

TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0562

"Provision of information relating to the SO commodity charge"

Version 1.0

Date: 04/07/2002

Proposed Implementation Date:

Urgency: Non-Urgent to Workstream

Justification

Unnecessary uncertainty about the level of the commodity charge will lead to higher prices for final customers as shippers and suppliers seek larger risk premia when offering fixed prices to end customers.

Uncertainty over the level of the commodity charge would be significantly reduced if Transco published more information to allow shippers to forecast the level of the commodity charge more accurately. This will lead to lower delivered prices to end customers.

Nature of Proposal

With the introduction of Transco's new SO incentives, there is greater uncertainty over the level of the SO commodity charge. Transco has already announced one significant change in the SO commodity charge this year at short notice.

The current SO commodity charge is set on the basis of a Transco forecast of annual throughput and the assumption that Transco will achieve (but not exceed) all of its target costs under the various SO incentive schemes.

Transco should be obliged to publish on a weekly basis information relating to actual system throughput and performance relative to all of the incentive scheme targets to date. Transco should publish information for that week for each incentive scheme separately and cumulative totals for the year to date for each incentive scheme.

Purpose of Proposal

Implementing this modification will better facilitate competition between shippers and suppliers. Shippers and suppliers will be able to forecast commodity charges over the year more accurately and will therefore be able to offer more competitive terms to final customers.

Consequence of not making this change

If this modification is not made, shippers and suppliers will charge larger risk premia when offering supply contracts to end customers. This will result in higher prices to customers.

Area of Network Code Concerned

Section V

Proposer's Representative

Stephen Charles Smith

Proposer

Aep Energy Services Ltd

Signature

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