

TOTAL GAS & POWER LIMITED

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Dear Julian,

Modification Proposal 0094 "Reconciliation following AQ Amendment, SSP becoming LSP with change of <20% or 15,000 kWh"

Total Gas & Power Limited does not support the implementation of Modification Proposal 0094

Our comments are as follows:

Modification proposal 640 was implemented in June 2004 to incentivise Shippers to submit revisions for any Small Supply Point (SSP) site where it became evident during the gas year that its gas consumption (AQ) would be over the SSP threshold of 73,200 kWh (2,500 Therms). The modification set out, amongst others, a criterion that a site's consumption must change by at least 15,000 kWh and 20% of AQ from the value of the previous gas year before requiring revision. Modification 0094 seeks to remove this criterion.

The removal of any exclusion criteria obliges the Shipper to re-declare a site whose consumption has only just exceeded the SSP threshold and may well slip below the SSP threshold the following gas year. Furthermore, the Shipper may not even be aware of a site breaching the threshold until the AQ review process is started, at which point no changes can be made. To avoid levying unwarranted penalties, Modification 640 strikes a pragmatic balance between the amount of resources that a Shipper and the Transporter's agent would expend in identifying, submitting and processing AQ revisions.

Information provided by xoserve at the distribution workstream in June 2006 demonstrated that significant analysis was undertaken when originally defining the criteria for when a revision would be necessary. This information illustrated that choosing a revision trigger of 15,000 kWh drift would ensure that 97% of the wrongly attributed energy would be correctly reconciled; a trigger of 10,000kWh would only capture an additional 0.5%. The current threshold is set at a cost-efficient level.

Incentivising the time-consuming and inefficient re-declaration of SSP sites to represent negligible changes in gas demand is neither economic or efficient with regard to the relevant objective laid out in Standard Special Licence Condition A11 of the Transporter's licence, and so we do not support this modification.

Extent to which implementation of the proposed modification would better facilitate



the relevant objectives

Gas Transporter Licence Standard Special Condition A11.1

- (a) *the efficient and economic operation of the pipe-line system to which this licence relates;*

Does not apply to this objective

- (b) *so far as is consistent with sub-paragraph (a), the coordinated, efficient and economical operation of (i) the combined pipe-line system, and/ or (ii) the pipe-line system of one or more other relevant gas transporters;*

Does not apply to this objective

- (c) *so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence;*

Does not apply to this objective

- (d) *so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:(i) between relevant shippers;(ii) between relevant suppliers; and/or (iii) between DN operators (who have entered into transportation arrangements with other relevant gas transporters) and relevant shippers;*

The removal of any exclusion criteria will result in a marginal improvement in the level of data quality held by xoserve. This improvement will be negligible, compared to the increased workload that will be incurred by Shippers in firstly monitoring their portfolio for such changes and secondly adjusting AQ's to reflect minor changes in consumption. This modification does not therefore further this relevant objective.

- (e) *so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards (within the meaning of paragraph 4 of standard condition 32A (Security of Supply – Domestic Customers) of the standard conditions of Gas Suppliers' licences) are satisfied as respects the availability of gas to their domestic customers; and*

Does not apply to this objective

- (f) *so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the uniform network code.*

Does not apply to this objective

The implications of implementing the Modification Proposal on security of supply, operation of the Total System and industry fragmentation

No implications identified

The implications for Transporters and each Transporter of implementing the Modification Proposal, including

a) implications for operation of the System:

No implications identified for Transporters.

b) development and capital cost and operating cost implications:



This modification will result in a significant increase in the level of AQ revisions that xoserve will be required to process. Xoserve may be required to increase system capacity which will result in substantial additional costs incurred by the Transporters

c) extent to which it is appropriate to recover the costs, and proposal for the most appropriate way to recover the costs:

Do not anticipate any costs requiring recovery outside of allowed revenue

d) analysis of the consequences (if any) this proposal would have on price regulation:

No consequences identified.

The consequence of implementing the Modification Proposal on the level of contractual risk of each Transporter under the Code as modified by the Modification Proposal

We do not anticipate any increase in contractual risk for the Transporters.

The high level indication of the areas of the UK Link System likely to be affected, together with the development implications and other implications for the UK Link Systems and related computer systems of each Transporter and Users

There may be changes required to the UK Link system to cope with the increase in AQ revisions mid-year.

The implications of implementing the Modification Proposal for Users, including administrative and operational costs and level of contractual risk

Removing any tolerances around the circumstances by which a renomination is triggered will result in substantial additional work undertaken by Shippers in monitoring and adjusting Aqs as appropriate.

The implications of implementing the Modification Proposal for Terminal Operators, Consumers, Connected System Operators, Suppliers, producers and, any Non Code Party

Any costs incurred by the Shipper in processing additional AQ revisions will be passed through to the Supplier who will incur costs from retrospectively billing the customer for the extra consumption. Suppliers, and ultimately consumers, will therefore incur extra costs.

Consequences on the legislative and regulatory obligations and contractual relationships of each Transporter and each User and Non Code Party of implementing the Modification Proposal

As a consequence of this modification, Shippers will be obliged to submit more AQ revisions to xoserve.

Analysis of any advantages or disadvantages of implementation of the Modification Proposal



We have identified the following advantages:

- Marginal improvement in data quality for some sites

We have identified the following disadvantages:

- Significant increase in the amount of work undertaken by Shippers in monitoring threshold crossers.
- Substantial increase in the number of AQ revisions submitted by Shippers
- Consequent increase in the amount of work undertaken by xoserve in processing changes.
- Additional costs incurred by Shippers and Transporters.

The extent to which the implementation is required to enable each Transporter to facilitate compliance with safety or other legislation

Not required for this purpose

The extent to which the implementation is required having regard to any proposed change in the methodology established under paragraph 5 of Condition A4 or the statement furnished by each Transporter under paragraph 1 of Condition 4 of the Transporter's Licence

Not required for this purpose

Programme for works required as a consequence of implementing the Modification Proposal

Xoserve will be required to charge Shippers for sites which previously were excluded from the revision process. In addition, there will be a consequential increase in the volume and number of reconciliation's undertaken. Xoserve will therefore be required to undertake an impact assessment to see the affect this will have on UK Link, which may identify a requirement to increase system capacity as a result.

Proposed implementation timetable (including timetable for any necessary information systems changes)

An adjustment of the revision criteria midway through a gas year will result in Shippers being penalised for not changing those sites which were previously excluded by paragraph E 7.4.3 (a) UNC (TPD).

In light of this, if this modification were to be implemented then the implementation date should coincide with the AQ review date.

Implications of implementing this Modification Proposal upon existing Code Standards of Service

No implications identified



Further Comments

None

Should you wish to discuss our response further, please feel free to contact me.

Yours faithfully

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