

Julian Majdanski  
Joint Office of Gas Transporters  
Ground Floor Red  
51 Homer Road  
Solihull  
West Midlands  
B91 3QJ

Alex Thomason  
Gas Codes Development

Alex.thomason@uk.ngrid.com  
Direct tel 01926 656379  
Direct fax 01926 656605  
Mob 07770 982225

[www.nationalgrid.com](http://www.nationalgrid.com)

9 November 2007  
Our Ref: AHT/Mod 0181 NG response

Dear Julian

**Representation to Modification Proposal 0181: Scheduling Charges calculation for Gas Flow Days 22, 23, 24, 25 & 26 October 2007**

Thank you for the opportunity to respond to this Draft Modification Report (DMR). As proposer, National Grid Transmission supports Modification Proposal 0181. We offer the following additional rationale to support the proposal, in line with the section headings in the DMR.

**1. Nature and Purpose of this Proposal**

In our Modification Proposal, we explained our reasoning for the alternative calculation method of Scheduling Charges for the affected period of Gas Flow Days 22 to 26 October 2007 ("the affected Gas Flow Days"). We proposed that the Scheduling Charges for this period should be based on the average of all Scheduling Charges on weekdays in the period 1 to 21 October 2007 as we consider that this would generate costs that are more reflective of Users' commercial positions under normal operating conditions.

To support our proposed methodology, we provide in the appendix to this letter a graphical summary of the analysis we have undertaken, covering the four year period 1 April 2003 to 30 March 2007. The analysis examined the aggregate position of Scheduling Charges levied across all Users in the four year period, comparing the frequency of charges levied for weekdays (Monday to Friday) against those for weekends (Saturday and Sunday), adjusted to provide a like for like comparison for each period.

The graph appended to this letter shows the difference in scheduling performance between weekdays and weekends. This supports our proposal to use the average Scheduling Charges on weekdays only to calculate Scheduling Charges for the affected Gas Flow Days, which were all weekdays, as being more reflective of Users' likely scheduling performance on those days.

## **2. Extent to which implementation of the proposed modification would better facilitate the relevant objectives**

### **Standard Special Condition A11.1(d) so far as is consistent with sub-paragraphs (a) to (c), the securing of effective competition: (i) between relevant shippers**

We consider that by amending the basis for levying Scheduling Charges for the affected Gas Flow Days, relevant Users will be able to more accurately assess their financial position over the period in question, thereby providing a stable and equitable basis for competition.

Amending the basis for levying Scheduling Charges for the affected Gas Flow Days will also remove the risk of applying potentially erroneous charges and replace them with charges which are likely to be more reflective of Users' most recent scheduling performance thereby improving the accuracy and cost reflectivity of these charges, which in turn facilitates competition between Users.

### **Standard Special Condition A11.1(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**

We also consider that this relevant objective would be better facilitated by the reduction in industry time and effort in raising and resolving invoice queries we anticipate would result from the implementation of this Modification Proposal.

## **4. The implications for Transporters and each Transporter of implementing the Modification Proposal, including**

### **b) development and capital cost and operating cost implications:**

We noted in the Modification Proposal that a small increase in Transporters' operating costs might be anticipated to calculate the average daily Scheduling Charge. However, we considered that this would be offset by an anticipated reduction in time and effort responding to invoice queries. We hope that by raising this Modification Proposal and providing clarity to the industry over the process to be followed to calculate the Scheduling Charges for the affected Gas Flow Days, that Users will be in a position to understand their subsequent October 2007 Balancing Invoice.

## **10. Analysis of any advantages or disadvantages of implementation of the Modification Proposal**

### **Advantages**

We listed three main advantages in our Modification Proposal:

1. It removes the potential for erroneous charges. While Users had the opportunity to submit Nominations for the affected Gas Flow Days through the Code Contingency arrangements, we recognise that there is a possibility that Users were not able to do so in a timely manner. This Modification Proposal seeks to ensure that the Scheduling Charges to be levied for the affected Gas Flow Days are not unduly harsh.
2. It reduces industry time and effort raising and responding to invoice queries. As described in section 4b) above, we believe that this proposal, if implemented, should provide clarity to affected Users and therefore assist in reducing time spent by all parties on subsequent invoice queries.

3. It provides charges which are more reflective of recent User scheduling performance and which are not affected by the Code Contingency arrangements that were in place on the affected Gas Flow Days. We have provided a summary of analysis undertaken to support our proposed methodology for calculating Scheduling Charges for the affected Gas Flow Days.

**Disadvantages**

We noted in the Modification Proposal that if the proposal is implemented, the Scheduling Charges levied in the October 2007 Balancing Invoice will not reflect the actual Nominations submitted by Users on the affected Gas Flow Days. As a result neutrality credits and debits associated with the Scheduling Charges calculated from these actual Nominations will not be collected. We recognise that some Users may be of the view that the actual Nominations for the affected Gas Flow Days submitted by Users through the process established by the Code Contingency arrangements should stand. However, we wish to ensure that competition between relevant Users is facilitated by applying Scheduling Charges that are likely to be more reflective of Users' most recent scheduling performance, thereby improving the accuracy and cost reflectivity of these charges.

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

We propose that this Modification Proposal be implemented no later than 20 November 2007, to allow sufficient time for the Transporter Agency to be aware of the correct methodology to use when calculating the October 2007 Balancing Invoice from 22 November 2007.

Yours sincerely

**Alex Thomason**  
**Senior Commercial Analyst**

## Frequency of Total Average Entry & Exit Scheduling Percentages 1 April 2003 to 30 March 2007

