prior to implementation.

There has been considerable debate with Shippers as to an appropriate methodology for ensuring accurate and unbiased Domestic AQs. Several options have been considered, but no firm proposals have yet been developed. Shippers have arranged a meeting for 9th February to consider this further and have arranged to meet with Transco on 25th February to discuss the outcome of their discussion. However, it has been recognised that there is a need to ensure that Domestic AQs are accurate as we move into RbD. It has therefore been agreed that until proposals have been fully developed, the review of Domestic AQs should be deferred for 3 months. This will be reviewed following further industry discussions and any qualitative information then available.

It is recognised that the industry's needs for 1998 in respect of I&C AQs may not be the same as its longer term requirements. It was therefore agreed that this modification proposal should apply as an interim solution for 1998 only. Due to the need to develop systems to support this proposal and the extended timescales proposed, Transco requires this proposal to be considered as urgent.

This Modification proposal provides for significant analysis of recalculated AQs. Transco recognises that, should this analysis suggest any inherent problems with the recalculated

AQs, urgent discussions with the industry will be required to consider what actions are necessary.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

The changes that were made to the AQ update process for 1997 were largely transitional, applying only to the Gas Year 1997/98. Therefore, without this modification, the AQ process detailed in Section G of the Network Code would apply. This process involves shorter timescales than those that applied in 1997 and does not contain any validation or contingency arrangements, which Shippers have agreed are necessary components of any AQ Review.

Furthermore, under the existing Network Code provisions, all Domestic AQs would be re-calculated in September and applied from 1st October. Whilst no firm proposals have yet been developed and agreed in respect of Domestic AQs, it has been recognised that the existing Network obligation should be deferred for 3 months, pending the outcome of further discussions.

AREA OF NETWORK CODE CONCERNED:

Transition Document Part II. Section G1.6.

NATURE OF PROPOSAL:

This proposed modification reflects the key requirements identified at the December and January workshops, for which Transco has carried out preliminary systems impact analysis. A more detailed analysis is currently being undertaken.

It is recognised that incentives may be appropriate to ensure that AQs are accurate and unbiased and that all parties fulfil their obligations in respect of AQ appeals. Now that the processes for the 1998 review of I&C AQs have been fully developed, further consideration will be given to what incentives may be appropriate. A meeting has been arranged for 9th February to consider this further.

Process For Supply Points 73,200 kWh and above

- ◆ Transco will recalculate meter point AQs no later than 15th June 1998.
- ◆ The recalculation will exclude the following:-
 - AQs reviewed by the 1997 Manual process
 - Shipper confirmed appeals
 - Shipper non-confirmed appeals. Where AQs have been successfully appealed following the 1997 AQ Review, but not subsequently re-confirmed, the AQ will not be recalculated. The appealed value will be applied and Transco will provide separately details of sites in this category.

- ◆ Only consumption data from 2/3/96 onwards will be used for re-calculating AQs. For DM sites, data up to 31st March 1998 will be used. For NDM sites, Transco will use the latest available meter reading that has been applied to a reconciliation invoice.
- ◆ An AQ will not be re-calculated where Transco identifies that 6 months contiguous consumption data for the relevant period is not available, e.g. where there are gaps or overlaps. In these circumstances, the existing AQ will be carried forward.
- ◆ Transco will carry out a high level analysis of the results of the recalculation prior to issuing the files to Shippers.
- ◆ This analysis will consider:-
 - The aggregate AQ by LDZ by Shipper, comparing pre and post recalculation values
 - Those AQs which have the greatest percentage change
 - Comparison of overall change in aggregate AQs of all Shippers
 - Comparison of aggregate AQ against throughput.
- ◆ Provided that no inherent problems are identified, Transco will issue each Shipper with I'X files of all their meter point AQs, including those that have not been recalculated.
- ◆ This file will show Old AQ, Recalculated AQ, MP Ref No., Confirmation Reference No., Shipper Reference No. and Read Dates. It will also show the percentage change for each AQ.
- ◆ Transco will provide some additional supporting data at the same time as issuing the I'X files to Shippers. This data will show, for each EUC and LDZ, the Shippers old aggregate AQ and re-calculated aggregate AQ, plus a high level report of the aggregate overall effects of re-calculated AQs , by EUC and LDZ.
- ◆ The file will be issued no later than 22nd June 1998.
- ◆ Shippers will review AQs and will submit proposed changes on disc. These revisions should be supported by;
 - Confirmation reference number and meter point reference number
 - 2 Meter Reads, including dates, a minimum of 6 months apart (including customer reads)
 - Transco proposed AQ and Shippers proposed AQ and where relevant, the proposed winter consumption.
 - For sites with an AQ > 293,000 kWh, two winter meter reads, including dates (not mandatory)

- ◆ Shipper proposed AQs will only be valid where they vary the Transco re-calculated AQ by more than;
 - *Where the annual quantity of the Supply Point is greater than 732,000 kWh (25,000 therms), 5%;*
 - *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), 10%;*
 - *Where the annual quantity of the Supply Point is not greater than 293,000 kWh (10,000 therms), 15%.*

or

- *a minimum value of 73,200 kWh (2,500 therms)*

Whichever is the lesser.

- ◆ In any circumstances where a re-calculated AQ has inappropriately crossed a material threshold (i.e. 2,500 therms, 10,000 therms, 25,000 therms or 2 million therms), but do not fulfil the criteria for valid appeals in respect of the minimum change required above, this requirement will be waived.
- ◆ Transco will validate all proposed changes to AQs on a sample basis, using the sampling methodology proposed under Modification 0193, (Simplified Adjustment). The sampling will check that ;
 - all required information has been provided,
 - Any customer reads provided are consistent with existing actual reads held on Sites and Meters
 - That the AQ proposed by the Shipper has been correctly calculated from the meter reads provided. Where Transco identify minor discrepancies in the value of the proposed AQ that are attributable to rounding errors, Transco will accept that AQ.
- ◆ Where all proposed AQs within the sample comply with the requirements, Transco will accept all AQs within that file for implementation on 1st October 1998 and notify the Shipper. However, where any AQs within the sample fail any one of the validation checks, the whole file will be returned to the Shipper, with details of the reason for the failure, for Shipper revision.
- ◆ Where a Shipper believes an AQ is inappropriate, but insufficient data is available for a formal appeal, these cases should be raised with the CPM partnership teams on an individual basis. In these cases, where the Shipper has held the site for insufficient time to collect the data required to raise a valid appeal, Transco will endeavour to work with the Shipper to enable an AQ appeal to be raised.
- ◆ Following close out for Shipper revisions on 13th August 1998, Transco will carry out further analysis of the aggregate AQ, by Shipper by LDZ, to check for bias.

- ◆ Transco will carry out full Supply Point recalculation after 22nd August, using revised meter point AQs where applicable.
- ◆ Transco will then undertake high level analysis by Shipper/LDZ/EUC aggregate, comparing pre and post supply point recalculation values
- ◆ Transco will issue the file of Supply Point AQs via I'X, with new EUC allocation, by the 10th Business Day of September.
- ◆ All AQs will be effective from 1/10/98
- ◆ Following the issue of supply point AQs, Shippers will be able to appeal supply point AQs using existing SPA processes as defined in Section G. AQs appealed under this process will be applied prospectively.
- ◆ Shipper appeals against Supply Point AQs will only be valid where they vary the Transco re-calculated AQ by more than;
 - *Where the annual quantity of the Supply Point is greater than 732,000 kWh (25,000 therms), 10%;*
 - *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%;*
 - *Where the annual quantity of the Supply Point is not greater than 293,000 kWh (10,000 therms), 30.%.*

or

 - *a minimum value of 146,400 kWh (5,000 therms)*

Whichever is the lesser.
- ◆ In any circumstances where a Supply Point AQ has inappropriately crossed a material threshold (i.e. 2,500 therms, 10,000 therms, 25,000 therms or 2 million therms), but do not fulfil the criteria for valid appeals in respect of the minimum change required above, this requirement will be waived.
- ◆ Shippers will have the opportunity to review AQs and use SPA processes to revise, up until 31st December 1998.
- ◆ The facility for incoming Shippers to appeal I&C AQs within a month of transfer of the supply point will continue until 31st December 1998 and will be extended to include AQs which are inappropriately below 73,200 kWh (2,500 therms).

- ◆ For a limited number of sites, Shippers will have the facility to raise individual appeals for prospective changes in consumption (i.e. change of use), where there is no supporting historic consumption data as defined in Network Code, Section G1.6.8. to justify the appeal. However, these will need to be raised with CPM on an individual basis and be accompanied by some evidence of the expected change (e.g. confirmation from the End Customer).

For Supply Points <73,200 kWh

- ◆ In respect of supply points with an aggregate AQ <73,200 kWh, it has been recognised that there is a need to defer the current Network Code obligations on Transco to review Domestic AOs in September 1998 for a three month period.
- ◆ Shippers will not be notified of the revised EUC allocations for Supply Points <73,200 kWh.

PURPOSE OF PROPOSAL:

The primary purpose of this proposal is to improve the quality of AOs, to ensure that the overall accuracy of I&C AOs is improved and that there is no bias between the I&C and domestic markets.

Specifically, the purpose of this proposal is:

- ◆ To avoid recalculating AOs that may only have recently been successfully appealed.
- ◆ To avoid recalculating AOs where there is concern over the quality or quantity of consumption data, such that Transco believes any recalculation may decrease the accuracy of the AO.
- ◆ To allow Shippers sufficient time to review AOs and provide substantiated alternatives prior to those AOs becoming live.
- ◆ To allow time to develop proposals for dealing with Domestic AOs.

IDENTITY OF PROPOSER'S REPRESENTATIVE:

PROPOSER : John Lockett

SIGNATURE :

POSITION : Manager, Network Code

COMPANY : Transco

MODIFICATION PANEL SECRETARY'S USE ONLY

Reference Number : 0908

Date Received :