
Draft Modification Report
0216 NDM CSEP Reconciliation

This Modification Report is made pursuant to Rule 8.12 (a) of the Modification rules and follows the format required under Rule 8.12.4

1. The Modification Proposal

The Network Code, requires a Network Exit Agreement (NExA), to be in place for supply points located on Connected Systems operated by Independent Public Gas Transporters. The NExA currently require these supply points to be subject to individual meter point reconciliation. Following the introduction of Reconciliation by Difference (RbD) on the Transco system for similar supply points, these arrangements are no longer appropriate.

Transco proposes that, in line with the acceptance criteria for RbD (Modification 0194), supply points consuming less than <2500 therms on Connected Systems are included within the RbD mechanism. The detailed arrangements and timetable for achieving this are set out in the Development Workgroup recommendation's.

2. Transco's Opinion

The Development Workgroup Recommendation's are set out below and are supported by Transco.

3. Extent to which the proposed recommendations would better facilitate the achievement of the relevant objectives:

The Workgroup recommendations are intended to ensure that industry costs relating to the management of reconciliation data, and resolution of associated queries for Smaller Supply Points (SSPs) on IPGT CSEPs are not dramatically increased. Further, by reducing the volume of data held and processed within the competitive domestic regime the risks associated with a sustainable regime will be reduced.

The recommendations given below have the potential to reduce the complexity of IT systems for new entrants within the domestic market thus lowering entry costs. It enables IPGTs (and consequently Shippers) to simplify processes and reduce transaction costs on NDM LDZ CSEPs.

The recommendations are also intended to ensure a "level playing field " between customers directly connected Transco's system and those connected to IPGT supply points.

The methodology recommended would allow reconciliation values from Larger Supply Points (LSPs) on CSEPs to be included in the RbD, Annual Individual Reconciliation Sector.

Development Workgroup Recommendations

The Development Workgroup recommended the following reconciliation principles to the Network Code Panel which were accepted.

1. NDM meter points at Smaller Supply Points on IPGT CSEPs should be included in the RbD mechanism as soon as reasonably practicable.
2. To adopt a consistent (industry) approach to establishing AQs. Therefore, standard 'initial design AQs', as set out in Appendix II of the Workgroup Report, should be used by all PGTs and Shippers in relation to Smaller Supply Points on NDM CSEPs.
3. NDM Smaller Supply Point AQ updates should be made on a daily basis (rather than the current monthly process for updating CSAQ). The daily processing of CSAQ information is a prerequisite for their inclusion within RbD and the NDM NExA should be modified to include these provisions.
4. For the purposes of NDM CSEP reconciliation, the transportation charge adjustment (to the commodity rate) should be set at 25% of the commodity rate for Smaller Supply Points which are connected directly to the Transco system.
5. The reconciliation value, for the period prior to the introduction of RbD, shall be deemed to be zero.
6. An 'interim' reconciliation methodology be adopted for the period 1 February 1998 until CSEPs can be incorporated in RbD. The Workgroup anticipate that CSEPs are unlikely to enter the RbD mechanism until late 1999, Subject to the UK Link committee approval.
7. For meter points at Larger Supply Points on CSEPs, individual meter point reconciliation shall be undertaken from 1st February 1998.
8. Audit of IPGT (RbD) processes will need to be conducted in line with the criteria established for Transco RbD and Larger Supply Points on CSEPs generally. This will be captured within a Network Exit Agreement between Transco and the IPGT.

4 The implication for Transco of implementing the Modification Proposal including:

a) implication for the operation of System and any BG plc Storage Facility

Transco is not aware of any such implications.

b) development and capital cost and operating cost implications:

Development costs, as a result of changes to the UK Link system, will be incurred during the implementation of this proposal.

- 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 does not intend to recover any costs other than those provided for in the Transportation Statement.

- 5 **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:**

Transco is not aware of any consequences although if the right of audit on PGTs cannot be obtained then risk for Shippers may be increased.

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

The recommendations, if accepted, will be implemented via the Modification process (with a transitional process) to allow meter points at Smaller Supply Points on IPGT CSEPs to enter the mechanism. Consequently, changes will be required to Transco systems (both on and off-line). Change requirements to Relevant Shipper systems have not yet been identified. It is anticipated that the full solution will require additional system functionality for Transco, IPGTs and domestic Shippers. The extent of these changes are to be scoped and will be developed and communicated through the UK-Link Committee (to include IPGTs representation where necessary).

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

In the domestic market, meter point reconciliation is regarded as being a high cost, low transactional value process. This Modification proposal removes the requirement to reconcile each meter point for smaller supply points, on CSEPs and so potentially reduces costs.

- a) **Administrative and operational implications.**

There are no additional administrative or operational implications for Shippers on CSEPs where meter point reconciliation is in force. Indeed, they will be reduced since, as a result of these proposals Smaller Supply Points will be reconciled in aggregate.

- b) **Development, capital cost and operating cost implications for Relevant Shippers of implementing the proposal:**

Transco has not been made aware of any Relevant Shipper system implications.

- c) **Consequence of implementing the Modification Proposal on the level of contractual risk to Relevant Shippers:**

Transco is aware that domestic Shippers may face an increased level of risk, if an audit provision is not agreed between Transco, the IPGT's and the relevant CSEP shippers.

8. **The implications of implementation for terminal operators, suppliers and producers, and any Non-Network Code Party:**

Transco is aware that other IPGTs may have development work to carry out in order to implement this modification.

9. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each Relevant Shipper and NNCP's:**

Transco has not been informed of any such consequences.

10. **Analysis of advantages and disadvantages of the implementation of the Modification Proposal.**

Advantages

This modification will prevent Relevant Shippers and Transco having to commit resources to implement a programme that will require the individual reconciliation of meter points at Smaller Supply Points on individual CSEPs. This could help reduce costs and reduce the number of data transactions for all parties involved in shipping to CSEPs.

Disadvantages

The cost of the necessary development work.

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

No written representation have been received as yet.

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

Not applicable.

13. **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:**

Not applicable.

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

To be communicated through the UK Link Committee.

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

- a) with immediate effect for the interim proposals.
- b) Details for the implementation of SSPs on CSEPs into the 'RbD' mechanism is currently being evaluated by Transco but current indications are that late 1999 should be feasible.

16 Recommendation concerning the implementation of the Modification Proposal:

Transco and the Development Workgroup recommend that the Network Code is modified as detailed in this report.

17 Text provided pursuant to Rule 8.14:

See accompanying document (Draft 1.2: 08.09.98).

Representations are now sought in respect of this Draft Report and prior to Transco finalising the Modification Report.