

DEVELOPMENT WORKGROUP REPORT

Modification Reference Number 0262

1. **Analysis of whether and if so the extent to which the Proposal would better facilitate the achievement of the relevant objectives.**

Condition 7. Relevant Objective (a)

The proposals aim to ensure that the present levels of data recorders are maintained and that Transco avoids any significant increases in this level that could not, at present, be sufficiently justified. This will avoid unnecessary expenditure within the NDM demand estimation process and contribute towards the efficient and economic operation of the System.

Condition 7. Relevant Objective (c)

Together with the model smoothing initiatives implemented for the spring 1999 NDM analysis, the stabilisation of small NDM EUC definitions in relation to annual consumptions and the introduction of NDLFs for large NDM EUCs share the common objective of improving year on year stability within the NDM load profiles and load factors. These initiatives will contribute towards minimising volatility in transportation charges and thus help to secure effective competition between relevant shippers and suppliers.

2. **The implications for Transco Implementing the Proposal (to the extent that the workgroup has been informed)**

2.1 Implication for the Operation of System.

Transco is not aware of any such implications

2.2 Development, capital cost and operating cost implications for Transco of implementing the proposal.

The different options put forward to modify the NDM process timetable would introduce additional costs of varying degrees. Depending on the transitional measures adopted the most radical option of a 6 month change in the timetable could require one-off costs of the order of £ 100-250,000.

No increases in the NDM sample are proposed. Nevertheless, illustrative costs (both direct and indirect) of increasing the NDM sample are set out in Appendix 6 of the technical report.

2.3 Whether appropriate for Transco to recover costs and if so the most appropriate way.

The NDM process is a Network Code requirement on Transco and any additional costs incurred pursuant to the conclusions being implemented will have an imperceptible effect on transportation charges. There will be no specific charges introduced.

2.4 Consequence of Implementing the Proposal on the level of contractual risk to Transco

Subject to the implementation of Network Code modifications as a result of these proposals, no consequences on the level of contractual risk to Transco are envisaged, in respect of direct Network Code contractual risk.

3. The Development Implications and other Implications for Computer Systems of Transco and related Computer Systems of Users

No significant impacts on Transco's UK-Link systems are expected. Implications for Users' computer systems are similarly not expected to be significant.

Transco's computing systems used for NDM demand estimation will be significantly affected by changes to the NDM demand estimation timetable, and particularly so for the radical 6 month change in the timetable. Transitional arrangements and timings will need to allow for the necessary system changes.

Although no NDM sample increases are proposed, any increases to the NDM sample would impact Transco's computing systems used for NDM demand estimation.

4. The Implications of Implementing the Proposal for Users

4.1 Administrative and operational implications.

Consequential improvements to the stability of NDM profiles and EUC load factors may reduce commercial exposure and alleviate the administrative burden. Shippers may consider that changes to the timings of the NDM process would provide shippers with greater opportunity to assess and make representations on Transco's published underlying NDM demand models prior to the final proposals.

4.2 Development, capital cost and operating cost implications for Relevant Shippers of implementing the proposal.

The development workgroup does not envisage any such cost implications from these proposals.

The proposals for stabilising small NDM EUC definitions would protect shippers from the costs that may arise in the implementation of annual changes in NDM EUC definitions.

4.3 Consequence of Implementing the Proposal on the level of contractual risk to Users

The proposals will contribute to reducing year on year volatility in NDM load factors, which will provide greater certainty of transportation charges thus reducing the level of contractual risk to Users.

5. Implications of Implementation for Terminal Operators, Suppliers and Producers, and any Non-Network Code Party

The development workgroup is not aware of any such implications of implementation.

6. Consequences on the Legislative and Regulatory Obligations and Contractual Relationships of Transco and each User and NNCP

Subject to the implementation of Network Code modifications as a result of these proposals, no such consequences are envisaged.

7. Analysis of Advantages and Disadvantages of the Implementation of the Proposal.

Advantages :

- the stabilising of the data recorder sample at current levels will allow further assessments of the appropriateness of the current NDM sample.
- the stabilisation of EUC definitions in relation to consumption ranges and the introduction of NDLF's for large NDM EUC's will encourage greater stability in the NDM profiles and load factors.
- the maintenance of the present levels of NDM data recorders for small sites and the introduction of minimum levels of sample points for large NDM sites will avoid unnecessary further cost and complexity to the NDM process
- with the 6 month timetable advancement shippers would have greater notice of changes to NDM profiles and EUC load factors, thus helping to mitigate commercial exposure

Disadvantages :

- a change in the timetable of the NDM process will necessitate changes to the systems used for NDM demand estimation by Transco
- Transitional arrangements for the 6 month timetable change would require one future spring NDM analysis to be skipped in order to effectively move to an autumn NDM analysis
- With a 6 month timetable change NDM profiles would be based on data that relates to a gas year that ended 12 months previously

8. Summary of any representations received and comments thereon.

To date, the conclusions reached by the development workgroup have not been circulated outside of the group and representations have not yet been invited.

9. Any other matters that need to be addressed for production of the Modification Report

The main conclusions reached by the Development Group, and for which specific views from the Industry are invited, are highlighted within the Development Group Report within the section titled "Summary of Conclusions".

The development workgroup was unable to reach a firm consensus on certain areas and considers it preferable to seek the views of the industry. In such cases, the different options have been described in the development group report and the group intends to put forward these options in the draft modification report to invite views from Industry.

10. Comment upon & make recommendations re implementation timetable

Subject to the outcome of the modification process and no change to the NDM timetable:

the stabilisation of EUC definitions for all NDM loads could be implemented for gas year 2000/01

provided agreement can be reached on an approach to determining the values of NDLFs to be applied, NDLFs for large NDM loads (>2196 MWh pa) could be introduced for gas year 2000/01.

A 6 month change to the NDM timetable will require, for gas year 2000/01, the same underlying demand models as applied to gas year 1999/00 on a transitional basis, followed by the first autumn NDM analysis in autumn 2000 (replacing the spring NDM analysis) leading to NDM profiles for gas year 2001/02.

11. Comments upon the proposed text (if appropriate)

Subject to the outcome of the modification process, text will be put forward that amends relevant references contained in Section H of the Network Code.