

Draft Review Report, 22nd October 1996

**Review Group Proposal No.0025,
Amendment to Confirmation Process in SPA**

1.0 Review Group Proposal

1.1 Nature of the Siteworks Problem

The Review Group examined the Siteworks Problem whereby Sites are not always being confirmed prior to Substantial Completion of the Siteworks Engineering works. The Group acknowledged that this non confirmation was leading to the following problems:

1. Non Confirmed Sites on UK-Link (Shipperless Sites) including sites where no Transportation Contract has been agreed between the Shipper and End User (happens when Districts do not follow the Network Code in an endeavour to remain customer focused).
2. Loss of Transportation Income (Capacity Charges).
3. End Users failing to receive gas on the requested day where Districts followed the Network Code rules strictly and thus disabled the sites if not confirmed prior to Substantial Completion.
4. Major Workload for TransCo Districts to constantly chase Shippers for Confirmation (which will increase substantially more with each Phase of Domestic Competition).

Inability to Confirm Sites prior to Substantial completion is due to one or more of the following factors:

1. Incompatibility of Shipper and TransCo Data e.g. Postcode differences which result in a Nomination rejection.
2. Shipper System/Process problems can cause delays.
3. Transportation with End User not agreed.
4. Data not being supplied in Time, by TransCo Districts, to Shippers.

1.2 Possible solutions to the Siteworks Problem

The Group considered 2 solutions:

1. System Changes, by TransCo to automate the Confirmation process thereby ensuring Confirmation is always received for valid sites and sites where no transportation contract exists are consistently disabled following completion.
2. Tightening of the rules surrounding confirmation and the introduction of penalties for non compliance to encourage improvement to shippers systems.

1.3 Analysis of the Solutions

The group analysed each solution as follows:

Solution 1

System Changes to automate the Confirmation Process

This involves amendment to both TransCo and Shipper systems and will result in the TransCo System automatically Confirming Sites on behalf of the Shipper upon their request.

The Shipper will request us to Automatically Confirm if a Transportation Contract with the end user has been agreed prior to substantial completion. If this is not requested the site will be left disabled on Substantial Completion.

Advantages

- a) Live Shipperless Sites will not be created on UK-Link.
- b) Transportation Income will be recovered correctly.
- c) All sites, where a Shipper, by requesting automatic confirmation expects a Transportation Contract to be agreed will be left live thus end users will not be inconvenienced.
- d) Sites will not be left flowing gas on Substantial Completion when they shouldn't.
- e) The District workload will significantly reduce as they will only have to monitor the exceptions i.e. check for later confirmations for those sites left disabled.

Disadvantages

- a) Does not fit in with the spirit of the Network Code i.e. Shippers having control over their own Portfolios as TransCo will carry out Confirmations on their behalf.
- b) May cause problems with future developments within the Industry e.g. Competition in Meter Installation.
- c) Could result in further complications should TransCo Fail to Confirm as requested by the Shipper.

Solution 2

Rule Changes and Penalty Introduction for sites <25,000 tpa

This solution involves minor changes to the Start Up Gas rules but introduces Liability Payments for unconfirmed sites i.e.

The Start Up Gas Request will be renamed as a letter of intent.

If the Letter of Intent is sent to TransCo 2 working days prior to Substantial Completion of the Site the site will be left 'Live'.

The Shipper must then Confirm the Site with a Registration date of no more than 21 Working Days from the Substantial Completion Date. To meet this date requirement the TransCo System must receive a Confirmation for the site no later than 7 Days after substantial completion.

If the Registration date is greater than 21 Days after Substantial Completion then liability payments will be levied as follows:

Sites using <2500 tpa

*** A one off payment at D+22 of £5 plus £1 for each day thereafter until the Registration Date.

*** Transition Document to state that the above liabilities for <2500 tpa will not be charged initially and will be subject to review 6 months after the Modification has been made to the Network Code. This was felt necessary as the problems associated with Domestic Siteworks are as yet not fully known.

Sites using >2500 tpa

A one off payment at D+22 of £100 plus £10 for each day thereafter until the Registration Date.

However, if a Shipper has made all reasonable endeavours to become the Registered User of the site the Liabilities will not be charged.

Where a Letter of Intent is not received prior to substantial completion and not confirmed the site will be left disabled.

The Site will be re-enabled (for which a charge will be made) as soon as practicable after a letter of Intent or Confirmation is received. The date the Letter of Intent or Confirmation is received will then be called the Substantial Completion Date of the Site.

The Registration Date for the site must then be no more than 21 Days after this Substantial Completion date or the above Liabilities will be levied.

In such cases where a site is to change Shipper prior to Confirmation the TransCo District must be informed.

This change does not apply to Sites with AQ's >25000 tpa i.e. the existing Network Code Start Up Gas Rules will remain the same.

Advantages

- a) Where a Letter Of Intent has been received by TransCo Sites will be left live. This will ensure End Users are NOT be disadvantaged and thus facilitate gas use.
- b) Transportation Income for unconfirmed sites can be recovered through the Liability payments.
- c) Sites will be correctly and consistently disabled where no Letter Of Intent received by TransCo.
- d) The District Workload will reduce as Shippers will not be chased for Confirmations on sites <25,000 tpa.
- e) Control of Portfolios will remain with the Shippers thus maintaining the spirit of the Network Code.
- f) No increased risk of errors resulting from TransCo carrying out activities on behalf of the Shippers.
- g) Shippers are less likely to confirm a site where a sales contract has not been agreed.

Disadvantages

- a) The potential period of Start Up Gas i.e. zero capacity charges increases from 14 to 21 Days.
- b) Sites may be Shipperless for a limited period on the system (however these are controlled through Liability Payments).

1.4 Recommended Solution

The Review Group has agreed to solution 2 - Change to Start Up Gas Rules and Introduction of Liabilities and wishes this to go forward as a Modification.

2.0 The implication for TransCo Implementing the Review Proposal

2.1 Implication for the Operation of System and any BG Storage Facility

None

2.2 Development and Capital and Operating Cost Implications

None

2.3 Consequence of Implementing the Modification Proposal on the level of contractual risk to TransCo

* Should Shippers disagree with the Substantial Completion Date of a Siteworks Job then TransCo may face disputes relating to the Liability Payments levied.

3.0 The Development Implications and other Implications for Computer Systems of TransCo and related Computer Systems of Relevant Shippers

3.1 TransCo

The implications for TransCo systems are minor. A small change is required to allow efficient monitoring of the Liability Payments.

3.2 Shippers

None

4.0 The Implications of Implementing the Modification for Relevant Shippers

4.1 Administrative and Operational Implications

Additional requirement to validate liabilities.

4.2 Cost Implications and level of contractual risk

Reduced risk of consequential loss claims from Customers.

5.0 Implications of Implementation for Terminal Operators, Suppliers and Producers, and any Non-Network Code Party

None Known

6.0 Consequences on the Legislative and Regulatory Obligations and Contractual Relationships of TransCo and each Relevant Shipper

None Known

7.0 Analysis of Advantages and Disadvantages of the Implementation of the Modification Proposal.

The group have analysed all know advantages and disadvantages (shown in 1)

8.0 Summary of Representations Received

Not applicable at this stage

9.0 Any other matters that need to be addressed for production of the Modification Report

None.

10.0 Timescales

- | | |
|---|----------|
| a) Review Group Report and Draft Review Report to Modification Panel (Concertina). | 23/10/96 |
| b) Modification Panel discuss.
Vote to compress timescales for reduced representation period. | 07/11/96 |
| c) Draft Review Report to Shippers/Non-Network Code parties. | 08/11/96 |
| d) Closeout for representations. | 15/11/96 |
| e) Final Review Report to Modification Panel | 19/11/96 |
| f) Modification Panel discuss.
Vote to convert Final Review Report to Draft Modification Report. | 05/12/96 |
| g) Draft Modification Report to Shippers/Non-Network Code parties. | 06/12/96 |
| h) Closeout for representations. | 20/12/96 |
| i) Final Modification Report to Ofgas | 23/12/96 |

11.0 Recommendation

Pursuant to Paragraph 10.12.6, TransCo prepare a Draft Modification Report in respect of the Review Proposal.