

MOD 329 – Analysis of & Potential
Changes to the UNC Rules Governing
the Submission of SHQs - Including
Transportation Price Incentivising
Solution.

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MOD 329 – Potential Changes to the UNC Rules Governing the Submission of SHQs - Including Transportation Price Incentivising Solution.



- *Potential areas for consideration including:*
- The current SOQ/SHQ relationship (UNC TPD Section G5.4.1).
- The current SOQ Ratchet regime (UNC TPD Section B 4.7.1).
- DN to Shipper SHQ Amendment Process (Draft).
- SHQ Charging Proposal - 3 Options – (Draft).

Potential changes to the UNC Rules governing the setting of SOQs & SHQs.



- The current SOQ/SHQ relationship (UNC TPD Section G5.4.1).
- UNC TPD Section G 5.4.1:
- ***The User's Supply Point Capacity (SOQ) in respect of a DM Supply Point Component shall not be greater than 24 times, or less than 4 times, the Supply Point Offtake Rate (SHQ); provided that in the case of an NTS Supply Point Component the User's Supply Point Capacity shall be equal to 24 times the Supply Point Offtake Rate.***

Potential changes to the UNC Rules governing the setting of SOQs & SHQs – current rules 1.



- Current regime for non NTS Supply Points provides flexibility to the User around stating SHQ (Network Referral dependent).
- Provides for 100% of SOQ to be utilised over 4 hours to 24 hours within a 24 hour period.
- Allows flexibility within gas regime to meet end user's offtake requirements.
- Permits SHQ increase / decrease without mirrored SOQ change.
- Does not take into account any DN Transportation cost associated with flexible SHQ element (reinforcement / storage / MOD 090 interruption contract etc).

Potential changes to the UNC Rules governing the setting of SOQs & SHQs – current rules 2.



- Potential to restrict SHQ to SOQ relationship to 24 x (NTS rules) or variant, e.g. SOQ 10 – 24 x SHQ.
- Disadvantages:
 - Would disadvantage customers requiring to burn for < 10 hours a day (or specified amount) by charging on a SOQ based on SHQ x 10 (reduces flexibility and increases costs).
- Advantages:
 - Would result in a more reflective contractual SHQ compared to actual as opportunity to deviate from registered SHQ and remain under SOQ ratchet cap is reduced.

Potential changes to the UNC Rules governing the setting of SOQs & SHQs – current rules 3.



- Users are required to apply for a revised SHQ (UNC TPD G5.3.2(c)).
- ***Whenever the User becomes aware that the maximum offtake rate at a registered DM Supply Point Component may be or has been subject to any increase (Doesn't specify where User becomes aware of any decrease in SHQ at the registered Supply Point Component).***
- Also, UNC TPD Section G 5.3.4 requires:
A User shall take all reasonable steps to secure that it becomes aware of any increase (whether by reason of change in the size or nature of, or the nature of the use of, the Consumer's plant or otherwise) in the maximum offtake rate before and (in any event) as soon as reasonably practicable after such increase occurs.

Potential changes to the UNC Rules governing the setting of SOQs & SHQs – current rules 4.



- Potential Modification change to UNC TPD Section G 5.3.2(c) & G 5.3.4 required?
- Introduce obligation on Shippers to apply for a revised SHQ :

5.3.2 (c) Whenever the User becomes aware that the maximum offtake rate at a registered DM Supply Point Component may be or has been subject to any increase or decrease.

and

5.3.4 A User shall take all reasonable steps to secure that it becomes aware of any increase or decrease (whether by reason of change in the size or nature of, or the nature of the use of, the Consumer's plant or otherwise) in the maximum offtake rate before and (in any event) as soon as reasonably practicable after such increase or decrease occurs.

The current UNC SOQ Ratchet Regime

1.



- Specified under UNC TPD Section B 4.7.1:-
- Applies on any day other than a day in the months of June to September inclusive.
- Applies where the SOQ is exceeded.
- Actual registered SOQ figure is ratcheted (sum of current SOQ and ratcheted amount).
- User incurs a charge based on:-

The Capacity ratcheted amount x sum of 2 x Annual LDZ Capacity Charge and where applicable 2 x the applicable annual rate of the capacity variable component (if any) of the Customer Charge.

The current UNC SOQ Ratchet Regime

2.



- Disadvantages:
- Does not apply during months June to September – exceeding SOQ may still result in operational impact on the network.
- Does not currently apply to interruptible Supply Points – can network rely on any SOQ / SHQ figure for these Supply Points?
- Does not ‘incentivise’ remaining within SHQ parameter or where required reducing SHQ.

DN to Shipper (suggested) SHQ Amendment Process – for discussion



- In addition to existing User UNC obligations to revise SHQs.
 1. Transporter identifies (prior to the commencement of each gas year) DM Supply Points which display contracted SHQs which do not align with actual usage, either $<$ or $>$.
 2. Actual usage data drawn from DM logger data from previous winter.
 3. Transporter prepares report for each User detailing deviations from contracted SHQ figure and specifies (based on actual hourly information) a suggested SHQ figure.
 4. User discusses report findings with end user and also forthcoming winter requirements.
 5. Where end user is in agreement with proposals the User submits a Supply Point re-nomination specifying change in SHQ.

DN to Shipper (suggested) SHQ Amendment Process – for discussion 2.



- **Advantages:**
- Provides for a process between Transporter and Shipper / end user to actively manage SHQs.
- May result in more reflective (of actual consumption) contractual SHQs.
- **Disadvantages:**
- Does not introduce any financial incentive to adhere to SHQ contracted figure.
- Does not guarantee User / end user will amend SHQ figure.
- Does not provide for any additional Transportation costs associated with providing varying SHQs to Users.

SHQ Charging Proposal - 3 Options – (Draft).



- Denis Aitchison:-