

Date	22 nd February 2013
Reference	iGT049
Title	Tolerance for SSP Sites
Proposer	Leanne Thomas Npower
iGT UNC / Pipeline Operator	iGT UNC
Modification Proposal Dates	<i>Circulation: 19/10/2012</i> <i>Response: 09/11/2012</i> <i>Circulation of DMR: 30/11/2012</i> <i>Response to DMR: 21/12/2012</i> <i>DFMR published: 16/01/2013</i> <i>DFMR considered at Panel: 20/02/2013</i> <i>FMR sent to authority: 22/02/2013</i> <i>Circulate Authority's determination: dd/mm/yyyy</i> <i>Suggested Implementation date: dd/mm/yyyy</i>
PART A - MODIFICATION PROPOSAL	
Urgency	Non-Urgent
Background	<p>The Annual Quantity (AQ) of gas off taken at each supply point is a fundamental requirement for the day to day operation of gas. AQs are used to plan pipeline capacity, calculate transportation, reconciliation and energy balancing charges, therefore, the accuracy of this information is vital for Pipeline Operators and Pipeline Users alike. The AQ of each site is calculated by the Pipeline Operator and provided to the Pipeline User prior to the annual AQ review process. During the AQ review Pipeline Users can challenge the AQ of sites to produce more accurate values that reflect customer consumption and reduce reconciliation by difference (RbD) costs.</p> <p>A modification proposal (Transco Network Code modification 624) was raised to place a tolerance for amendment activity. This was to address concerns that Pipeline Users were shaping AQ amendments during the review process to benefit in terms of Energy balancing and transportation charges. The modification proposed that only amendments where the AQ would change by greater than 20% in either direction would be accepted. This was implemented along with a consistent amendment methodology in order to address gaming opportunities. Further to this, UNC modification proposal 0292 (Scottish Power) was raised to reduce the AQ amendment tolerance from 20% to 5%. This modification was raised based on continuing demand reduction by domestic customers that are not reflected in AQ values. This modification was implemented and the Authority agreed that reducing the amendment tolerance increased the accuracy of AQs.</p>
The Proposal	<p>This proposal seeks to improve the accuracy of AQs held by Pipeline Operators by reducing the SSP AQ amendment tolerance from 20% to 5%. This will align the iGT UNC to reflect current practise under the UNC.</p>

How will the proposal operate?

This proposal will reduce the SSP AQ amendment tolerance to 5% and align with current practice under the UNC (TPD section G clause 1.6.4).

Proposer’s suggested timescale for implementation

As soon as practicable

Proposer’s view on the Section(s) of the Code Concerned

PART C- Supply Point Administration
PART C1-Supply Point Registration

Section 6 Annual Quantities - Clause 6.6 (a)

Proposer’s views on how the proposal better facilitates the relevant objectives

<i>Relevant Objective</i>	<i>Yes/No</i>
a. the efficient and economic operation of the pipe-line system to which this licence relates	Yes
b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters	Yes
c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence	Yes
d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers	Yes
e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers	No
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 referred to in paragraphs 2 and 5 respectively of this condition	No
g. so far as is consistent with sub paragraphs (a) to (f) the compliance with the Regulation* and any relevant binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	No

* Regulation 2009/715/EC of the European Parliament and of the Council of 13 July 2009

This proposal facilitates the code relevant objectives (a), (b), (c) and (d) by enabling the submission of AQ amendments that are more reflective of actual customer consumption. The improvement to the accuracy of AQs will allow Pipeline Operators to improve the planning of the pipeline network. More Accurate AQs will also improve the allocation of energy and transportation charges therefore securing competition between Pipeline users.

Proposer’s view on any Likely impact on environment?

None

Proposer's view on any Implementation issues including impact on systems

None

PART B - CONSULTATIONS SUMMARY

Summary of responses to the consultations on the original Modification Proposal and the Draft Modification report

8 responses were received to the Modification Proposal consultation with 2 responses to the Draft Modification Report consultation, which can be viewed [here](#).

Respondee	Response to iGT049	Responses to DMR
RWE npower	Support	Support
Scottish Power	Support	
ESP	Support	
SSE Pipelines	Qualified Support	
GTC Pipelines Limited	Support	
British Gas	Support	
E.ON	Support	
Fulcrum Pipelines	Support	
Independent Pipelines		Support

Facilitation of the relevant objectives - Summary of responses

How this proposal will, if implemented, better facilitate the “code relevant objectives”, as defined in Standard Condition 9 of the Gas Transporters Licence.

Summary of Responses to the Modification Proposal and Draft Modification Report**

Relevant Objective	Relevant
a. the efficient and economic operation of the pipe-line system to which this licence relates	8
b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters	8
c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence	6
d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers	7
e. so far as is consistent with sub-paragraphs (a) to (d), the provision of reasonable economic incentives for relevant suppliers to secure that the domestic customer supply security standards are satisfied as respects the availability of gas to their domestic customers	1
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 referred to in paragraphs 2 and 5 respectively of this condition	
g. so far as is consistent with sub-paragraphs (a) to (f), the compliance with the Regulation* and any relevant legally binding decisions of the European Commission and/or the Agency for the Co-operation of Energy Regulators	

* Regulation 2009/715/EC of the European Parliament and of the Council of 13 July 2009

** One party did not provide an indication in terms of whether they view the individual objectives as being relevant.

Any additional comments:

Of the responses received to the Modification Proposal there was overwhelming majority support for:

Objective a + b

It was viewed that there was a continuing demand reduction by domestic customers, which AQ values are not accurately reflecting. Respondents considered that this Modification will provide greater accuracy and transparency to all parties within the market, improving efficiency and reducing costs.

It was mentioned that this Modification will also assist the iGT's to plan their pipeline capacity, calculate transportation, reconciliation and energy balancing charges, therefore feel that this modification will also provide great benefits for the Pipeline Operators as

well as for the Large Transporters through improved allocation at the GDN level.

Objective c + d

It was noted that this change would bring the iGT UNC threshold in line with the existing UNC threshold; this provides further benefit to Pipeline Users by allowing them to align procedures across both Codes.

Ofgem want suppliers to encourage customers to become more energy efficient and this modification will facilitate any changes in consumption to be better reflected in AQ values. By reducing this threshold to 5%, the modification ensures that a greater number of AQs will be reflective of the actual consumption at the supply point, thus allowing for an improvement in the allocation of charges.

One party also noted that the proposal supported Objective e in that more accurate AQ information would improve the ability of Shippers to forecast their gas requirements and hence allow them to better secure the required gas for their portfolio.

Other issues

One party advised that the business case for this change has not been clearly stated in terms of the volume of sites likely to be impacted. Also, it is likely to be a short-lived change, until such time as Rolling AQ is implemented. Whilst the principle of allowing more AQs to be challenged was accepted, concern was raised about the extra work required if the volume of challenges significantly increases.

It was noted that besides amendments to the relevant sections of the iGT UNC document there will be a slight change to the iGT AQ Review Procedures Ancillary Document v1.1. AQA00019 will need to lose the (+/- 20%) so that it applies to both tolerances ranges. Otherwise a new rejection code will be required for (+/-5%) SSP rejections. In providing the Transporters' Legal Text at the Draft Modification Report stage, the option to remove the reference to +/- 20% from AQA00019 was selected and no adverse comments were received to this approach.

Likely impact on environment?

No points were raised by respondents

Implementation issues including impact on systems

Most Pipeline Operators stated that system changes would be required and requested an implementation lead time of 3-4 months. One operator was concerned that the increase in likely Shipper challenges as a result of the proposal would mean that they would have to automate their current manual system and as such, they suggested a 9 month lead time for implementation.

iGT UNC Modification Panel Discussion

Following a discussion between the Proposer and Ofgem prior to the Panel meeting, the Modification Panel were asked to further consider the impact that this Modification Proposal would have on the relevant objectives. The Panel summarised:

a. the efficient and economic operation of the pipe-line system to which this licence relates: it was considered that this Modification would be of benefit to current and future pipeline management activities. It was noted that in relation to charging, the provision of an accurate AQ would impact charges up to the CSEP. The Panel viewed that this Modification would only lead to improved efficiency and economic operation if it resulted in a change in CSEP values. Overall, improved AQ information would be of some benefit to the planning process when iGT's were reviewing pipe line capacity.

b. so far as is consistent with sub-paragraph (a), the coordinated, efficient and economic operation of the pipe-line system of one or more other relevant gas transporters: As with a) more accurate AQ information would assist wider capacity planning by transporters however, the Panel viewed that this was just one factor of capacity planning and other factors had an impact.

c. so far as is consistent with sub-paragraphs (a) and (b), the efficient discharge of the licensee's obligations under this licence: specific licence conditions were considered with the view being that any improvements or enhancements would apply at the point where changes to the CSEP values were implemented, contributing in the long term to a more accurate NExA table. It was suggested that this Modification would support the licence obligation to operate in a non-discriminatory fashion due to the fact that customers on GT networks would be subject to the same rules as customers on iGT networks as a result of this Modification.

d. so far as is consistent with sub-paragraphs (a) to (c) the securing of effective competition between relevant shippers and between relevant suppliers: it was noted that more accurate AQs would improve the allocation of energy via Reconciliation by Difference which should result in more improved cost allocation to shippers/suppliers and may positively impact competition. Suppliers should also be able to more accurately bill customers as estimates are based on the AQ and an improvement in the correlation of the transportation charges (to the CSEP) to the actual customer gas usage, should ensure suppliers can improve the charges they offer.

The Panel also considered whether this Modification would further facilitate 'gaming' within the industry, whereby Shippers could only notify amendments that worked in their favour. The Panel viewed that there was nothing within this Modification that would further facilitate or deter parties from gaming. It was noted that gaming activities could still occur in the absence of this Modification. Some reports are also currently produced at the end of the AQ Review process which could help to identify instances where individual shippers were adopting a specific bias to the way AQ were appealed.

The Panel discussed the potential for the Modification to result in a significant increase in the volume of challenges received by iGTs. It was generally accepted by iGT Representatives that these volumes would increase, with the view being that a subsequent Modification Proposal could be raised if such an increase was placing an unreasonable additional workload on iGTs. However it is impossible to quantify any potential increase at this stage.

The iGT UNC Modification Panel unanimously voted in favour of the Proposal agreeing to recommend an implementation date of 6 months following authority decision - which would allow all parties to carry out the changes needed to facilitate the implementation of

this Modification.

PART C - Proposed Legal Text *(Provided by Transporters)*

PART C- SUPPLY POINT ADMINISTRATION
PART C1-SUPPLY POINT REGISTRATION

Section 6 Annual Quantity

6.6 (a) Save in any case where the Provisional Annual Quantity has been determined by the Pipeline Operator in accordance with the provisions of the NExA, following notification of the Provisional Annual Quantity, the Pipeline User which is the Registered User at the time of receipt of such notification may subject to Clause 6.6(c) and where the provisions of Clause 6.6(b) apply:

- (i) in the case of a Smaller Supply Point where it considers that the Provisional Annual Quantity should be greater or lesser than the Provisional Annual Quantity notified by the Pipeline Operator by not less than ~~5%~~ 20%; or

in respect of any Larger Supply Point, not later than 11th August in the preceding Gas Year notify the Pipeline Operator that it considers that the Provisional Annual Quantity does not satisfy the requirement in Clause 6.8 ("User Provisional Annual Quantity"). A notification by the Registered User pursuant to this Clause 6.6(a) must contain (unless the Pipeline Operator agrees otherwise) details of all those Provisional Annual Quantities notified to it in respect of which the Registered User wishes to raise an objection and must be made in the format provided in the IGT AQ Review Procedures. No objection may be raised in respect of a Provisional Annual Quantity for a Supply Point in respect of which its First Supply Point Registration Date was not more than 26 weeks before the 7th July in the preceding Gas Year.

(b) The provisions referred to in Clause 6.6(a) are:

- (i) that the Registered User reasonably considers that the Pipeline Operator's calculation of the Provisional Annual Quantity is derived from:
 - (aa) Meter Readings that are incorrect or were taken prior to Meter Readings available to the Registered User and/or
 - (bb) materially incorrect details of the Supply Meter Installation for the relevant Supply Meter Point; or
- (ii) Where the Pipeline Operator has determined the Provisional Annual Quantity in accordance with Clauses 6.2(a) or 6.2(d).

(c) where, in respect of any Supply Point, the Registered User notifies the Pipeline Operator of a User Provisional Annual Quantity in accordance with Clause 6.6(a) it shall warrant that:

- (i) in reviewing the Provisional Annual Quantity:
 - (aa) it has applied a methodology that is consistent to all Supply Points for

which it is the Registered User; and

(bb) it has applied a methodology that does not materially differentiate in its treatment of Supply Points where the User Provisional Annual Quantity may be greater than the Provisional Annual Quantity notified by the Pipeline Operator and Supply Points where the User Provisional Annual Quantity may be less than the Provisional Annual Quantity notified by the Pipeline Operator;

(cc) it has not used any estimated Meter Readings in calculating the Provisional Annual Quantity; and

(dd) it has not used any Meter Readings obtained after 12th May in the preceding Gas Year.

- (ii) it has notified the Pipeline Operator of all User Provisional Annual Quantities resulting from the application of the methodology referred to in -paragraph (i) above that satisfy the requirements set out in Clause 6.6(a).

(d) The Pipeline Operator will accept or reject objections raised by a Pipeline User to a Provisional Annual Quantity within 21 days of receiving the same. The Pipeline Operator will be entitled to reject without consideration, notice or liability any notification by a Pipeline User which does not comply with the requirement in paragraph (a) and where exercising such right to reject, will endeavour to give the Pipeline User a reason therefore in the format provided in the IGT AQ Review procedures.

(e) The limitations upon notification contained in paragraph (a)(i) shall not apply where the User Provisional Annual Quantity will result in a Smaller Supply Point being reclassified as a Larger Supply Point.

(f) A Pipeline User may not issue a notification pursuant to Clause 6.6(a) where Meter Readings used by the Pipeline Operator comply with the provisions of this Clause 6.

Ancillary Document Changes



iGT AQ Review
Procedures Document

[\[link\]](#)

PART D - Other Information

None