

**TRANSCO NETWORK CODE MODIFICATION PROPOSAL No.0407****SHORT TITLE:** Removal of Nationally Diversified Load Factors in 2001**DATE:** 14/06/2000 **PROPOSED IMPLEMENTATION DATE:** 1st October 2000**URGENCY:** Non-Urgent**JUSTIFICATION :**

The Nationally Diversified Load Factor (NDLF) values stated in the Network Code (for the three consumption ranges to which NDLFs apply) do not reflect the most recent unscaled national average load factors arising from the annual NDM demand estimation process. In view of this, and the introduction of model-smoothing in the NDM demand estimation process which is expected to increase stability in the derived load factors, Transco believes there may no longer be a need for NDLFs.

Implementation of Modification Proposal 0236a in 1999 provided for a phased change in the NDLFs from those values originally set out in the Network Code towards values more closely aligned with the most recently established national average load factors. A move to the revised NDLF values in stages should ensure that any impact on transportation charges in any year is moderated. Delaying the potential removal of NDLFs until 2001 should help avoid any further dislocation.

**NATURE OF PROPOSAL:**

The implementation of Modification Proposal 0236a provides for a progressive change over a three year period in the NDLF values set out in the Network Code as follows :

<b>Consumption Range</b>	<b>1999/00</b>	<b>2000/01</b>	<b>2001/02</b>
0-2500 thms/yr (0-73.2 MWh/yr)	36.5 %	36.5%	36.5%
2500-25000 thms/yr (73.2-732 MWh/yr)	37.0 %	35%	34%
25000-75000 thms/yr (732-2196 MWh/yr)	41.0 %	39%	37%

This modification proposal contemplates removal of NDLFs with effect from 1 October 2001. Subsequent to implementation the NDLF values that were originally intended to take effect would be replaced by the then current national average load factors derived from the Spring NDM demand estimation process. These unscaled national average load factors would be derived on an annual basis and take effect from October each year.

It is anticipated that delaying the removal of NDLFs until 2001 should moderate any impact on transportation charges arising from the removal of NDLFs.

**PURPOSE OF PROPOSAL:**

The use of NDLFs has provided a number of benefits in respect of ensuring consistency between NDM demand estimation and the setting of transportation charges and offers an element of predictability in these processes. However, due to the nature of NDLFs, in time the values applied may no longer accurately reflect the consumption patterns of small NDM loads.

The modification proposal, if implemented, would ensure that the most recently derived unscaled national average load factors, consistent with the proposed NDM EUC load factors used for the determination of supply point capacities of small NDM loads, would be used to determine transportation charges.

**CONSEQUENCE OF NOT MAKING THIS CHANGE:**

If the NDLFs continue to apply after 2001, it is anticipated that they may progressively diverge from the relevant unscaled national average load factors and thus less accurately reflect costs.

**AREA OF NETWORK CODE CONCERNED:**

Section H 4.3.3

**IDENTITY OF PROPOSER'S REPRESENTATIVE:**

Dominic Harrison

**PROPOSER** Tim Davis

**SIGNATURE:**

**POSITION:** Manager, Network Code

**COMPANY:** Transco

**MODIFICATION PANEL SECRETARY'S USE ONLY**

Reference Number:

Date Received: