TRANSCO NETWORK CODE MODIFICATION PROPOSAL No. 0698

"Requirement for Publication of Transco's Billed Charges against target"
Version 1.0

Date: 14/05/2004

Proposed Implementation Date: 01/10/2004

Urgency: Non-Urgent

Justification

BGT believe that the provision of real information regarding the sums invoiced by Transco each month in comparison with the amounts anticipated, when transportation charges have been previously set, will provide Shippers, Suppliers and End Consumers with useful information regarding the trends of Transco's income. Hence there would be visibility of the potential for changes to those charges with consequential implications for customer charging.

Following the rejection of Modification Proposal 670, we believe that there is general support for the principle of publication of this information but that further clarity was needed with regard to the structure of the previous proposal. Whilst being similar in nature to Modification Proposal 670, this modification specifically addresses those uncertainties as detailed in Ofgem's letter rejecting Proposal 670, dated 27 April 2004.

Shippers are currently unable to monitor Transco's revenue recovery against that allowed under their Price Controls. In recent years there have been wide fluctuations in transportation charges arising from under or over recoveries of these revenues. With greater transparency of these processes Shippers and their related Suppliers will have better information with which to assess the impact of such changes upon their business and the pricing of services to their consumers.

Monthly publication of this information would provide greater transparency to the process and give Shippers and Suppliers an early indication of under or over recoveries which could lead to changes to transportation charges or to a "k factor" being applied between years of a Price Control.

This information has become significantly more important since April 2004, when separate price controls were established for each LDZ. Shippers, Suppliers and End Consumers could be subjected to greater variations unless charges are appropriately set to meet allowed revenues. In addition this revised proposal addresses the potential for revision of the structure of the report in order to reflect new charges being introduced, for example a TO Commodity Charge, or variations to the structure of the price controls themselves, for example following the sale of one or more Disribution Networks. With specific reference to a TO Commodity Charge, is this is introduced, reporting of this nature would demonstrate the effectiveness of that charge in correcting an under recovery.

Nature of Proposal

That Transco be required to produce a monthly report detailing the actual billed charges against the anticipated annual amount of revenue allowed within their Price Control.

The billed charges would in this case mean the aggregated sum of each charge type as invoiced across all Users, without regard for any disputed items. This simple arithmetic summation would be available upon completion of the standard monthly invoicing cycle. The figures for the current month would be populated in each report immediately after completion of the standard invoicing cycle. The report would show the aggregate billed figure of each charge for each month.

The anticipated annual amount would be shown broken into monthly figures, each of which would be profiled in order to show Transco's best estimate of anticipated revenue for that charge type taking into account the factors which would determine the proportion of annual revenue for that month. Transco would also be required to publish the assumptions which underpin the preparation of these estimates. Thefigures for the entire year would be populated in each report, showing each monthly figure. It is anticipated that this information is currently available internally to Transco and prepared for their existing processes of monitoring revenue. Therefore we do not believe that this Proposal involves any significant administrative or financial burden other than the mechanism adopted for publication, either by means of a spreadsheet distributed to Users or more widely via Transco's Information Exchange web-site.

NWC legal drafting would be need to reflect that the proposal would automatically include any new charges introduced and to update the format of the report as necessary.

The proposed format of the report is as detailed in the attached but would include all charge types and be shown for each Price Control. This would require the addition of new reporting lines in the event that new charge types are introduced and further sub-division of the reports to reflect any aggregation or dis-aggregation of price controls.

In the event of the sale of one or more Distribution Networks from Transco's ownership, it is anticipated that any obligation to report on revenue flows from that network/price control would pass from Transco to the new owner by incorporation within a Unified Network Code.

It is proposed that the report would be related to each "Formula Year" (April - March). As regards this current year, we would propose that reporting would commence as soon as possible but certainly in advance of the periods of high and variable consumption over the winter months. We would expect that the prior months of this Formula Year would be included within the first report published.

It is proposed that the timing of the report would be immediately following issue of invoices to Users and scheduled for the end of the third week of each month.

Purpose of Proposal

To provide greater visibility to Transco's revenue collection against that allowed under their Price Control. This will decrease the risk associated with the setting of charges to customers and support effective competition between suppliers. Whilst it is recognised that the information contained within such reports will have to be applied with some caution, Users will be in a position to make more informed assessment of the possiblility and scale of variances to the components of the cost of services provided to their customers.

Proposed Format of Monthly report

	April		May		June		etc for each month	March		Annual Total	
	Anticipated Revenue	Actual Billed Sums	Anticipated Revenue	Actual Billed Sums	Anticipated Revenue	Actual Billed Sums		Anticipated Revenue	Actual Billed Sums	Anticipated Revenue	Actual Billed Sums
NTS TO											
NTS Entry Charge	8.33	8.00	8.33	8.00	8.33	8.00				100%	nnn
NTS Exit Charge	8.33	9.00	8.33	9.00	8.33	9.00				100%	nnn
NTS TO Commodity Charge	10.00	10.50	7.69	10.50	5.88	10.50				100%	nnn
NTS SO											
NTS SO Commodity Charge	10.00	10.00	7.69	10.00	5.88	10.00				100%	nnn
for Distribution Network 1 to n											
Distribution Network 1											
DN Capacity Charge	8.33	9.00	8.33	9.00	8.33	9.00				100%	nnn
DN Commodity Charge	10.00	10.00	7.69	10.00	5.88	10.00				100%	nnn
Customer Capacity Charge	8.33	7.50	8.33	7.50	5.88	7.50				100%	nnn
Customer Commodity Charge	10.00	11.00	7.69	11.00	5.88	11.00				100%	nnn
Distribution Network n											
DN Capacity Charge	8.33	8.00	8.33	8.00	5.88	8.00				100%	nnn
DN Commodity Charge	10.00	12.00	7.69	12.00	5.88	12.00				100%	nnn
Customer Capacity Charge	8.33	7.00	8.33	7.00	5.88	7.00				100%	nnn
Customer Commodity Charge	10.00	10.00	7.69	10.00	5.88	10.00				100%	nnn

Figures included for indicative purposes only and are not representative of any real values!

Consequence of not making this change

Shippers and Suppliers will continue to be faced with unexpected and unforeseen variations to Transportation Charges

Area of Network Code Concerned

Section S

Proposer's Representative

Mike Young (British Gas Trading)

Proposer

Mike Young (British Gas Trading)

Signature

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