

MODIFICATION 0216

PRINCIPAL DOCUMENT

SECTION E: DAILY QUANTITIES, IMBALANCES AND RECONCILIATION

Amend the following paragraphs to read as follows:

1.3. (collectively “**Individual Reconciliation**”), Reconciliation Values shall be calculated in 1 For the purposes of Individual NDM Reconciliation, DM Reconciliation and Individual CSEP Reconciliation accordance with paragraph 6.

1.3.4 “**Individual CSEP Reconciliation**” is a reconciliation and adjustment in respect of gas offtaken from the System and certain Transportation Charges:

(a) in relation to a relevant Unmetered Connected System Exit Point except the Smaller Unmetered CSEPs comprised therein, in respect of differences between:

- (i) the quantities initially assumed to be offtaken, and
- (ii) the quantities subsequently determined (by reference to readings of meters at premises supplied with gas offtaken from the Connected Offtake System) to have been offtaken.

in accordance with the applicable CSEP Network Exit Agreement; or

1.3.5 “**Aggregate NDM Reconciliation**” is a reconciliation and adjustment in respect of gas offtaken from the System and certain Transportation Charges, in relation to Smaller NDM Supply Meter Points and Smaller Unmetered CSEPs in aggregate in an LDZ, in respect of quantities determined in accordance with paragraph 7.

1.3.6 For the purposes of an Individual NDM Reconciliation, a DM Reconciliation, an Individual CSEP Reconciliation or an Aggregate NDM Reconciliation:

(c) “**Reconciliation Values**” means:

- (i) NDM Reconciliation Quantities, DM Reconciliation Quantities or (as the case may be) Individual CSEP Reconciliation Quantities; and
- (ii) Reconciliation Clearing Values and Reconciliation Transportation Charge Adjustments.

Insert a new paragraph 1.3.7 as follows:

1.3.7 For the purposes of Section 7, “**Smaller Unmetered CSEPs**” are those System Exit Points treated as comprised (as contemplated in Section A3.3.5 and provided in the relevant CSEP Network Exit Agreement) in an Unmetered Connected System Exit Point which relate to points of supply (to premises connected to the relevant Connected Offtake System) equivalent to Smaller Supply Points.

Amend the following paragraphs to read as follows:

6.1.3 For each CSEP User, Individual CSEP Reconciliation will be carried out in respect of a relevant Connected System Exit Point (other than Smaller Unmetered CSEPs) in respect of the periods provided in and in accordance with the CSEP Network Exit Agreement.

6.1.4(c) In respect of any relevant Connected System Exit Point and CSEP User, the “Individual CSEP Reconciliation Quantity” is the amount by which (for the relevant period provided in the CSEP Network Exit Agreement):

- (i) in the case of an Unmetered Connected System Exit Point (other than the Smaller Unmetered CSEPs comprised therein), the quantity

6.4.1 This paragraph 6.4 applies in respect of Individual CSEP Reconciliation.

6.4.2 For the purposes of Individual CSEP Reconciliation, for each CSEP User

6.5 Upon each Individual NDM Reconciliation, DM Reconciliation or Individual CSEP Reconciliation, the Reconciliation

6.6.1 Upon each Individual NDM Reconciliation, DM Reconciliation or Individual CSEP Reconciliation ...

Amend the paragraph 7.1.2 to read as follows:

7.1.2 The quantities subject to Aggregate NDM Reconciliation shall be quantities (ascertained in accordance with this paragraph 7), equal in aggregate and opposite to the net aggregate quantities subject to Individual Reconciliation in an LDZ (in accordance with paragraph 7.2.4) over a specified period; and shall (in aggregate and as attributed to each User in accordance with this paragraph 7, and on a cumulative basis) be treated as representing the difference between the quantities determined (in accordance with Section H2) as offtaken at Smaller Supply Points and Smaller Unmetered CSEPs, and the quantities which were actually so offtaken.

Delete paragraph 7.2 and replace with the following:

7.2 Definition and calculation of relevant terms

7.2.1 For the purposes of this paragraph 7:

- (a) **“Monthly Individual Reconciliation”** is Individual NDM Reconciliation in respect of Supply Meter Points with Monthly Read Meters, DM Reconciliation pursuant to paragraph 1.3.3(a) in respect of Supply Meter Points with Daily Read Supply Meters and Individual CSEP Reconciliation in respect of any Connected System Exit Point (other than Smaller Unmetered CSEPs comprised therein);
- (b) **“Annual Individual Reconciliation”** is Individual NDM Reconciliation in respect of Supply Meter Points with Annual Read Meters;

- (c) **“DM Check Individual Reconciliation”** is DM Reconciliation pursuant to paragraph 1.3.3(b) in respect of Supply Meter Points with Daily Read Supply Meters;
- (d) **“Individual Reconciliation Sector”** means in relation to each LDZ, System Exit Points of the kind in respect of which paragraph (a), (b) or (c) applies and LDZ Reconciliation.

7.2.2 For each Reconciliation Billing Period, for each LDZ and for each Individual Reconciliation Sector:

- (a) the **“Aggregate Reconciliation Quantity”** and **“Aggregate Reconciliation Clearing Value”** are the net aggregate respectively of the Reconciliation Quantities and of the Reconciliation Clearing Values for System Exit Points in that LDZ and LDZ Reconciliation and Individual Reconciliation Sector for which Individual Reconciliation or LDZ Reconciliation was carried out in that Reconciliation Billing Period;
- (b) the **“Aggregate Reconciliation Transportation Charge Adjustments”** is the Aggregate Reconciliation Quantity multiplied by the sum of the Applicable Commodity Rate for Smaller Supply Points of the NTS Commodity Charge, the LDZ Commodity Charge and the Commodity Variable Component (if any) of the Customer Charge, each applicable in relation to such Reconciliation Billing Period;
- (c) the **“Aggregate LDZ AQ”** is the sum for all Users of the User SP LDZ Aggregate Aqs and the User CSEP LDZ Aggregate Aqs;
- (d) in relation to Smaller Supply Points:
 - (i) for each User the **“User SP LDZ Aggregate AQ”** is the amount determined as follows:

$$\sum_{r=1}^r \sum_{d=1}^d AQ_{rd}$$

where, for each Smaller Supply Point (“r”) in the relevant LDZ of which the User is Registered User on a Day (“d”) in the Aggregate Reconciliation Period, ‘AQ_{rd}’ is the Annual Quantity of such Supply Point;

- (ii) for each User the **“User SP Aggregate Reconciliation Proportion”** is the User LDZ Aggregate AQ divided by the Aggregate LDZ AQ;
- (e) in relation to Smaller Unmetered CSEPs:
 - (i) for each User the **“User CSEP LDZ Aggregate AQ”** is the sum (for all such Smaller Unmetered CSEPs) of the quantities determined pursuant to the provisions of the relevant CSEP Network Exit Agreements as equivalent to the User SP LDZ Aggregate AQs;
 - (ii) for each User the **“User CSEP Aggregate Reconciliation Proportion”** is the User CSEP LDZ Aggregate AQ divided by the Aggregate LDZ AQ;
- (f) the **“Aggregate Reconciliation Period”** is:
 - (i) in relation to Monthly Individual Reconciliation and LDZ Reconciliation pursuant to paragraph 7.6.1(a), the calendar month
 - (ii) in relation to Annual Individual Reconciliation, the period of six calendar months
 - (iii) in relation to DM Check Individual Reconciliation, the period of twelve calendar months

immediately preceding the month in which the relevant Reconciliation Invoice in respect of the Reconciliation Billing Period is to be submitted (provided that where an Aggregate Reconciliation Period would otherwise commence before the Reconciliation by Difference Date, such period shall commence with the first calendar month whose first Day is not earlier than the Reconciliation by Difference Date) and for LDZ Reconciliation pursuant to paragraph 7.6.1(b) the Preceding Year.

7.2.3 For each User, in relation to each Reconciliation Billing Period and for each LDZ:

- (a) the “**User Aggregate Reconciliation Quantity**” and “**User Aggregate Reconciliation Clearing Value**” and “**User Aggregate Transportation Charge Adjustment**” are the amounts determined as:

$$\sum_{s=1}^s \text{USP}_s * \text{V}_s + \sum_{s=1}^s \text{UCP}_s * \text{V}_s$$

- (b) the “**User Aggregate Transportation Charge Adjustment**” is the amount determined as:

$$\sum_{s=1}^s \text{USP}_s * \text{V}_s + \sum_{s=1}^s \text{UCP}_s * \text{V}_s * \text{F}$$

where for each Individual Reconciliation Sector (“s”):

USP_s is the User SP Aggregate Reconciliation Proportion in relation to that User, period and LDZ;

UCP_s is the User CSEP Aggregate Reconciliation Proportion in relation to that User, period and LDZ;

V_s is respectively the Aggregate Reconciliation Quantity, Aggregate Reconciliation Clearing Value or Aggregate Reconciliation Transportation Charge Adjustment for that period and LDZ;

F is the factor specified in the Transportation Statement for the purposes of this paragraph (representing an estimate of the average discount in the Applicable Commodity Rate for Smaller Unmetered CSEPs compared with such rate for Smaller Supply Points.

7.2.4 For the purposes of Aggregate NDM Reconciliation, where:

- (a) the User Aggregate Reconciliation Quantity is positive for the purposes of each System Clearing Contract under paragraph 7.3.1 and 6.6.2, the Reconciliation Quantity will be negative; and
- (b) the User Aggregate Reconciliation Quantity is negative for the purposes of each System Clearing Contract under paragraph 7.3.1 and 6.6.2, the Reconciliation Quantity will be positive.

Amend paragraph 7.3.3 as follows:

7.3.3 Upon each Aggregate NDM Reconciliation, the User Aggregate Transportation Charge Adjustment shall be payable by an adjustment in respect of the NTS Commodity Charge, LDZ Commodity Charge and Commodity Variable Components (if any) of the Customer Charges and Connected System Exit Point Charge overpaid or underpaid by the User in respect of gas offtaken by the User in the relevant period.

TRANSITION DOCUMENT

PART II PARAGRAPH 8

Insert the following and renumber existing paragraphs accordingly:

8.3.1 E1.3.4 Individual CSEP Reconciliation will be undertaken in respect of periods commencing on or after the Reconciliation by Difference Date and will not be undertaken in respect of any earlier period.

8.3.2 E1.3.5 Aggregate NDM Reconciliation will be undertaken in respect of Smaller Unmetered CSEPs in respect of periods commencing on or after the relevant dates specified in the applicable CSEP Network Exit Agreement (the “**CSEP RBD Commencement Date**”) and will not be undertaken in respect of any earlier period.

8.3.3 E1.3.5 **IP Reconciliation**

- (1) In relation to the period (the “**Interim Period**”) from the Reconciliation by Difference Date to the CSEP RBD Commencement Date the provisions of this paragraph 8.3.3 shall apply in relation to Smaller Unmetered CSEPs.
- (2) Transco will request the Connected System Operator to agree to include (by way of amendment in the case of existing agreements) in the CSEP Network Exit Agreement provisions pursuant to which, for each LDZ, the Connected System Operator will:
 - (a) obtain Valid IP Meter Readings in respect of a Sample SMP Group; and
 - (b) calculate (where necessary) and provide to Transco in an electronic format (after giving at least 30 Days advance

notice to Transco) the following details, not later than 12.00 hours on 1st October 1999:

- (i) the IP Meter Reading Period;
 - (ii) the number of Smaller CSEP SMPs (i) in the Sample SMP Group and (ii) in the CSEP SMP Group;
 - (iii) the Sample SMP Group Metered Volume and the Sample SMP Group Aggregate AQ;
 - (iv) the identity of the Unmetered Connected System Points in the LDZ.
- (3) For the purposes of this paragraph 8.3.3, for each LDZ and each Connected System Operator:
- (a) a “**Smaller CSEP SMP**” is a point on the Connected Offtake System at which gas is offtaken for supply to premises at which the annual consumption is expected not to exceed 73,200 kWh (2,500 *therms*);
 - (b) the “**CSEP SMP Group**” is all of the Smaller CSEP SMPs on each Connected Offtake System located in that LDZ and operated by that operator at 31st December 1998;
 - (c) “**Valid IP Meter Readings**” are a set of readings of the meters at a sample of the Smaller CSEP SMPs in the CSEP SMP Group in relation to which the following requirements are complied with:
 - (i) for each such meter, two readings (the ‘first’ and the ‘second’ readings respectively) were obtained, at an interval of not less than 180 Days, of which not less than

90 Days is in a Winter Period and which second reading lies wholly within the Interim Period;

- (ii) of the Meter readings obtained in a Winter Period at least 80% shall be obtained in the Winter Period of the Gas Year 1998/99;
 - (iii) each of the meter readings was obtained by a Meter Reader (or in the case of meter installation, the opening reading was obtained by the person who installed the meter) and validated in accordance with substantially the same criteria as are contained in the Network Code Validation Rules;
 - (iv) the sample comprised not less than 25% by number of the Smaller CSEP SMPs in the CSEP SMP Group;
 - (v) the first readings were obtained no earlier than the 1st October, 1997;
- (d) the “**Sample SMP Group**” is the sample of Smaller CSEP SMPs referred to in paragraph (c) above;
- (e) the “**IP Meter Reading Period**” is the period from the first date on which a first reading (comprised within the Valid IP Meter Readings) was obtained to the first date on which a second such reading was obtained; and all of the Valid IP Meter Readings shall be deemed to relate to such period;
- (f) the “**Sample SMP Group Volume**” is the aggregate uncorrected volume of gas determined pursuant to the Valid IP Meter Readings as offtaken at all of the Smaller CSEP SMPs in the Sample SMP Group during the IP Meter Reading Period;

- (g) the “**Sample SMP Group Aggregate AQ**” is the aggregate, for all of the Smaller CSEP SMPs in the Sample SMP Group, of the quantities of gas estimated to be consumed at the relevant premises in a period of 12 months [under seasonal normal conditions];
- (h) “**IP Reconciliation**” is a reconciliation and adjustment, for each User, in respect of gas offtaken from the System at each Smaller Unmetered CSEP (in that LDZ and for which such operator is the Connected System Operator) in the Interim Period;

(4) For the purposes of carrying out IP Reconciliation, Transco will determine:

- (a) for each Day in the IP Meter Reading Period:
 - (i) a factor F_E calculated according to the formula in Section H2.2 for determining ‘SPD’ but on the assumption that the value of AQ is one (1);
 - (ii) a factor F_V calculated as:

$$F_E * 3.6 / CV$$

where CV is calorific value for the relevant LDZ/Exit Zone for the Day;

- (b) an allocated volume, calculated as:

$$\sum_{d=1}^d F_V d * AQ / 365$$

where:

- (i) for each Day (d) in the IP Meter Reading Period, 'FVd' is the value of the factor F_v ; and
 - (ii) AQ is the Sample SMP Group Aggregate AQ;
 - (c) a "**Reconciliation Factor**" calculated as $(V - 1)$ where V is the allocated volume determined under paragraph (b) above divided by the Sample SMP Group Volume (and which accordingly is positive where attributed volume exceeds Sample SMP Group Volume and otherwise is negative).
- (5) IP Reconciliation shall be undertaken for each User in accordance with Section E6, as though IP Reconciliation were Individual CSEP Reconciliation, but on the basis that:
- (a) the CSEP Reconciliation Quantity is the aggregate quantity of gas treated as offtaken by the User at relevant Smaller Unmetered CSEPs in the Interim Period, multiplied by the Reconciliation Factor;
 - (b) the Reconciliation Clearing Value is the CSEP Reconciliation Quantity multiplied by the arithmetic mean of the values of System Average Price on all Days in the Interim Period;
 - (c) the Reconciliation Transportation Charge Adjustments are the aggregate amounts paid or payable by the User in respect of the Interim Period by way of Commodity Charges in respect of the relevant Smaller Unmetered CSEPs multiplied by the Reconciliation Factor;
- (6) Transco will undertake IP Reconciliation as soon as reasonably practicable following (i) the latest date (in accordance with paragraph (8)) by which the details referred to in paragraph (2) may be provided

to Transco, or (ii) if earlier, the date by which such details have been provided to it for all LDZs by all Connected System Operators.

- (7) For the purposes of Section E7, IP Reconciliation shall be considered to be Individual CSEP Reconciliation for which the Individual Reconciliation Sector is Annual Individual Reconciliation.
- (8) If the Connected System Operator does not agree to the inclusion in the CSEP Network Exit Agreement of the provisions described in paragraph (2), and/or does not comply with such provisions (if included), by the relevant date specified in the appropriate CSEP Network Exit Agreement, no reconciliation and adjustment (by way of IP Reconciliation or otherwise) will be undertaken in respect of the relevant Smaller Unmetered CSEPs in respect of any period before the CSEP RBD Commencement Date.