

## **TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0643**

"To Review the Network Code rule on withholding of Energy payments under dispute and to  
consider circumstances where Withholding of Energy Charge is appropriate"

Version 1.0

**Date:** 18/08/2003

**Proposed Implementation Date:**

**Urgency:** Non-Urgent

### **Justification**

Currently Shippers are not permitted to withhold payment of the energy element of any Energy Balancing or Reconciliation charge or invoice. (Section X (EBCM Supplement) states that Energy Balancing Invoices must be paid in full (Su3.1)). This also applies to the Energy element of reconciliation charges (Gas Reconciliation Energy or GRE). Failure to do so will result in a "cash call" and instigate the escalation process in order to protect the exposure to the wider community, which would otherwise bear the burden of this cost if payment were to be withheld.

Transco are able to apply certain reconciliation of consumption where charges are passed back to Users in proportion to their holding of Smaller Supply Points under the Reconciliation by Difference (RbD) process. Users of Larger Supply Points are excluded from this process as reconciliation of consumption is performed to a meter reading. This charge is processed via the Reconciliation invoice and includes both energy (GRE) and transportation (TRE) charges. The purpose of these reconciliations is to reallocate "Unaccounted for Gas" (Section N 1.4.1) which has previously been accounted for elsewhere on the network by Transco, i. e. as Shrinkage (Section N). In the situation where Transco are correcting this misallocation, this is not an energy balancing charge.

For this reason, we propose that the charges relating to such misallocation should be excluded from the Reconciliation invoice and the rules regarding inability to withhold payment where a valid dispute is raised. This would afford Users the opportunity to raise a valid query and withhold payment relating to the disputed amount whilst the query is being resolved. Thus avoiding the cash call and termination notice process. This Modification Proposal seeks to review the circumstances under which it is appropriate to withhold an Energy element of a reconciliation charge where there is no exposure to the wider community.

### **Nature of Proposal**

To review the current Network Code rule EBCM Supplement 3.1 which requires Users to pay any element of a reconciliation charge relating to Energy (Gas Reconciliation Energy or GRE) in full, even where a valid dispute is raised.

To consider the circumstances where such GRE charges may be withheld when the item is disputed, in line with other Transportation charges.

### **Purpose of Proposal**

To ensure that Users have the opportunity to dispute erroneous charges in an appropriate manner and withhold payment of such charge where there is no corresponding risk or exposure to other parties as a result of the sum being withheld from Transco.

### **Consequence of not making this change**

Users will continue to be required to pay the energy element of a reconciliation charge where they believe that there is sufficient evidence to dispute the charge, even where there is no risk to the wider community by withholding payment.

### **Area of Network Code Concerned**

Section X

### **Proposer's Representative**

Mike Young (BG Trading)

### **Proposer**

Mike Young (BG Trading)

### **Signature**

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