

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0396

"Proposal to allow for RbD Adjustments to be processed consequent to the recalculation of LDZ Specific Shrinkage Factors for revised temperature data for the period from the implementation of RbD to the start of current Supply Year 1999/2000"

Version 1.0

Date: 18/04/2000

Proposed Implementation Date: 01/04/2000

Urgency: Non-Urgent

Area of Network Code Concerned

TDII Section N (Shrinkage) 8.11.3 and Section E.

Nature of Proposal

The relevant paragraphs of the current Section N should be amended in consultation with the Planning and Security and RbD Workstreams to remove any doubt as to whether more than one reconciliation of LDZ Shrinkage for a single Gas Year after the event is permitted. The current rules are designed to allow for RbD adjustments to be processed to correct from the estimated LDZ Shrinkage factors set prior to the Gas Year to those assessed after the year has been completed. They have also been used to process other corrections, but not for earlier periods. The intention is that the retrospective adjustment required for this Modification should be passed through the RbD adjustment mechanism based on appropriate market shares during the 20 month period covered in line with proposals for such one-off adjustments embodied in Modification 0327.

It is currently planned to implement the new domestic temperature data in a number of phases as improved figures become progressively available, thereby necessitating potentially a number of retrospective adjustments. The target is to agree the initial domestic temperatures to be used based on both the 1999 DMTS and the 2000 DMTS by 1st July 2000. Prospective application will then be deferred until the start of the new Gas Year on 1st October 2000, as any adjustments for the 1999/2000 Gas Year can be included in the normal annual reconciliation process early next year. This Modification should facilitate the retrospective adjustment linked to these initial temperatures.

The second phase, which may trigger further adjustments, is currently planned to relate to a review of the assumed internal/external split of domestic meters, and will be based on work to be undertaken for Transco by the Meter Reading Agencies. Further adjustments may then be required when the results of the 2001 DMTS, which will be based on an expanded sample of domestic meters, become available and possibly again in the future as further data improvements are defined. At an appropriate time a line will be drawn on retrospective adjustments related to this matter.

Justification

During the preparations for the implementation of RbD, it was recognised that the inherent move to the planned process as a proxy for small site reconciliation/smearing at an LDZ level would cause some distortion between LDZs due to differing LDZ average temperature and pressure conditions from the National averages used under the Regulations for customer billing purposes. As a consequence, Shippers supplying customers in those LDZs with lower average temperatures would effectively subsidise those operating in LDZs with higher average temperatures.

To counteract this anomaly, it was agreed as an interim measure, prior to any possible change in the rules for customer billing, to make the necessary corrections via adjustments to the LDZ specific shrinkage factors. The adjustments, in line with a mathematical formula produced by Transco and approved by Ofgem, were designed to allow for differences in both average pressures and average temperatures between LDZs.

However the absence of available data on domestic meter gas temperatures at the time of RbD implementation meant that it was necessary to use the only LDZ temperature data available at the time i.e. temperatures from datalogged large I&C sites for 1996/1997. This was intended as a short-term interim measure only, pending the availability of domestic meter gas temperature from a planned survey by Transco when retrospective adjustments could be made.

Domestic meter gas temperatures are now available from the 1999 Domestic Meter Temperature Survey (DMTS) and will shortly also be available from the 2000 DMTS. Procedures for the application of this data are being developed by a Working Group set up by the Planning & Security Workstream. Once approved these will be applied prospectively for the next Gas Year 2000/20001, and retrospectively to the current Gas Year 1999/2000 via the normal annual LDZ Shrinkage adjustment and reconciliation process.

However, in order to fulfil the commitment given at the time of the introduction of RbD, it is still necessary to apply the new figures and procedures for the period from the RbD implementation date of 1st February 1998 to the start of the current Gas Year 30th September 1999, a period for which the annual reconciliation of LDZ Shrinkage has already been processed. There are concerns within Transco as to whether the current Network Code rules permit a further reconciliation for this period and so this Modification is designed to allow the necessary adjustments to be prepared and processed. It also allows for any further adjustments that may be required in the future when more robust temperature data becomes available.

Consequence of not making this change

It will not be possible to honour the commitment given at the time of RbD implementation for the new domestic temperatures to be applied for the period prior to 1st October 1999. As a consequence the distortion of RbD charges will remain.

Purpose of Proposal

The ability to process retrospective adjustments to LDZ Shrinkage factors linked to improved temperature data is required to redress any cross-subsidisation between LDZs caused by the use of I&C or inaccurate domestic temperatures to derive individual LDZ Shrinkage Factors. It represents an improved interim reallocation of costs between RbD/domestic Shippers to remove the long-standing anomaly introduced by RbD implementation, whilst retaining the facility for further reallocations as and when further improved information becomes available. This Modification does not however address other potential cross-subsidisation issues between the RbD/domestic market and the I&C market, which have come to light in the discussions on current temperature and pressure correction processes. This separate issue will have to be dealt with via a different process as it potentially moves costs between markets rather than merely within the RbD/domestic sector, and should not be allowed to delay progress of this Modification.

Proposer's Representative

David Clarke (British Gas Trading)

Proposer

Simon Goldring (British Gas Trading)

Simon Goldring (British Gas Trading)

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