

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0645

"Treatment of Sites where continuous SOQ breach ("Supply Point Ratchet") has occurred"
Version 1.0

Date: 19/08/2003

Proposed Implementation Date: 01/10/2003

Urgency: Non-Urgent

Justification

To ensure that Shippers are not adversely impacted by the application of ratchet charges where they are able to demonstrate reasonable endeavours to remedy any breach.

Should the proposal be supported we would seek to align its introduction with the start of the new Gas Year. The alignment would also reflect Transco GT's ability to charge for continuous breach from 1 October 2003 onwards.

Nature of Proposal

To treat "Ratchets" in a similar manner to failure-to-interrupt thus recognising the similarity in terms of consequences on the Network Operation. Where a Shipper can demonstrate that they have sought to minimise the consequences of a breach, e.g. a request for Site Works has been logged with the GT and/or a formal notice has been served to the consumer, then continuous punitive charges should not be applied.

With the separation of metering from Transco GT the current ability to limit the maximum offtake quantity has been weakened. In addition, with more physical constraints in the Network and potential LDZ sales, it will become more difficult to control the consumer's ability to offtake commodity.

This modification would envisage a similar test of reasonableness in line with that required where a consumer fails to interrupt i.e. that the Shipper can demonstrate that it has used reasonable endeavours to instruct the consumer not to offtake above the appropriate level and/or has sought to remedy the situation through the appropriate route e.g. Site Works.

Purpose of Proposal

To treat "Ratchets" in a similar fashion to failure-to-interrupts and subject them to a test of reasonableness to suspend continuous charges in respect of the relevant Supply Point.

Consequence of not making this change

The continued application of a "punitive" regime affecting end consumers and for which the mitigation would be in control of the party levying the penalty, i.e. the GT controls the availability and release of capacity in the physical system.

Without this modification other Shippers will continue to run the risk of inheriting a consumer who is subject to a "Supply Point Ratchet".

The application of significant charges on end consumers who have, to date and through custom and practice, been operating at levels that have not previously affected Network Operation. These consumers are unlikely to be able procure the necessary additional commodity in time for the application of liabilities with effect from 1 October 2003.

Financial

Whilst costs can be passed through to consumers we do not believe it is in the industry's best interest to impose significant financial penalties on our customers.

Area of Network Code Concerned

Section B, 4.7

Proposer's Representative

Beverley Ord (BP Gas Marketing Ltd)

Proposer

Steve Mulinganie (BP Gas Marketing Ltd)

Signature

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