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CODE MODIFICATION PROPOSAL No.

" Reconciliation following AQ Amendment, SSP becoming LSP with change of <20% or 15,000kWh "
Version 0.0

Date: 19 June 2006

Proposed Implementation Date: As soon as possible and intended to apply to the AQ review process carried out for 2006

Urgency -Proposer's preferred route through modification procedures and justification for Urgency (if applicable)

Urgent procedures are not sought for this Proposal.

This Modification Proposal has been initially discussed at the Distribution Workstream in June. As such, the Proposer considers that no further development is required and the Modification Proposal is now in a suitable form to be issued to Users for consultation.

Nature and Purpose of Proposal

Modification Proposal 640 was implemented in June 2004 and introduced arrangements to reconcile the energy, and transportation charges, where the revision of the Annual Quantity (AQ) had caused the Supply Point to be re-classified as a Large Meter Point (LSP). The Modification Proposal (640) contained a number of exclusions in order to simplify the amendment. These exclusions were considered, at the time, to be of little significance and of low materiality. However, it is now apparent from figures made available by [xoserve at a Billing Operations Forum] that this is not the case. Summary of the impact of these exclusions is contained within an Appendix (attached).

These exclusions are contained within Paragraph 7.4.3 of Section E

"7.4.3 Where, as a result of the revision of the Annual Quantity of a Smaller Supply Point pursuant to Section G1.6, the Supply Point becomes a Larger Supply Point and:-

- (a) the Annual Quantity is increased by more than:-*
 - (i) 20% of the Annual Quantity at the start of the preceding Gas Year; and at least by*
 - (ii) 15,000 kWh; and*
- (b) there has not been a change in Registered User for the Supply Point since the last revision of the Annual Quantity of the Supply Point pursuant to Section G1.6; and*
- (c) the Annual Quantity of the Supply Point was not increased such that the Smaller Supply Point became a Larger Supply Point prior to the Provisional Annual Quantity being calculated by Transco*

N.B. This wording has been amended by adoption of the Uniform Network Code but the principle aim of the paragraph has not altered.

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This Modification Proposal seeks to remove the exclusion contained at 7.4.3 (a) and would therefore allow the reconciliation of all Large Supply Points (LSPs) which were previously Smaller Supply Points (SSPs) prior to the AQ revision, regardless of the scale of change of the AQ.

Consequence of not making this change

Significant amounts of energy will continue to be allocated to the incorrect sector, i.e. that this will be allocated in aggregate across SSPs rather than correctly applied to the LSP sector.

Basis upon which the Proposer considers that it will better facilitate the achievement of the Relevant Objectives

We believe that this modification proposal would further the relevant objectives as defined in SSC A11 of the Gas Transporters Licence as follows:-

By ensuring the correct allocation of energy and transportation charges following revision of Annual Quantities –

- (d) so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition:
 - (i) between relevant shippers
 - (ii) between relevant suppliers
- (f) so far as is consistent with sub-paragraphs (a) to (e), the promotion of efficiency in the implementation and administration of the network code and/or the Uniform Network Code.

Any further information (Optional), likely impact on systems, processes or procedures, Proposer's view on implementation timescales and suggested text

The proposer considers that this will have a minimal impact upon systems and require no system development. The processes for calculation of reconciliation is already in place and implementation of this Modification Proposal would create a modest amount of additional calculations and reconciliation to perform.

Code Concerned, sections and paragraphs

Uniform Network Code Section E, paragraphs 7.4.3

Proposer's Representative

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Proposer

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Signature

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