

98/09/18/20

MODIFICATION PROPOSAL

Short title: Changes to the charging of compression at TOM

Date: 14th September 1998

Proposed Implementation 1st October 1998

Status: URGENT

JUSTIFICATION

If a shipper is allocated gas at the St Fergus TOM-sub terminal, then the shipper is charged a fee for compression based on the final net allocation in AT Link. Currently when trading gas at St Fergus, shippers have to consider the cost of compression when concluding a trade. Many trades currently are non sub terminal specific and can therefore be allocated to any one of the three sub terminals at St Fergus. When shippers are allocated gas at TOM they pay the compression charges to Transco and may or may not make their own arrangements to recoup this cost from the originator. With the commencement of Terminal level trading via the CVA, all shippers trading at St Fergus (terminal level) will incur a certain amount of compression charges when allocations are spread back across the sub terminals. This charge is not necessarily attributable to them, and the charge will fluctuate daily, dependant upon the level of trading activity. It will then be a cumbersome process to recoup such costs.

For Urgency

Given that the terminal level trading has approval to commence on the 1st October 1998, it would be appropriate therefore to implement this modification on or before this date. This would eliminate the need for shippers to allocate the costs back to source and encourage a more open market at St Fergus. As the compression charge invoice is a manual process for Transco, the implementation of this modification will eliminate the need to raise the number of invoices that will be required once the terminal level trading commences.

Consequence of not making this change

Shippers will be reluctant to trade at terminal level and therefore the problem of sub terminal switching prior to closeout will continue to be an issue. Transco will be required to raise numerous manual invoices for those that do choose to enter at terminal level.

Area of the Network Code Concerned

Section E

Nature of Proposal

As the process of charging the compression at TOM is a manual one, the suggestion is that those shippers claiming the initial quantity of gas (base quantity) from their upstream sources be charged for compression in full.

- Transco would receive the validated base quantity claims via the CVA process at M+15.
- Transco would then raise manual invoices (as per current time scales) against the relevant shippers from the information provided by the CVA

The Claims Validation Agent may submit to Transco, after M+15, a statement detailing base rights allocations of gas input at the TOM sub terminal. Transco will be entitled to invoice the applicable compression charges in accordance with these base rights allocations, provided such allocations sum to the total allocations shown on the normal entry allocation statement, (the daily quantity less any unclaimed gas).

Purpose of Proposal

To eliminate the complication of compression charges at TOM and therefore increase the liquidity at the St Fergus terminal.

To reduce the risk of inaccurate allocations due to last minute sub terminal switching (as per August 1996)

To avoid unnecessary administration for both Transco and shippers in relation to manual cost allocation.

Proposer : Hayley Onyett
Position: Supply and Trading Operator
Company: BP Gas Marketing Ltd

Signed

Date 14/9/98.....

Reference No 0269

Date Received 18/9/98.