

MODIFICATION PROPOSAL 0228

SHORT TITLE: Convergence of Balancing Tolerances

DATE: 15 April 1998

URGENCY: Non Urgent

JUSTIFICATION:

Balancing tolerances for VLDMCs (>50mtpa) are currently 3% while those for DMs are 8%. These tolerances were due to converge at 3% on 1 December 1997 but convergence was delayed until 1 June 1998 by Modification 0178a.

This issue was discussed at length as part of Review Group 0047, Imbalance and Scheduling Tolerances, and was further discussed at the Energy Workstream on 9 April 1998. This modification proposes to implement the majority view of the Workstream; DM supply points above 2 million tpa converge to the VLDMC tolerance of 3% and DM supply points below 2 million tpa remain at 8%. The figures below demonstrate that cross subsidy will be eliminated in respect of 14.54% of system throughput and remaining cross subsidy will only apply to 3.59% based on 1997 figures.

Site Classification	1997 % Total Throughput
VLDMC	19.72
DMC	14.54
DMs below 2 mtpa	3.59
NDMs	62.15

Transco views all DM sites' convergence to 3% as desirable because tighter tolerances will incentivise accurate system balancing, reduce system balancing actions, reduce the likelihood of extreme flexibility prices and reduce neutrality costs. However, greater latitude is proposed for sites below 2 million tpa to acknowledge the greater difficulty faced by shippers to smaller DM sites in achieving the tighter tolerance. Similar distinctions apply to scheduling tolerances which reflect the lower impact small sites have on the system and the difficulty in forecasting, especially in respect of small interruptibles. Therefore, this proposal strikes a balance between encouraging and rewarding best practice, setting realistic, achievable targets and reducing cross subsidy.

Cancellation of the NDM to DM conversion programme has reduced the number of DM sites and this has reduced the benefits of diversity. This modification means that shippers will only be required to forecast for larger sites which can be achieved with greater accuracy and cost effectiveness than smaller DM sites.

Some end users have suggested a 3% tolerance to be too tight when imbalance charges are passed through by shippers based on the sites tolerances. However, this should not be the case as balancing is done at aggregate portfolio level.

Some shippers have felt that any convergence should be subject to improved Transco datalogger performance and Transco analysis indicates such an improvement in terms of timeliness and accuracy of reads.

This modification needs to be progressed rapidly for implementation on 1 June 1998 when all balancing tolerances are scheduled to converge.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Balancing tolerances for all DM sites will converge to 3% with effect from 1 June 1998, which shippers of gas to small DM sites may be unable to achieve.

AREA OF NETWORK CODE CONCERNED:

Principal Document Section F: System Clearing, Balancing Charges and Neutrality, page 6, paragraph 2.2.2.

Transition Document Part II Paragraph 8, page 24, section F2.2.2.

NATURE OF PROPOSAL:

Establish a threshold for DM supply points at 2 million tpa above which the balancing tolerance will converge as agreed hitherto to 3%, but below which a wider tolerance of 8% will continue to be allowable.

PURPOSE OF PROPOSAL:

Reduction of cross subsidy and discrimination between VLDMC and DM sites whilst retaining achievable balancing targets for all shippers. Promotion of best practice in within day and day ahead balancing and communications between end users, shippers and Transco. Less volumes bought and sold on the flexibility mechanism will reduce the potential for extreme prices, reducing neutrality costs, thereby enhancing the efficient operation of the system.

IDENTITY OF PROPOSER'S REPRESENTATIVE: Phil Hobbins

PROPOSER (please print): John Lockett

SIGNATURE:

POSITION: Commercial Manager, Network Code

COMPANY: Transco

Reference Number: 0228

Date Received: 15/4/98.