

TRANSCO NETWORK CODE MODIFICATION PROPOSAL 0232

SHORT TITLE: Removal of Input UGF at Sub-Terminals

DATE: 28 April 1998

TARGET DATE FOR IMPLEMENTATION: 1 July 1998

URGENCY: Non-urgent

JUSTIFICATION:

The Ofgas document on The Gas Balancing Regime Conclusions, August 1997, concluded that "there may not be a need for rules with respect to unauthorised gas flows" and "that scheduling and UGF charges should be reviewed". Industry consultation via the Energy Workstream has highlighted support for the removal of the input UGF mechanism providing the change can be accommodated with an appropriate cost benefit relationship.

This modification would lead to the irradiation of input UGF at sub-terminals. However, the majority of Workstream members were in favour of maintaining the concept of input UGF within Network Code, because of implications at other entry points where non-nominated gas would otherwise be treated as unclaimed. Insertion of zero nominations at these entry points was not considered desirable given the detrimental impact this could have on allocation arrangements.

Two modifications were implemented to address UGF issues in Phase 1 of Network Code:

i) Modification 0064 led to the recalculation of input UGF for April and May 1996, where operational circumstances resulted in gas flows at sub-terminals which some shippers were not expecting; and ii) Modification 0075 allowed a retrospective recalculation of output UGF to take place for Phase 1 of Network Code, mainly to address portfolio issues, but input UGF was also recalculated based on month end SAP. During Phase 2 of Network Code the operational issues leading to the occurrence of UGF charges have been better understood by shippers and the occurrence of both input and output UGF has declined significantly.

Transco are of the opinion that incentives to nominate and to nominate accurately should be maintained at input to ensure efficient operation of the System. However, as input UGF can easily be avoided by inserting a zero nomination, Transco does not believe this provides a strong incentive and it is burdensome for shippers.

The proposal is being put forward on a prospective basis only because shippers can, and do, take mitigating action to avoid input UGF and because the rules on UGF have been known since the start of the Network Code. Retrospective application would also set a precedent which has been

avoided in Phase 2 of Network Code in relation to energy balancing modifications. Unpicking input UGF charges would require considerable resources and would have a knock on effect on the processing of other adjustments.

The proposal does not cover output UGF, mainly because a manual solution is not practical, the required systems changes would be significant and could not be justified in light of other priorities. Output UGF has dropped off considerably as portfolio information has improved (in March 1998 output UGF charges were £1583 and affected 3 shippers). Occurrences of output UGF are brought to the attention of shippers which has helped to highlight portfolio discrepancies. In addition, UGF charges provide an incentive to nominate DM sites which should be retained, given the impact of initial DM nominations on NDM portfolios and accurate information flows should be encouraged to ensure the efficient operation of the system. Also, zero nominations are currently a deliberate entry onto AT-Link and consequently help Transco to track shipper interruption. This would not be possible if zeroes were entered onto Link by default.

The proposal includes an extension of the time limit restricting initial DM Output Nominations, Input Nominations and Trade Nominations to 35 days (from 30) to facilitate the block input of nominations by shippers on a monthly cycle.

CONSEQUENCE OF NOT MAKING THIS CHANGE:

Shippers would continue to have to nominate at each sub terminal where there was a possibility they could receive an allocation, in order to mitigate the risk of incurring input UGF charges.

AREA OF NETWORK CODE CONCERNED:

Principal Document Section C.

NATURE OF PROPOSAL:

Transco is proposing to manually set up activities for all shippers at all sub-terminals and to insert zero nominations on their behalf at these entry points. This will result in all sub-terminals appearing on shippers' nomination screens. Shippers will still be able to amend nominations but cannot withdraw activities or nominations once a zero nomination has been inserted.

If Transco fails to insert a zero nomination at a sub-terminal where a shipper subsequently makes a claim, then Transco will make an appropriate off-line adjustment to the shipper's balancing charges (imbalance cashout and scheduling) and overrun charges. However, to avoid additional, ongoing off-line calculations, neutrality apportionment will be based on the original throughput figures in AT-Link. The likelihood of such a coincidence is expected to be low and in any event the effects should be small (except where a shipper fails to nominate a significant flow at a particular sub-terminal).

If Transco inadvertently overwrites a shipper's nomination, then Transco will make an

appropriate adjustment to the shipper's scheduling charges (the system holds the historical information for Transco to confirm the shipper's claim).

Transco will not accept any liability for any mis-allocations resulting from a zero nomination being present at a particular sub-terminal, nor will Transco re-calculate any balancing charges associated with any such misallocation.

To facilitate the implementation of the manual procedures and to minimise the risk of errors, Transco will require a minimum of 35 days following Ofgas determination before the first of the zero nominations take effect.


The time limit restricting initial DM Output Nominations, Input Nominations and Trade Nominations will be increased to 35 days (from 30). This change could be made more readily following Ofgas determination.

PURPOSE OF PROPOSAL:

To avoid the need for shippers to nominate zero for each sub terminal at which they might receive an allocation, in order to mitigate input UGF charges. To facilitate shippers' procedures for entering initial input, output and trade nominations.

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MODIFICATION PANEL SECRETARY'S USE ONLY

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