

## **MODIFICATION PROPOSAL**

### **NTS Optional Commodity ("Shorthaul") Tariff**

**Date** 29th January 1998

**Proposed Implementation Date** 1st April 1998

**Urgency** Preferred Implement Direct

#### **Procedure and Timetable**

29 Jan Mod proposal to shippers.  
4 Feb Legal drafting to shippers.  
19 Feb Mod Panel - decision on Implement Direct  
18 Mar Final mod report to Ofgas  
1 Apr Implementation

#### **Consequence of not making this change**

The NTS Optional Commodity ("shorthaul") Tariff, which was proposed in the Pricing Consultation Paper PC9A and attracted widespread industry support, will not be available to shippers.

#### **Nature of Proposal**

This modification facilitates the incorporation of the shorthaul tariff into the Network Code and it is proposed that the following business rules are adopted:

##### **a) SPA**

The shorthaul tariff will be available to both the incumbent and competing shippers at any supply point, and will be obtained using a nomination, offer, confirmation process. The above process will be managed by paper transactions; it will not be possible to submit a nomination for the shorthaul tariff via the I'XN.

A nomination for shorthaul tariff shall specify the "Shorthaul Entry Point (ShEP) "

The transfer date on the confirmation notice shall be the first day of any month. Failure to confirm such a date will result in Transco revising the transfer date to the first of the month following that requested.

Time-scales will be consistent with the supply point transfer process and where it is necessary to remove the supply point from S&Md, the lead-time will be consistent with that used to remove a Shared Supply Meter Point (SSMP) from S&Md.

## **b) Supply Point Capacity and Charging**

The shorthaul tariff commodity rate will be defined by the formula in the Transportation Statement.

For reference it is:

$$\text{Shorthaul Rate} = 1203 \times D \times (\text{SOQ})^{-0.834} + 363 \times (\text{SOQ})^{-0.654}$$

For the purposes of determining the commodity rate, the SOQ used will be consistent with rules for all other supply points, that is, the registered supply point capacity for firm supply points, the bottom stop SOQ for interruptible supply points and the aggregated booked firm capacity for interconnectors, which will be taken as the amount booked on the first day of the month. (In the event that the peak daily flow in any gas year exceeds the firm transportation requirement detailed in the CSEP NExA, from the 1st of October in the next gas year, the commodity rate will be determined by reference to the peak day and will apply for the whole of that gas year.)

For Shared Supply Meter Points the aggregate of the logical supply point capacities (sum of SOQs) will be used (in accordance with mod 139 rules)

## **c) Terminals and Distance**

The shorthaul tariff will be offered at input points (defined as "Aggregate System Entry Points" in the Code) to the Transco system with the exclusion of gas entering from "Peak Storage connection points", as defined by B2.6.5, (on the basis that gas entering the system at such points has already used the system once without incurring a commodity charge.)

Transco will advise, as part of the transportation offer, the value of the variable "D". This represents the shorthaul distance which will be the lesser of the straight line distance from ShEP reference point to the site boundary of the supply point or the connection to the third party system.

Each ShEP will have a 6 figure grid reference number from which "D" will be measured. Transco will calculate and record the distance "D", to the nearest 0.1km, in respect of the initial nomination made by a shipper for a supply point and will use it for all subsequent requests for the shorthaul service to that supply point.

Where the shipper believes that the value of "D" is incorrect, it may request from Transco the grid references of the supply point and the entry point used to establish "D" and may submit a revised grid reference for the supply point.

#### **d) Energy Issues**

The tariff will only be available where a User Daily Quantity Output (UDQO) can be determined, that is at a DM supply point, or in the case of CSEP or interconnector exit points, daily allocated.

To accommodate the time taken to close out entry allocations the following mechanism will apply:

- a) Over a month, the shorthaul tariff commodity rate will be applied to all gas measured out of the system at the supply point.
- b) After the input allocation process is complete, that is after M+15, an adjustment will take place to account for instances where a shipper's User Daily Quantity Input (UDQI) is less than the UDQO.
- c) The UDQI used to determine the daily shorthaul quantity shall not include any Unauthorised Gas Flow (UGF)

#### **Flexibility**

Where a system buy flexibility bid at a relevant entry point is accepted, the quantity of gas recorded in the bid will be subtracted from the UDQI first before quantity of Shorthaul gas is determined.

- d) In the event that a shipper has more than one supply point being charged using the shorthaul tariff from a common ShEP and the combined UDQO is greater than the UDQI, the default rule for determining the quantity of gas transported under as shorthaul to each supply point, is that the UDQI will be split in proportion to the individual supply point UDQOs. The shipper may change the above allocation method; (same time-scales as those required to change a SSMP notice (see mod 139)).

#### **e) Reconciliation of NTS Commodity Charges**

An adjustment will be made to account for gas that should or should not have been charged for at the shorthaul tariff rate.

(The Daily Reconciliation Quantity (DRQ) is the Total Reconciliation Quantity (TRQ) split by prorating it to the relevant UDQO - as currently stated in the rules)

#### **Case 1**

Where the TRQ results in an increase to the UDQO the following mechanism applies:

Where the UDQI is greater than the UDQO, the Shorthaul Adjustment Daily Reconciliation Quantity (SADRQ) is the lesser of, the difference between the UDQI and the UDQO and, the DRQ.

The Total Shorthaul Adjustment Daily Reconciliation Quantity (TSADRQ) is the sum of the SADRQ over the Reconciliation Period.

The Shorthaul Reconciliation Charge will be the sum of: the TSADRQ multiplied by the optional NTS Commodity Tariff rate and, any remaining TRQ not billed at the optional rate multiplied by the the standard NTS Commodity Rate.

## **Case 2**

Where the TRQ results in a decrease to the UDQO the following mechanism applies:

The revised UDQO is the original UDQO less the DRQ.

Where the revised UDQO is less than the UDQI, the SADRQ is the lesser of, the difference between the UDQI and the revised UDQO and, the DRQ.

The TSADRQ is the sum of the SADRQ over the Reconciliation Period.


The Shorthaul Reconciliation Credit will be the sum of: the TSADRQ multiplied by the optional NTS Commodity Tariff rate and, any remaining TRQ not credited at the optional rate multiplied by the the standard NTS Commodity Rate.

## **Proposed Text**

To be forwarded later (Panel date - 5)

## **Purpose of Proposal**

The purpose of this modification proposal is to give effect to the NTS Optional Commodity Tariff, implementation of which is being progressed as a result of Ofgas' formal decision not to veto Transco's proposal to change its pricing, dated 9th January 1998 and followed a consultation period with the industry during 1997. The pricing proposal received strong support from almost all respondents to the consultation, and early implementation is important to achieve the efficiency benefits which were identified.

Identity of Proposer's Representative  
Proposer : J. F. Lockett  
Signature :   
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