

Final Review Report

Review Group 0008 - Capacity Booking Multipliers

1 Composition

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|-----------------|------------------------------|
| Mike Piggin | Transco |
| Alan Raper | Transco |
| Claire Hawkings | Transco |
| John Harris | Associated Gas Supplies Ltd |
| Clare Gordon | British Gas Trading Ltd |
| Robert Barnett | Eastern Natural Gas (Retail) |
| Julian Hucker | Kinetica Ltd |
| Clive Head | Quadrant Gas Ltd |

2 Scope of the Review

During the development of the capacity booking regime in the Capacity, Interruptibles and Charging Workstream, it was agreed that the multipliers associated with the capacity booking incentive charges would be reviewed prior to the 1996/7 winter. The incentive charges are:

- a) Flexibility Overrun Charge (B2.5);
- b) System Entry Overrun Charge (B2.6);
- c) NTS Exit Overrun Charge (B3.6);
- d) Supply Point Ratchet Charge (B4.7);
- e) LDZ CSEP Overrun Charge (B4.8).

In addition, the charge for failure to interrupt (Ref G6.9.2) is based on the supply point ratchet charge and it is therefore appropriate to review this charge at the same time. Owing to an oversight this was not noted in the Review Proposal considered by the Modification Panel on 28/3/96.

It was the role of the group to undertake a review of these parameters, and where appropriate, propose that the parameters are modified.

3 History & Developments

a) Parameter Review (Network Code Development)

The premium multipliers were set at the parameter review meeting on 5th May 1995 & 9th June 1995. During the discussions Ofgas stated that they saw the parameter values as transitional & that current values are linked to Energy Balancing "soft landing". They would support a move to a more cost reflective regime as quickly as possible.

During the development of the Detailed Business Rules it was agreed that the parameters would be reviewed after a Winter of operation on the basis that the expected "go-live" date for the Code would be 1st October 1995.

b) Review Group Meeting - 5th June 1996

Despite the absence of data from a winter of Network Code operation, the group set out to establish a framework to gather operational data & monitor System User behaviour to establish whether or not the incentives are working.

Due to the limited quantity of data available for the meeting, it was the view of the group that any analysis of behaviour at that time could not distinguish between errors and deliberate attempts to profile capacity registrations.

c) Summer 1996

During summer 1996, it became evident that the number of overrun charges being incurred was greater than expected. A significant number of these charges were of a greater magnitude than was anticipated during the drafting of the Network. During this period Transco received a number of requests from shippers asking for their overrun charges to be waived.

It became obvious that a more extensive examination of the overrun mechanism would be required than a simple adjustment of the parameters.

To this end a number of urgent modifications were implemented: modification 0094 was implemented to retrospectively address overrun charges incurred between March 1996 and September 1996, modifications 0095 and 0096 were implemented to address on-going entry and exit overrun charges, respectively, and modification 0097 was implemented to allow shippers to appeal against overrun charges, where the charge has been calculated on the basis of incorrect data input into UK-Link by the CVA.

Due to the workload caused by these modifications and the areas of overlap with modification 0008, no further meeting of Review Group were held.

4 Conclusion

It is proposed that Review Group 0008 is formally closed and that any further review of the Capacity Booking multipliers is carried out under the auspices of a new Review Group.

5 Representations

No representations were received.