

Modification Report
Modification Reference Number 0248

Amendment to Supply Point Nomination methodology

This Modification Report is made pursuant to Rule 8.12 of the Modification Rules and follows the format required under Rule 8.12.4.

1. The Modification Proposal:

Network Code Review Group 0155 'Review of SPA Timescales' and latterly the SPA/Metering workstream determined that it is possible to reduce the maximum period required for a Supply Point transfer, particularly where this is required in the industrial & commercial market. Where a nomination/confirmation transaction is necessary, the group identified that a significant proportion of this is due to the requirement for nomination referral to Transco district. This is in circumstances where a change to the Supply Point configuration is required.

It was subsequently identified that the timescale could be significantly reduced if the referral process is separated from the transfer process. The Review Group identified that the referral activity could be undertaken as a separate nomination/confirmation transaction to be initiated in parallel with the primary transaction. On this basis a rapid transfer of ownership may be achieved.

It is proposed that the following Supply Point nomination methodology is established within the Network Code as a recommended option. This applies to nominations made in respect of larger Supply Points where a change to the configuration of the Supply Point is required, ie, aggregation, capacity increase or change to the Supply Point component:

The supply point is nominated based on current configuration, (aggregation and/or capacity - it will be necessary to undertake a supply point enquiry to establish the current capacities (SOQ/SHQ)).

A second supply point nomination is simultaneously made with the required configuration (capacities/aggregation/supply point component).

The offer arising from the second nomination is confirmed on or following the supply point registration date (see Appendix 1).

This methodology is not appropriate where a disaggregation of meter points within a Supply Point is required.

Note: In support of the above process, it is proposed as a longer term measure to change Transco's UK-Link Supply Point Administration (SPA) systems functionality as follows:

Where the current SOQ/SHQ ratio is in the proportion x16 - x24, a nomination will be referred. It is proposed that this is changed such that where the site was nominated based on current capacities, referral will not take place.

In order to minimise the period required to establish the required configuration, it is proposed to reduce the current 15 day confirmation timescale to 8 days for any reconfirmation not involving a change from any existing registered user.

It should be noted that the benefits of implementing the modification will apply prior to the UK-Link changes becoming available. In the former case, subject to Shipper notification to the appropriate Transco district of the referral occurring. Transco will seek to process this on receipt thereby not incurring any delay. In the latter case the current 15 day confirmation timescale will apply.

It has been identified that there is some exposure to risk in the above process. By nominating and confirming the current capacity, there is a possibility that the Shipper may incur a capacity ratchet charge following transfer.

Capacity ratcheting charges in the winter period may be incurred where the actual SOQ breaches the booked SOQ in the period between confirmation and reconfirmation of the Supply Point. Therefore, provided that the nomination and confirmation had been made in line with the proposed methodology, it is proposed to apply relief from ratchet charges for a period of 18 business days. This takes into account the fifteen day confirmation period and an additional 3 days as a contingency measure. It should be noted that reimbursement of ratchet penalties will apply to breaches only up to the offered capacity in respect of the second nomination, ie; the Shipper is protected only up to the capacity associated with his subsequent renomination/reconfirmation. The new SOQ will, however, be applied to the Supply Point in line with current Network Code rules.

2. **Transco's opinion:**

Transco believe that the above process provides an easily delivered solution which meets industry demands for a reduction in the maximum timescale to transfer Supply Point ownership.

3. **Extent to which the proposed modification would better facilitate the relevant objectives:**

The proposed modification to the Network Code facilitates competition in the gas market by providing a mechanism which enables Supply Points to transfer between Shippers in shorter timescales than is currently the case.

4. **The implications for Transco of implementing the Modification Proposal, including:**

a) **implications for the operation of the System and any BG Storage Facility:**

None identified.

b) development and capital cost and operating cost implications:

Transco will incur limited costs associated with undertaking the supporting systems enhancements to UK-Link.

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

The costs to Transco will be treated as ordinary business costs, being dealt with via the formula.

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

None identified.

5. The consequence of implementing the Modification Proposal on the level of contractual risk to Transco under the Network Code as modified by the Modification Proposal:

This modification proposal is supported by two small systems changes. As with all systems implementation initiatives, some risk will apply with regard to deliverability of the supporting changes although these are mitigated by the application of an extensive development and testing programme by Transco. It should be noted, however, that the proposed modification to the Network Code is applicable prior to delivery of any supporting systems changes.

6. The development implications and other implications for computer systems of Transco and related computer systems of Relevant Shippers:

The modification proposal is supported by two changes to the functionality of Transco's UK-Link Supply Point Administration system. Upon delivery of these, it may be necessary for Shippers to modify their internal systems.

7. The implications of implementing the Modification Proposal for Relevant Shippers:

Relevant Shippers will need to implement internal procedures and processes to support the new facility.

8. The implications of implementing the Modification Proposal for terminal operators, suppliers, producers and, any Non-Network Code Party:

Provided that the recommended procedure is followed, the proposed modification will enable a transfer of Supply Point ownership to proceed within a maximum period of 21 business days. Suppliers and end customers may wish to take this into account when negotiating a new contract.

9. **Consequences on the legislative and regulatory obligations and contractual relationships of Transco and each Relevant Shipper and Non-Network Code Party of implementing the Modification Proposal:**

None identified.

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

Advantages.

A more rapid transfer of supply point ownership may be achieved than at present. The current maximum timescale of 31 business days may be reduced to 21 business days.

Disadvantages.

Care is required to ensure that the proposed methodology is followed correctly. There is a small risk that confusion could occur as multiples of nominations are required in respect of the same meter points.

11. **Summary of the Representations (to the extent that the import of those representations are not reflected elsewhere in the Modification Report):**

8 representations were received in respect of this Modification Proposal, all of which were supportive.

Comments were received with regard to the supporting systems functionality changes having no impact on Shippers systems. Transco would respond that in the case of UK-L 3730, this is likely to impact on Transco's system only, being a change to the criteria for nomination referral. It is, however, conceivable that Shippers systems could be designed to expect such a referral where one will not be forthcoming. In the case of UK-L 3729, although there are no changes proposed to the file formats, it is likely that a reduced confirmation timescale where the confirming Shipper is the current registered user will have some impact on Shippers systems. This is, however, thought to be minimal on the basis that all Shippers systems should be capable of processing a confirmation in respect of a voluntarily withdrawn site in 7 business days.

One respondent expressed concerns that the process is not mandatory and on this basis does not guarantee a 21 business day transfer of ownership. Transco would respond that no prospective Supply Point transfer can be guaranteed for several reasons which include a Supply Point objection raised by a Supplier under their licence rights. Transco would, however, note that while the process is not mandatory, Shippers will be expected to utilise the procedure in the majority of cases, while being able in exceptional circumstances to utilise the current methodology.

To address this concern, the utilisation of the process will be reviewed following implementation.

One Shipper notes that benefits will only be accrued once relevant systems changes are in place. Transco would respond that provided all parties adhere to the procedure as described in section 1, a shortened transfer timescale will be realised in all cases, prior to delivery of the systems enhancements.

The respondent also comments that there must be greater certainty of referral or otherwise. Transco would comment that Shippers should in the majority of cases be aware that a prospective nomination is likely to be referred, for example, in the case of a capacity revision or an aggregation request. It should be noted that part of the procedure is that a nomination enquiry is made in order to determine the current data held within Transco's Sites & Meters database. In anticipating the referral, the Shipper should apply the parallel process thereby enabling the Gas Customer to benefit from a rapid Supply Point transfer of ownership.

Two respondents refer to concerns over data quality, specifically that this affects Shippers ability to accurately identify when to apply the revised procedure, ie, that there is a risk that an unexpected referral may occur. Transco would stress that the purpose of the nomination enquiry is to establish the current Supply Point configuration and is an essential feature of the procedure. This enables the nominating Shipper to be confident that a nomination referral will not occur when making the first nomination.

One respondent makes reference to relief from ratcheting charges applying to breaches up to the offered capacity and suggests that this relief should apply to breaches up to the requested capacity. Transco would respond that provided the procedures are adhered to, the second (parallel) nomination offer with the offered capacity will be known to the Shipper prior to the Supply Point registration date (the commencement of the relief period). It is therefore appropriate that if a Shipper breaches the second offered capacity, ratchet penalties should apply.

The SPA/Metering workstream have identified that if this Modification is implemented, the level of utilisation of the revised procedure should be reviewed in October 1998. This will enable Shippers to provide any examples of poor data quality which they believe have affected the integrity of the procedure.

12. **The extent to which the implementation is required to enable Transco to facilitate compliance with safety or other legislation:**

Not applicable.

13. **The extent to which the implementation is required having regard to any proposed change in the methodology established under Standard Condition 3(5) of the statement; furnished by Transco under Standard Condition 3(1) of the Licence:**

Not applicable.

14. **Programme of works required as a consequence of implementing the Modification Proposal:**

The introduction of two changes to Transco's UK-Link system (UK-Link Change Requests 3729 and 3730).

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

This modification proposal should be implemented with effect from 21 September 1998. The supporting systems enhancements are not currently scheduled for implementation.

16. **Recommendation concerning the implementation of the Modification Proposal:**

That this modification proposal is implemented in accordance with the timescale in (15) and that requisite enhancements are made to Transco's UK-Link system.

17. **Restrictive Trade Practices Act:**

If implemented this proposal will constitute an amendment to the Network Code. Accordingly the proposal is subject to the Suspense Clause set out in the attached Annex.

18. **Transco's Proposal:**

This Modification Report contains Transco's proposal to modify the Network Code and Transco now seeks direction from the Director General in accordance with this report.

19. **Text provided pursuant to Rule 8.14:**

Principal Document Section G

Paragraph 2.3.1

Add the following text:

"Where a Proposing User wishes to make a Supply Point Nomination in respect of a Larger Supply Point for the purpose of:

- (i) increasing Supply Point Capacity for such Supply Point; and/or
- (ii) changing the Supply Point Component of any Supply Meter Point; and/or
- (iii) specifying a New Supply Point

then the Proposing User may use the following process:

- (a) (Provided that the Proposed Supply Point will be a Current Supply Point) the User may submit, as appropriate, one or more Supply Point Nominations in accordance with paragraph 2.3 to nominate:

- (i) the prevailing Supply Point Capacity of the Supply Point;
- (ii) the existing Supply Point Component of each Supply Meter Point;
- (iii) the Current Supply Point;

(any such Supply Point Nomination shall be referred to as a "Supply Point First Nomination"); and

(b) at any time up to the date of the Supply Point Offer in respect of the Supply Point First Nomination the User may also submit, as appropriate, in accordance with paragraph 2.3, one or more Supply Point Nominations to:

(i) increase the Supply Point Capacity for such Supply Point;

(ii) change the Supply Point Component of any Supply Meter Point;

(iii) specify a New Supply Point;

(and any such Supply Point nomination shall be referred to as "Supply Point Second Nomination").

Paragraph 2.3.4(i)

Amend to read:

"(i) except as described in paragraph (ii) within 3 Business Days."

Paragraph 2.3.4

Add the following text:

"Any Supply Point First Nomination shall be regarded as falling under paragraph 2.3.4(i) and any Supply Point Second Nomination shall be regarded as falling under paragraph 2.3.4(ii)."

Section B

Paragraph 4.7.1

Amend to read:

"4.7.1 Subject to paragraphs 4.7.8, 4.7.9 and 4.7.10 if for any reason"

New Paragraphs 4.7.9 and 4.7.10

To read:

"4.7.9 Without Prejudice to Section G paragraphs 2.7.3 to 2.7.6 inclusive, where in accordance with Section G paragraph 2.3.1 the Proposing User has submitted a Supply Point Confirmation of the Supply Point Offer made in respect of the Supply Point First Nomination ("Supply Point First Confirmation") and this has become effective and has been registered in the name of the Proposing User ("Supply Point First Registration") and subsequent to the date of such Supply Point First Registration such User incurs and pays a Supply Point Ratchet Charge in respect of such Supply Point then, where such Proposing User has also submitted a Supply Point Confirmation of the Supply Point Offer made in respect of the Supply Point Second Nomination ("Supply Point Second Confirmation") and this has become effective and has been registered in the name of the Proposing User ("Supply Point Second Registration") then, subject to paragraph 4.7.10, Transco will reimburse the User the amount of such Supply Point Ratchet Charge which has been paid by the User for the period of 18 Days commencing from the Supply Point First Registration Date.

4.7.10 The amount of such reimbursement in accordance with paragraph 4.7.9 shall not exceed the amount of the Supply Point Ratchet Charge which applies in respect of the Confirmed Supply Point Capacity for the Supply Point Second Registration. For the purpose only of calculating the amount of such reimbursement, such Confirmed Supply Point Capacity shall not be treated as increased in accordance with Section G paragraph 2.7.4 (a) as a result of the occurrence of a Supply Point Ratchet."

Signed for and on behalf of Transco.

Signature:

John Lockett
Manager, Network Code

Date:

8.9.98

Director General of Gas Supply Response:

In accordance with Condition 7 (10) (b) of the Standard Conditions of Public Gas Transporters' Licences dated 21st February 1996 I hereby direct Transco that the above proposal (as contained in Modification Report Reference 0248, version 1.0 dated 2/9/98) be made as a modification to the Network Code.

Signed for and on behalf of the Director General of Gas Supply.

Signature:

S. Aldridge

Sean Aldridge
HEAD OF NETWORK OPERATIONS

Date: 21 OCTOBER 1998.

The Network Code is hereby modified, with effect from 1st November 1998, in accordance with the proposal as set out in this Modification Report, Version 1.0.

Signature:

Process Manager - Network Code
BG Transco

Date:

ANNEX

Restrictive Trade Practices Act - Suspense Clause

For the purposes of the Restrictive Trade Practices Act 1976, this document forms part of the Agreement relating to the Network Code which has been exempted from the Act pursuant to the provisions of the Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996. Additional information inserted into the document since the previous version constitutes a variation of the Agreement and as such, this document must contain the following suspense clause.

1. Suspense Clause:

- 1.1 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect:
- (i) if a copy of the Agreement is not provided to the Director General of Gas Supply (the "Director") within 28 days of the date on which the Agreement is made; or
 - (ii) if, within 28 days of the provision of the copy, the Director gives notice in writing, to the party providing it, that he does not approve the Agreement because it does not satisfy the criterion specified in paragraph 2(3) of the Schedule to The Restrictive Trade Practices (Gas Conveyance and Storage) Order 1996.

provided that if the Director does not so approve the Agreement then Clause 1.2 shall apply.

- 1.2 Any provision contained in this Agreement or in any arrangement of which this Agreement forms part by virtue of which this Agreement or such arrangement is subject to registration under the Restrictive Trade Practices Act 1976 shall not come into effect until the day following the date on which particulars of this Agreement and of any such arrangement have been furnished to the Office of Fair Trading under Section 24 of the Act (or on such later date as may be provided for in relation to any such provision) and the parties hereto agree to furnish such particulars within three months of the date of this Agreement.

Appendix 1 Parallel nomination and reconfirmation

