

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0555
"Interruptible Transportation Charges"
Version 1.0

Date: 18/06/2002

Proposed Implementation Date: 01/10/2002

Urgency: Non-Urgent

Justification

Ofgem has published some modifications it proposes should be made to Transco's Gas Transporter (GT) Licence. This includes conditions relating to rebates being payable when individual supply points are interrupted for more than 15 days in a formula year (1 April to 31 March).

Transco has raised this Modification Proposal, and Pricing Consultation PC74, in order to be prepared should the Licence modification be implemented. It relates to the transitional, April 2002 to March 2004, exit arrangements outlined by Ofgem in the published modifications to Transco's GT Licence, and the accompanying explanatory notes.

Nature of Proposal

It is proposed that the Network Code is amended to enable the charging arrangements proposed in Pricing Consultation PC74 to be implemented. That is that the level of transportation charges be reduced in respect of supply points that Transco nominates for interruption on more than 15 days in a particular year (measured from April to March). For each additional day of nominated interruption over 15 days, a transportation charge credit would be available, equivalent to 1/15 of the annual NTS exit capacity and LDZ capacity charges avoided as a result of the interrupted supply point having interruptible rather than firm transportation rights. Transco's existing right to interrupt a supply point for up to 45 days a year, or more for Transco Nominated Interruptible (TNI) supply points, would not be changed.

Details of proposed rules are provided below.

1. Introduction

- 1.1. Contracted interruptible exit capacity remains unchanged at 45-day standard. Sites nominated by Transco as TNI can be interrupted for a greater period.
- 1.2. All interruptible supply points continue to avoid firm exit capacity charges.
- 1.3. For each occurrence of nominated interruption beyond 15 days an additional credit will be offered. Transco conducts determination of cumulative occurrences of nominated interruption on a site-specific basis.
- 1.4. These business rules become effective on 1st October 2002 and refer to additional interruption credits for above 15-day interruption.

2. Calculation of Payment

- 2.1. The credit will be calculated in accordance with Transco's Pricing Methodology as established in PC74.
- 2.2. The charge quantity will be determined from the supply point registered interruptible exit capacity (SOQ) at the point of interruption multiplied by those qualifying occurrences of interruption in excess of 15 days as specified in sections 3 and 4 but subject to:
 - 2.2.1. The charge quantity of any Partial interruptible site, including shared supply points, being limited to that quantity (kWh rate) of exit capacity tranche(s) that was actually requested by Transco for interruption.
 - 2.2.2. Subject to 2.2.1, such shared supply point tranche(s) charge quantity will, where more than one interruptible shared user holds interruptible exit capacity at the shared supply point, be split by each shared user in ratio to such shared user's interruptible capacity holding as a percentage of the total aggregate shared supply point interruptible capacity.
 - 2.2.3. The charge quantity of any IFA site being limited to that supply point registered interruptible exit capacity net of any firm exit capacity entitlement specified within each site IFA agreement.
 - 2.2.4. The charge quantity of any interruptible NTS CSEP being limited to that quantity (kWh rate) of exit capacity that was actually requested on the day by Transco for interruption.
 - 2.2.5. Subject to 2.2.4, such NTS CSEP charge quantity will, where more than one interruptible user is registered at the NTS CSEP, be split by each user in ratio to such user's interruptible initial (D-1) gas flow nomination as a percentage of the total aggregate interruptible initial (D-1) gas flow nomination for the NTS CSEP.
- 2.3. For the avoidance of doubt, a shared user's interruptible supply point capacity (SOQ), or such tranche under 2.2.1, will be used for charge quantity purposes, and not the shared supply point aggregate interruptible capacity (SSP SOQ).
- 2.4. User proposed ratios as alternatives to mechanisms described under 2.2.2 and 2.2.5 will not be allowed.
- 2.5. Supply point data at the point of interruption will be used for charge calculation purposes.
- 2.6. Payment constructed from charge quantities determined in accordance with this section 2 will not be the subject of later reconciliation should any component capacity subsequently change prospectively within the formula year.
- 2.7. The registered shipper at the point of interruption will be the qualifying shipper for receipt of any payment.

3. Count of Interruptible Days

- 3.1. A count of interruption occurrence will be maintained for each site within each formula year, with each day of interruption representing an increment of 1.
- 3.2. The count will include such occurrence of qualifying interruption as defined within section 4.
- 3.3. The count will start from zero on 1st April of each formula year beginning at April 2002
- 3.4. The count will end on 31st March of each formula year.
- 3.5. This count will be used solely for determining the level of credit due, if any, for each site where the frequency of nominated interruption exceeds 15 days within any formula year, monitoring of transportation contract interruption will be maintained separately for each gas year.

4. Qualifying Interruption

- 4.1. The count of qualifying interruptible days under section 3 will increment, but subject to 4.3, where curtailment of gas supply was due to:
- 4.1.1. Interruption arising from an NTS or LDZ constraint within Transco's transportation system.
- 4.1.2. Interruption arising for Test purposes as described within Network Code G 6.7.3 (ii)
- 4.2. The count of qualifying interruptible days under section 3 will not increment where curtailment of gas supply was due to:
- 4.2.1. Emergency interruption [emergency cessation of gas].
- 4.2.2. Any form of commercial interruption instigated by a shipper.
- 4.3. Transco's determination of a site for interruption will increment that sites count of interruptible days under section 3.
- 4.4. Where Transco has called interruption, a User can request that an alternative site(s) should be interrupted as described in G6.8.2 In such circumstances Transco will, for the purposes of section 3, maintain a count based on the site Transco originally nominated for interruption.
- 4.5. Failure to interrupt of the Transco proposed site, or shipper proposed alternative site(s), will result in a reduction by 1 (to a minimum of zero) of the site count of interruptible days determined under 4.3.

5. Unit Rate

- 5.1. The unit rate will be expressed in pence per kWh of peak day capacity and will be the rate as determined by Pricing Methodology PC74.
- 5.2. NTS and LDZ unit rates will be functions of those NTS and LDZ firm exit capacity rates valid at the point of interruption, and will be site-specific rates based on firm exit capacity avoided and applied to occurrences of qualifying interruption in excess of 15 days.
- 5.3. Payment constructed from unit rates determined in accordance with this section 5 will not be the subject of later reconciliation should firm NTS or LDZ exit capacity rates, or any peak capacity component contained within such rate calculation, subsequently change prospectively within the formula year.

6. Invoice

- 6.1. Payment of all credits accrued in a calendar month will be made within the following month.
- 6.2. Subject to 4.5, Transco will not issue a payment where it has reasonable grounds to believe that such payment is dependent upon the outcome of failure to interrupt investigation. Payment will be released as soon as practically possible should such failure to interrupt be disproved.

7. Information Provision

- 7.1. Transco will publish at a supply point level the count of interruptible days as specified within section 3 where that supply point count exceeds [12] days. The information in 7.1 will be published on the Transco web site updated on a weekly basis.

8. Transition Rules for formula year 1st April 2002 to 31st March 2003.

- 8.1. Implementation on 1st October 2002 will not prevent the count of qualifying interruptible days commencing on 1st April 2002.

9. Removal of TNI & NSL Commodity Discount

- 9.1. Payment in respect of interruption exceeding 15 days at a supply point level replaces the existing TNI commodity discount and any potential NSL commodity discount.
- 9.2. Remove Network Code and Transportation Statement reference to TNI commodity discount. (G 6.5.3 & G 6.5.4)
- 9.3. Remove Network Code and Transportation statement reference to NSL commodity discount. (G 6.7.14)

In addition to discussing the intent of the proposal Transco welcomes views on the desirability of enabling shippers to nominate alternate sites for interruption and the desirability of publishing pertinent interruptible data. With respect to the latter issue Transco has proposed that consideration should be given to publication of site-specific data, initial discussion with Users has indicated a sensitivity regarding commercial confidentiality and an alternative suggestion is that anonymous data should be published on an aggregated basis.

Purpose of Proposal

The proposal is intended to enable Network Code arrangements to be put in place that Transco believes are consistent with the transitional, April 2002 to March 2004, arrangements outlined by Ofgem in the recently published proposed modifications to Transco's Gas Transporter (GT) Licence, and the accompanying explanatory notes. If these proposals are not implemented, or are amended in light of consultation, Transco would expect to reconsider this Proposal in light of the changed circumstances.

Consequence of not making this change

Credits that may be enabled by Pricing Consultation PC74 could not be made to Users because the appropriate Network Code arrangements would not be in place.

Area of Network Code Concerned

Section B

Proposer's Representative

Russell D Cooper (Transco)

Proposer

Tim M Davis (Transco)

Signature

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