

**Modification Report**  
**URGENT Modification Reference Number 0208**

**'Amendments to the AQ Update Process for 1998'**

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 Proposal Urgent:**

In accordance with Rule 9.2(a) Ofgas has agreed that this Modification Proposal should be treated as Urgent to facilitate the industry needs in respect of I&C AQs for 1998 and to develop necessary systems within the timescales proposed.

**2. Procedures Followed:**

Transco agreed with Ofgas (and has followed) the following procedures for this Proposal;

2nd February - Modification Proposal forwarded to Ofgas  
11th February - Ofgas agreed Modification should be treated as Urgent  
12th February - Urgent Modification Proposal circulated to Shippers inviting representations  
2nd March - Close out for representations 4pm  
20th May - Final Modification Report to Ofgas  
8th June - Revised Final report to Ofgas  
11th June - Direction expected from Ofgas  
11th June - Implementation date

**3. The Modification Proposal:**

This proposal was developed following the 1997 AQ update process, to consider how the process could be further developed for 1998 and beyond. A majority of Shippers 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. It was further agreed that until proposals have been fully developed, the review of Domestic AQs should be deferred for 3 months.

It has been recognised by the industry, that in the longer term, the process developed under this Modification Proposal for I&C AQs may not be appropriate. Therefore this Modification Proposal is proposed as a transitional arrangement only.

Specifically, the purpose of this proposal is:

- ♦ To avoid recalculating AQs that may only have recently been successfully applied.

- ♦ To avoid recalculating AQs where there is concern over the quality or quantity of consumption data, such that Transco believes any recalculation may decrease the accuracy of the AQ.
- ♦ To allow Transco and Shippers sufficient time to review AQs and provide substantiated alternatives prior to those AQs becoming live.
- ♦ To allow time to develop proposals for dealing with Domestic AQs.

4. **Transco's opinion:**

The primary purpose of this proposal is to improve the quality of AQs, to ensure that the overall accuracy of I&C AQs is improved and that there is no bias between the I&C and domestic markets. 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. Transco believes this proposal offers significant advantages over the existing processes.

5. **Extent to which the proposed modification would better facilitate the relevant objectives:**

This modification will provide enhanced facilities for the industry to increase the accuracy of AQs. Accurate AQs not only assist Transco in facilitating the relevant objectives of operating an efficient and economic system but are an important factor in the smooth operation of the competitive market.

6. **The implications for Transco of implementing the Modification Proposal, including:**

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

Transco is not aware of any such implications.

b) **development and capital cost and operating cost implications:**

Implementation of this Modification will involve Transco in significant systems analysis and development, associated with the process. It will also require considerable administrative resources for an extended period.

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:**

Transco believes that the costs will be treated as ordinary business costs, being dealt with via the formula.

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

Transco is not aware of any impact on price regulation.

7. **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 Modification reduces the risks to both Transco and Shippers of inaccurate AQs and any inappropriate Transportation charges that may be derived from them.

8. **The development implications and other implications for computer systems of Transco and related computer systems of Relevant Shippers:**

This modification proposal requires significant changes to Transco's computer systems in very short timescales and some to the related computer systems of relevant shippers.

9. **The implications of implementing the Modification Proposal for Relevant Shippers:**

This proposal is aimed at improving the accuracy of recalculated I&C AQs, furthermore, it offers Shippers a provision to propose revisions to the Transco generated AQ prior to that AQ being applied.

10. **The implications of implementing the Modification Proposal for terminal operators, suppliers, producers and, any Non-Network Code Party:**

Transco is not aware of any such implications.

11. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each Relevant Shipper and Non-Network Code Party of implementing the Modification Proposal:**

Transco is not aware of any such consequences.

12. **Analysis of any advantages or disadvantages of the implementation of the Modification Proposal:**

Advantages: A two-stage process has been developed to facilitate delivery of accurate and unbiased I&C AQs for the 1998 process giving Shippers adequate time to review AQs prior to their application.

Disadvantages: To achieve the full benefits from this proposal, both Transco and Shippers will be required to commit considerable resources to reviewing and amending AQs particularly during the first stage of the process. Significant system changes are necessary for Transco but there is no clear view as to how the 1999 and beyond process will evolve with regards to these system improvements.

13. **Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report):**

Nine Shipper representations have been received. Five of them are directly supportive of the Modification proposal in principle, however all representations raised a number of issues and concerns on the detail, which are addressed below.

Several Shippers stated that the proposal was acceptable only if supported by the appropriate Standards of Service and incentives. Transco recognises the importance of incentives in relation to this Modification Proposal and is actively working with Shippers to develop these. Transco has circulated its initial proposals for incentives with a draft Modification proposal, which will be formally discussed at the May Network Code Modifications panel meeting. This Modification Report does not therefore address any specific issues that have been raised in Shippers representations concerning incentives.

One shipper raised concerns that AQs that had been appealed as part of the 97 process could not be further queried. There seems to have been some misinterpretation of the intentions of the modification proposal in that, whilst the modification does propose that Transco will not recalculate AQs in this category, Shippers will still be able to propose changes to these through the amendment or appeals process.

A number of Shippers raised concerns relating to the thresholds that have been proposed for Shippers revising AQs. One Shipper stated that the Transco recalculation could increase the Shippers aggregate AQs by a significant percentage, but that the Shipper would be unable to appeal those AQs individually as they did not exceed the relevant threshold. The Shipper stated that they understood that these thresholds are in place because the cost to Transco of processing an appeal involving a small percentage change exceeds the Shippers exposure from that erroneous AQ. These thresholds were included, following debate with Shippers, as a pragmatic approach to prioritising AQ appeals. A further comment from two Shippers was that any threshold should apply equally to Transco and Shippers. One Shipper also stated that the threshold should not apply for sites which had crossed a material threshold. This issue is addressed in the Modification, which states that the thresholds will not apply where an AQ has inappropriately crossed a threshold. Similarly, three Shippers commented that if the thresholds were to remain, they should be the same values at both stages of the process, although one Shipper supported the different values. If on reflection the majority of Shippers do not feel that the thresholds are appropriate, then Transco recommends that these are removed from the Modification.

Six Shippers raised concerns that the proposed validation criteria were too stringent and would result in very limited numbers of amendments being accepted. One Shipper commented that this could result in large volumes of appeals being raised individually through the CPM Partnership Teams. These validation rules were developed in conjunction with Shippers at the recent AQ workshop. The intention was to ensure AQs were as accurate and robust as possible. Transco believes that, if Shippers use the AQ calculator to calculate AQs and provide the base data used for this calculation, the

majority of inappropriate AQs could be revised through this process. However, Transco recognises the difficulties that may arise if large numbers of files are rejected due to a small number of minor errors. Transco would therefore propose that files will be accepted if the error rate is less than 1 in 50 of the AQs sampled. This proposal was developed during discussions on the incentives package to support modification 0208 and the details are contained in the paper prepared by Transco following those discussions, which has now been put forward under Modification 0235. However, Transco believe these errors will typically be inconsistencies such as transposing errors. A further comment in relation to the validation criteria was that where files failed the sampling validation, all AQs in that file would be individually validated, which would be time-consuming. Transco would comment that where a file fails sample validation, the whole file will be rejected (subject to the proposed change for allowable errors), rather than the individual AQs being validated.

One Shipper suggested that the close out date of 13th August for Shipper revisions was too early, particularly for sites which Shippers had only recently acquired. The 13th August is the latest that Transco can accept revised AQs and process them in time to enable them to be applied before the supply point recalculation and EUC allocation by the 10th Business Day in September. However, where shippers wish to appeal AQs on newly acquired sites, there is a facility for them to obtain the necessary data through the CPM AQ Team (previously the CPM Partnership Teams). This is stated in the modification. The wider issue of Shipper access to historical data is scheduled to be discussed at the SPA/Metering Workstream meeting on the 28th May 1998.

Two Shippers have raised concerns that Transco will not be notifying EUC revisions for small supply points. This issue was discussed at the recent workshop where it was agreed that as Transco will be issuing clear details of the new EUCs for the 1998/1999 gas year at the appropriate time, this information will fully enable Shippers to allocate the appropriate EUC for smaller supply points, should there be more than one EUC.

One Shipper raised concerns that the modification does not propose that Transco recalculate all AQs, particularly in respect of recently appealed AQs, both confirmed and unconfirmed. This was discussed at the recent workshop, where it was identified that where AQs had been successfully appealed through the 1997 process, that value had been derived through considerable manual intervention and was therefore likely to be more accurate than the value that may be derived through a system recalculation. Transco have offered to provide Shippers details of unconfirmed 1997 AQs that have been applied for the 1998 process and if the Shipper does not agree any of these values, they can advise Transco accordingly and that AQ will be system recalculated.

Transco accept the comment made by one Shipper that the comparison of Aggregate AQs against throughput could be used as a potential criteria to judge success in respect of the high level analysis needed, but would suggest that this would need to be discussed and agreed by the industry.

A concern raised by one Shipper was the accuracy of the Sites and Meters Database, with regards to the requirement that customer reads should be consistent with existing actual reads held. The validation that will be undertaken by Transco will be to sense check that the reads are consistent with the data held on S&M, for example that the number of dials is consistent. Transco would suggest that where a Shipper knows there are data quality issues with a Supply Point, any appeal should be raised individually and not submitted with the bulk files.

One Shipper asked for assurance that Shippers will receive their complete I&C portfolio by the 22nd June 1998 and that all AQs that have been previously amended manually through the 1997 AQ process will remain unaffected by the 1998 AQ update. These issues have been discussed as part of the incentives debate.

One Shipper suggested that AQs should be amended on a 3 yearly basis for sites above 2,500 therms, following completion of the 1998 AQ update. They further suggested that Domestic AQs should be reviewed annually, Transco will ensure these suggestions are included in the ongoing debates.

One Shipper stated that the facility for Shippers to appeal AQs within one month of Transfer should continue beyond 31st December 1998 and they support that this facility should be extended to include smaller supply points. They also suggested that this facility should be extended to include sites which are the subject of an Isolation, Isolation and Withdrawal, sites which are vacant and AQs which are manifestly incorrect. Transco would suggest that the long term extension of this facility requires further debate, therefore it was not appropriate to include this within the Modification at this stage.

Two Shippers stated that they would like to see a speedy resolution to the system limitation that prevents AQs on the Domestic partitions being appealed to >2,500 tpa, to enable them to be reconciled at a meter point level. This issue has been the subject of considerable debate in a number of forums. Transco recognise that some Shippers, who are licensed only for the >2,500 tpa market, may have a limited number of sites where the AQ is currently <2,500 tpa and would therefore be subject to reconciliation under RbD, rather than at a meter point level. To avoid these Shippers having to deal with a handful of sites in this way, Transco agreed to pragmatically consider how these sites could be dealt with to enable them to be reconciled at a meter point level.

Following these discussions, Transco has considered how such appeals should be raised and a process has been developed, which is detailed in Annex 2. In addition, work is underway to develop the necessary systems functionality to support this process, to enable these sites to be reconciled at a meter point level. It is anticipated that this functionality will be available by the end of September. As from the availability of this systems functionality, Shippers will be able to raise AQ appeals against Supply Points where the AQ is currently <2,500 tpa, under the conditions detailed in Annex 2 only.

Two Shippers identified the requirement for the provision of a test file or trial to all Shippers in advance of the 22nd June release of the recalculations, which would allow

the discovery and resolution of any IT incompatibilities due to file changes prior to start of the review period. Transco have offered a facility for test files to Shippers, which will need to be requested 2 weeks in advance of when they are required. Transco will discuss this in more detail individually with Shippers in the near future.

A further concern is the lack of clarity in the proposal with regards the treatment of sites that are inappropriately above or below the 2,500 tpa threshold i.e. those that are >2,500 tpa now, but following re-calculation fall below 2,500 tpa and also sites that are currently shown as <2,500 tpa are therefore not included in the recalculation, but the Shipper believes should be above 2,500 tpa. Where sites inappropriately fall below 2,500 tpa following this years AQ recalculation, these can be appealed above 2,500 tpa with the necessary supporting data. Sites which are currently below the 2,500 tpa threshold where the Shipper believes the site should be above 2,500 tpa are subject to ongoing discussions under the RbD review, as discussed above.

One Shipper raised concerns that the industry may have underestimated the resources required to build and use the AQ calculator. They have suggested that Transco should offer the AQ calculator via I'X, thus enabling Shippers to feed the data in but Transco having responsibility to recalculate the AQs. This was raised at a meeting between Transco and the Shipper on 25th February. Transco has given some high level consideration to this proposal, which suggests that this is not a viable option for 1998, due to the severely limited time available to fully access and develop the necessary system functionality. Transco has offered Shippers two alternatives for developing the AQ Calculator and have arranged for a representative to be available to assist in this development if necessary.

One Shipper stated that there was a need for a clearly defined process for appeals where there had been a meter exchange. In the 1998 AQ calculator, there is a facility to calculate an AQ and insert a meter exchange. These appeals can then be sent to Transco in the normal manner.

14. **The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation:**

Not applicable.

15. **The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence:**

None.

16. **Programme of works required as a consequence of implementing the Modification Proposal:**

Development of related systems.

**17. Proposed implementation timetable (inc. timetable for any necessary information systems changes):**

With immediate effect.

**18. Recommendation concerning the implementation of the Modification Proposal:**

Transco recommend this Modification is implemented with immediate effect.

**19. 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.

**20. Transco's Proposal:**

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Director General in accordance with this report.

**21. Text provided pursuant to Rule 9:**

See Annex 3.

Signed for and on behalf of Transco.

Signature:



**John Lockett**  
Manager, Network Code

Date:

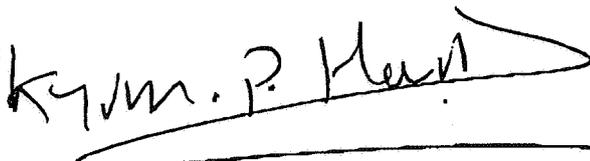
8/6/98

**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 Transco that the above proposal (as contained in Modification Report Reference 0208, version 1.7 dated 08/06/98) be made as a modification to the Network Code.

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

Signature:

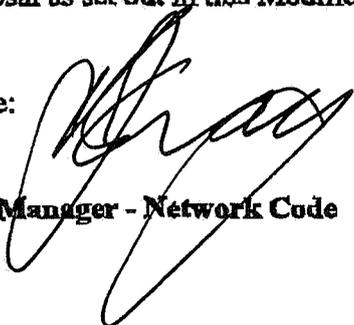


**Kyran Hanks**  
**Director of Transportation Regulation**

Date: 11/6/98.

The Network Code is hereby modified, with effect from 11th June 98, in accordance with the proposal as set out in this Modification Report, version 1.7.

Signature:



**Process Manager - Network Code**  
**Transco**

Date:

## ANNEX 1

### **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.

## ANNEX 2

### **Process for raising AQ appeals on Condition 35 Supply Points .**

The following process is proposed for three categories of Supply Points, detailed below:

#### Category 1

Condition 35 sites

#### Category 2

Sites which have previously had an AQ >2,500 therms (73,200 kWh) but were recalculated to <2,500 therms (73,200 kWh) by the 1997 AQ Update process and have not subsequently been appealed.

#### Category 3

Sites with an AQ <2,500 therms (73,200 kWh), where the Shipper has evidence that consumption has risen above 2,500 therms.

#### Category 1 Appeals

To raise AQ appeals against Condition 35 sites, Shippers will need to provide information and confirmation of their Condition 35 status, i.e. the name of the relevant supply chain. In these circumstances, the AQ offered will be 2,501 therms (73,201 kWh), unless the Shipper can provide evidence that the consumption will be greater than this (i.e. two meter reads, including dates, a minimum of 180 days apart).

Condition 35 appeals should be raised separately from other AQ appeals and clearly identified. Transco may verify the information provided by the Shipper and will raise an appeal reference accordingly.

#### Category 2 Appeals

Where possible, Shippers should provide two meter readings and dates, which should be at least 180 days apart, plus an estimate of the correct AQ. If the meter reading information is not available, Shippers must provide evidence that the supply point has had an AQ greater than 2,500 therms previously (i.e. the 1996/97 AQ) and an estimate of what the AQ should be.

#### Category 3 Appeals

For the third category, Shippers must provide two meter readings and dates, which must be no less than 180 days apart, plus the AQ value they believe to be correct, based on the meter reads they have provided (as per the Modification 208 rules for raising appeals).

All appeals raised in the above categories should be submitted to the AQ team in CPM. They should be submitted separately from other AQ appeals and clearly identified.

Transco will validate all these appeals. Where meter reading information has been provided and the Shipper has recalculated an AQ based on these meter reads, Transco will validate in accordance with the Mod 208 validation rules and if accepted, raise an appeal reference based on the AQ value proposed by the Shipper. If no meter reading information is provided, Transco will apply a value of 2,501 therms (73,201 kWh) and raise an appeal reference accordingly. Shippers will be required to nominate and confirm successful appeals for them to become effective.

These appeals will be excluded from the Standards of Service or incentives that may apply to the 1998 AQ process, but will be subject to any general Standards of Service that apply to processing of CPM queries.

Transco recognise that there may be additional situations where an "I&C" Shipper has Supply Points with an AQ <2,500 therms (73,200 kWh), which they are unable to appeal under any of the above criteria. Transco believes that further consideration should be given to how the industry wishes these sites to be treated.

### ANNEX 3

#### Text provided pursuant to Rule 9:

#### **To be inserted in Transition Document, Part II, Paragraph 7**

Amend paragraph 7.9.1:

".....and, subject to paragraph 7.9.5, Section G1.6.8 shall apply accordingly".

Amend paragraph 7.9.3:

"Subject to paragraph 7.9.5 ...." .

Add new paragraph 7.11:

"7.11            Annual Quantities and End User Categories for Gas Year 1998/99

7.11.1        In relation to the Gas Year 1998/99:

- (a)        Transco shall notify the provisional Annual Quantities applying to Larger Supply Meter Points to Users in accordance with paragraph 7.11.4(a);
- (b)        the provisional Annual Quantities of relevant Supply Meter Points shall, subject to paragraph 7.11.3, be redetermined in accordance with Section H3;
- (c)        the provisional Annual Quantities of Supply Meter Points (other than relevant Supply Meter Points) shall not be redetermined in accordance with Section H3 and the provisional Annual Quantities shall be:
  - (i)        the Annual Quantities applying in the Gas Year 1997/98; or
  - (ii)        where following agreement by Transco to revise the Annual Quantity pursuant to Section G1.6.8(b) or paragraph 7.9.4 (in respect of the Gas Year 1997/98) the User did not submit a Supply Point Reconfirmation in respect of the relevant Supply Point on the basis of the revised Annual Quantity, the revised Annual Quantity.

7.11.2        For the purposes of this paragraph 7.11 a "**relevant Supply Meter Point**" is a Larger Supply Meter Point which is a NDM Supply Meter Point other than one in relation to which:

- (a)        Transco agreed to revise the Annual Quantity applying in the Gas Year 1997/98 following a notification by a User pursuant to Section G1.6.8(a) or paragraph 7.9.3; or

- (b) Transco (in its reasonable opinion) considers that redetermining the provisional Annual Quantity would substantially fail the requirement in Section G1.6.9 following a redetermination in accordance with Section H3.

7.11.3 For the purposes of a redetermination in accordance with Section H3 Transco shall not be required to take account of any Valid Meter Reading for which the Meter Read Date is earlier than 2nd March 1996, provided that Transco shall be required to take account of the last Valid Meter Reading used for the purposes of Individual NDM Reconciliation in accordance with Section E6.

7.11.4 Transco shall:

- (a) no later than 22nd June 1998 notify Users:
  - (i) the provisional Annual Quantity applying for the Gas Year 1998/99 in respect of each Registered Larger Supply Meter Point;
  - (ii) the Supply Meter Point Reference Number; and
  - (iii) where the Larger Supply Meter Point is a relevant Supply Meter Point the difference (expressed as a percentage) (if any) between the provisional Annual Quantity and the Annual Quantity applying in the Gas Year 1997/98 and the Valid Meter Reading(s) and the Meter Read Date(s) used for the purposes of the redetermination in accordance with Section H3;
- (b) as soon as reasonably practicable after 22nd June 1998 notify Users in the form of a report:
  - (i) in respect of each LDZ and each applicable End User Category in relation to Registered Larger Supply Meter Points details of the aggregate provisional Annual Quantities for the Gas Year 1998/99 and the aggregate of Annual Quantities for the Gas Year 1997/98; and
  - (ii) by reference to each LDZ and each End User Category details of the aggregate difference between Annual Quantities for the Gas Year 1997/98 and provisional Annual Quantities.

7.11.5 Following the notification of the provisional Annual Quantity the Registered User may, not later than 13th August 1998 notify Transco that it considers that the provisional Annual Quantity of a Larger Supply Meter Point does not satisfy the requirement in Section G1.6.9.

7.11.6 In relation to any notification made by a User as is referred to in paragraph 7.11.5 the User shall specify:

- (a) the Supply Meter Point Reference Number;
- (b) two Meter Readings for which the Meter Read Dates are not less than six months apart; and
- (c) the provisional Annual Quantity and an estimate of the quantity which it considers should be the Annual Quantity of the Larger Supply Meter Point;

and where the Larger Supply Meter Point has a provisional Annual Quantity of greater than 293,000 kWh (*10,000 therms*), the User may (but shall not be required to) specify in addition to (b) two Valid Meter Reads for which the Meter Read Dates fall within the 1997 Winter Period and an estimate of the quantity offtaken during that Winter Period.

7.11.7 Without prejudice to paragraph 7.11.8, following a notification under paragraph 7.11.5, Transco will consider the details provided by the User, and where it considers the estimate provided by the User satisfies the requirement in Section G1.6.9, the Annual Quantity for the Gas Year 1998/99 of the Larger Supply Meter Point shall be that estimate provided by the User.

7.11.8 Where a User submits 30 or more notifications under paragraph 7.11.5, Transco may take a batch sample of that Users notifications ("**notification batch**") and determine in respect of each notification in the batch sample whether:

- (a) the notification complies with paragraph 7.11.6;
- (b) the Meter Reads provided in accordance with paragraph 7.11.6 are consistent with all (if any) Valid Meter Readings obtained by Transco in relation to the Larger Supply Meter Point; and
- (c) the estimate of the quantity which the User considers should be the Annual Quantity satisfies the requirement in Section G1.6.9.

7.11.9 Where all the notifications in a User's batch sample comply with each of the requirements of paragraph 7.11.8, Transco shall notify the User and the Annual Quantity for the Gas Year 1998/99 for each Larger Supply Meter Point in the notification batch shall be that estimated by the User in respect of the relevant Supply Meter Point under paragraph 7.11.6(c).

7.11.10 Where some or all of the notifications in a User's batch sample do not comply with each of the requirements of paragraph 7.11.8:

- (a) Transco shall notify the User of the notifications which did not so comply (together with the reasons therefor); and

- (b) without prejudice to a subsequent notification in respect of the Larger Supply Meter Point under paragraph 7.11.5, for each Larger Supply Meter Point in the notification batch the Annual Quantity for the Gas Year 1998/99 shall be the provisional Annual Quantity notified in accordance with paragraph 7.11.4.

7.11.11 For the purposes of paragraph 7.11.8 and 7.11.14, the "batch sample" shall comprise, where the number of notifications comprised in a notification batch:

- (a) exceeds 10,000, a random sample of 222 notifications; or
- (b) is greater than 30 but less than 10,000 a random sample of such notifications (s) determined as follows:

$$s = (nl) + (f * (nh-nl))$$

where:

f equals  $(N-N1)/(Nh-N1)$ ;

N is the number of notifications in the notification batch; and

'N1' is the lower batch size and 'Nh' is the higher batch size and 'nl' and 'nh' are the appropriate sample size in accordance with the table set out at Part II Annex - 1.

7.11.12 Transco shall not earlier than 14th August 1998 calculate the Annual Quantity for Larger Supply Points on the basis of the provisional Annual Quantity or the provisional Annual Quantity amended pursuant to paragraph 7.11.7.

7.11.13 Transco shall not later than 14th September 1998 notify to each User the Annual Quantity applicable for the Gas Year 1998/99 and the applicable End User Category (where appropriate) in respect of each Larger Supply Point following which date, the Registered User may submit notifications pursuant to Section G1.6.8.

7.11.14 Where a User submits 30 or more notifications under paragraph 7.11.13, Transco may take a batch sample of each Users notifications and determine in respect of each notification in the batch sample whether:

- (a) the notification complies with section G1.6.8(b)(i); and
- (b) the estimate of the quantity which the User considers should be the Annual Quantity satisfies the requirement in Section G1.6.9.

7.11.15 Where all the notifications in a User's batch sample comply with each of the requirements of paragraph 7.11.14, Transco will agree to revise the Annual Quantity for the Gas Year 1998/99 for each Larger Supply Meter Point in the

notification batch to that Annual Quantity estimated by the User in respect of the relevant Supply Point under paragraph 7.11.14(b) (and Section G1.6.10 shall apply).

- 7.11.16 Where some or all of the notifications in a User's batch sample do not comply with each of the requirements of paragraph 7.11.14:
- (a) Transco shall notify the User of the notifications which did not so comply (together with the reasons therefor);
  - (b) without prejudice to this paragraph 7.11.16, where a User's batch sample is less than 50 notifications and an error in the batch sample of not more than 1 is identified, the batch shall be deemed to have met the requirements of paragraph 7.11.14;
  - (c) without prejudice to a subsequent notification in respect of the Larger Supply Point under paragraph 7.11.13, for each Larger Supply Point in the notification batch the Annual Quantity for the Gas Year 1998/99 shall be the Annual Quantity notified in accordance with paragraph 7.11.12.
- 7.11.17 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 1st July 1998 or later than 31st December 1998, 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 the Annual Quantity of a Supply Meter Point or (as the case may be) variable that determines the EUC of the Supply Point, comprised in the Proposed Supply Point fails to satisfy the requirement in Section G1.6.9.
- 7.11.18 Paragraph 7.9.5(a) (as if references therein to 1st October 1997 and 30th September 1998 were to 1st October 1998 and 30th September 1999 respectively) and (b) shall apply in relation to any such notification as is referred to in paragraph 7.11.17 and for the avoidance of doubt any reference in paragraph 7.9.5 to paragraph 7.9.3 shall be construed to be a reference to paragraph 7.11.17.
- 7.11.19 Until such time as Transco notifies Users of the Annual Quantities for Smaller Supply Points for the Gas Year 1998/99, which shall not be later than the 5th Business Day in December 1998, the Annual Quantities for Smaller Supply Points for the Gas Year 1998/99 shall, without prejudice to paragraph 7.12, be the Annual Quantities applying in the Gas Year 1997/98.
- 7.12 Threshold Supply Meter Points
- 7.12.1 Until the date referred to in paragraph 7.12.2, Sections G1.6.13, 1.6.14 and 1.6.15 shall not apply (and shall be deemed never to have applied).

7.12.2 For the purposes of Section G1.6.13, the date from which a User may first make a notification under paragraph 7.12.3 and each date thereafter shall be a relevant date.

7.12.3 With effect from 1 January 1999 or if earlier such date as Transco determines, a User who is the Registered User of a Smaller Supply Meter Point:

- (a) which was a Larger Supply Meter Point prior to the redetermination of the Annual Quantity in respect of the Gas Year 1997/98; or
- (b) which was a Smaller Supply Meter Point prior to the redetermination of the Annual Quantity in respect of the Gas Year 1997/98 which the User reasonably considers should have an Annual Quantity in excess of 73,200 kWh (2,500 therms);

may notify Transco that it considers that the Smaller Supply Meter Point should be a Larger Supply Meter Point.

7.12.4 In relation to any such notification as is referred to in paragraph 7.12.3, the User shall at the same time provide to Transco:

- (a) the Supply Meter Point Reference Number;
- (b) where 7.12.3(b) applies, two Meter Readings for which the Meter Read Dates are not less than six months apart;
- (c) an estimate of the quantity which it considers should be the Annual Quantity of the Supply Meter Point;

and paragraph 7.11.18 shall apply as though the User's notification had been made under paragraph 7.11.17.

Add new Part II Annex -1;

Notification Batch Size (Nl/Nh)	Sample Size (nl/nh)
30	30
50	41
100	69
200	105
300	128
500	154
1,000	182
2,000	200
10,000	217

**To be inserted in Transition Document, Part II, Paragraph 8**

**Section G (Supply Points)**

Amend G1.6.1(i):

"G1.6.1(i) In relation to the:

- (a) Gas Year 1997/98, the period .....
- (b) Gas Year 1998/99, the period by reference to which the Annual Quantity of a DM Supply Point is to be determined is the 12 month period ending on 31st March 1998".