

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0626
"Structure of the NTS SO Commodity Charge"
Version 1.0

Date: 09/04/2003

Proposed Implementation Date: 01/10/2003

Urgency: Non-Urgent

Justification

Pricing Consultation PC73 proposed that the NTS SO Commodity Charge would be applied to all gas entering the gas transportation system at System Entry Points as well as to all gas exiting the gas transportation system at System Exit Points. Following Ofgem's decision on 30 July 2002 not to veto PC73, the proposed charging regime is intended to be effective from 1 October 2003, subject to appropriate changes to the Network Code.

In the absence of timely changes to the Code, implementation of the charges consistent with the established methodology will not become effective on 1 October 2003.

Nature of Proposal

It is proposed that the NTS SO Commodity Charge, which is currently calculated by applying the NTS SO Commodity Charge rate to daily offtake quantities, be calculated by applying a revised NTS SO Commodity Charge rate to both daily input and offtake quantities.

The NTS Commodity Charge for each User would be the sum of the NTS Entry Commodity Charge and the NTS Exit Commodity Charge; where

NTS Entry Commodity Charge = NTS Entry allocated quantities x NTS Commodity Charge Rate

NTS Exit Commodity Charge = NTS Exit allocated quantities x NTS Commodity Charge Rate.

The proposed charges would, with the exception of Storage Connection Points, apply to all NTS exit and entry points. Consistent with the PC73 methodology, it is anticipated that a common commodity charge rate will be applied to both Entry and Exit allocated quantities.

In respect of Storage Connection Points, it is proposed that there should be no change to the existing approach such that an NTS Commodity Charge would apply solely to exit flows associated with Own-Use Gas consumed at the respective Storage Facility. It is intended that the extension of the NTS SO Commodity Charge to other flows associated with Storage Connection Points would be determined subsequently to satisfy the requirements of the PC70 Pricing Methodology.

Purpose of Proposal

Implementation of the Proposal would enable implementation of charges in accordance with the methodology established within PC73. This methodology was established on the grounds of improved cost-reflectivity and is consistent with the objectives in Standard Condition 4(5)(a) of Transco's GT Licence ie the development of a Transportation Charging Methodology that reflect the costs incurred by Transco in its transportation business. Implementation of the Proposal would therefore better facilitate the relevant objective of efficient discharge of Transco's obligations under its licence, as stated in paragraph 1 of Standard Condition 9.

Consequence of not making this change

After 1 October 2003, calculation of the NTS SO Commodity Charges within the Network Code would be inconsistent with the charging methodology established by PC73.

Area of Network Code Concerned

Section B: System Use and Capacity
Subsection 3.5: NTS Exit Charges

Proposer's Representative

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Signature

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