

OFFTAKE CODE BUSINESS RULES

Version 1.0 and presentation to RAWG on 27/01/04: British Gas Comments: Initial

General Observations:

British Gas appreciates that the Offtake Code is intended to govern the interface between NGT NTS and the DNs, but we believe that there are a number of elements that will impact directly or indirectly on other participants. We therefore welcome the opportunity to input to the discussions at an early stage.

In addition, we support the point that was raised at the RAWG last week, namely that careful consideration needs to be given to the split between the UNC and the Offtake Code. If the correct balance between the UNC and the Offtake Code is not achieved the effects would be far reaching and very difficult to change again after the event.

We appreciate that it is the intent of this document to translate existing processes into the scenario of independently owned DNs at the outset (Day 1), however, it will also be a requirement to set in place a robust governance arrangement for amendment of this document post separation.

We also believe that there will be a large number of issues arising during the process of industry development of the DN Sales proposals, with this in mind we wish to make clear that the list of issues provided in this document is not exhaustive and we reserve the right to raise additional issues as they become apparent.

Where the OC reflects current network code provisions or operational practice, we have not so far checked consistency, but this will need to be confirmed as part of the work of the RAWG.

Detailed comments:

These follow the numbering in the NGT document

Clause Reference	Comment
3.1	The clause makes explicit the obligation on NGT and the DNs to develop emergency procedures. Whilst we do not doubt participants would be consulted, we would prefer that a clear obligation is laid on NTS and the DNs to consult shippers and suppliers on developments to the procedures, as they will also need to co-operate and comply.
4.2	<p>This covers the DN installing, operating and maintaining in working order, measuring equipment at the NTS interface.</p> <p>However, we understand that there are also a number of interfaces between LDZs which are not currently metered. We are of the view that each of these interfaces should be metered, particularly under a DN sale scenario, and consider that Transco should fund the installation as part of their preparations for sale.</p> <p>We believe that there should be consistency in the arrangements for measurement at each of the offtake points.</p> <p>We also believe that it would be beneficial to the community as a whole if Shippers were to have a right of Audit in this area.</p>
4.5	We would also advocate some process of monitoring flows in order to identify abnormal or untoward values at the earliest possible opportunity.
4.9	We would welcome further clarification on the second bullet, in particular as to the financial effects on Shippers of non-adjustment.
4.12	The business rule appears to indicate that NTSCo may dispute a validation report, but does not appear to grant the same right to DNCo, which may need adding.

5	<p>Indicates use of Telemetry data for Network Code purposes,</p> <p>We are currently unclear on the proposed structure of the UNC, i.e. whether the proposal is that the NTS will have a NWC and the DN's will have a UNC or whether the NTS and DNs will all reference a single UNC, if it is the latter, we believe this paragraph should reference the UNC purposes (as presumably the existing NWC will be superseded), and that it would be beneficial to employ consistent terminology</p>
5.2	<p>We believe it would be helpful to the RAWG in developing the framework for it to be given sight of the draft SOMSA, and for Transco to provide assurances that any SOMSAs will be operated under consistent terms and conditions.</p> <p>We would also welcome clarity on whether provision of services under the SOMSA would be a regulated or unregulated activity, and how the charges associated with the provision of such services by NTS will be treated under the relevant price controls.</p>
6.2	<p>In respect of the second bullet, where the DN cannot determine CV for a period exceeding 8 hours etc. NTSCo shall apply available CV measurements from any "alternative place" as defined in the regulations, we appreciate this may be a sensible solution, but would like to understand the possible financial impacts on shippers and the mechanisms which would be employed for later adjustment. It is taken as read that the "alternative place" will be representative of the location lacking specific data.</p>
6.3	<p>Further information on the likely effects of changes to the determination of the daily CV would be helpful. We consider that it is possible this may lead to regional variation, if this is the case, we believe that this could have the potential to disadvantage shippers, and hence that they should be consulted prior to the implementation of any changes in this area.</p>
6.4	<p>Whilst not objecting to a requirement being placed on the DN to reimburse to NTS additional CV shrinkage costs arising as a result of foreseeable failure, we believe that such additional costs should be borne by the DN and not passed through via transportation charges.</p>
7.2	<p>It will be necessary to ensure that activities in this area do not induce distortions in the charging of shippers.</p>
7.4	<p>Two weeks notice of the <u>final</u> plans for the maintenance programme is very short!</p>
8	<p>The proposals contained within the business rules in respect of offtake rights will need to be carefully considered in the light of the current incentive regime. In our view, the current Exit Incentive on the NTS SO will require revision.</p> <p>We also have concerns with respect to NGT's allocation proposals, which may be allayed by additional discussion and information, we believe that a clear and transparent process will be required with limited discretion and robust processes to ensure discriminatory allocation cannot occur. NGT also proposes allocation of offtake rights for 5 year periods, but does not properly address the issues which may result should the allocated rights not be available.</p> <p>Consideration should also be given to the possibility of UIOLI provision at strategic/adjoining offtakes.</p>
8.1	<p>We would welcome further information on Primary/Secondary Offtake rights, how each will be treated and what revenues will be associated (as well as how they will be treated in price control terms). Secondary rights appear to be the by-products of previous investment, and although access will be provided to existing quantities, demand will not generate additional investment to provide more.</p> <p>We are also concerned that although it appears Secondary rights will be part of the planning process, this will not result in investment to provide additional Secondary rights.</p>
8.2	<p>Would it not be preferable to conduct planning overview's in terms of formula years rather than gas years?</p>
8.10	<p>Interruptible supply points will not be able to be redesignated as firm by the DN without the</p>

	<p>agreement of the NTS.</p> <p>We believe that this principle requires further clarification as it cuts to the heart of the debate on whether the DNs will manage their own systems or function as sleeping partners to the NTS.</p> <p>A key point will be whether the DN simply manages an allocated amount of firm capacity or whether the DN will be able to stipulate required amounts of capacity in the longer term which the NTS will need to provide. This will interact strongly with the incentive regime that is designed with respect to future investment in the system.</p> <p>Whilst we understand that the NTS has a perfectly legitimate concern in this area we are concerned that this provision might act to constrain customer choice even further, and believe that clear and transparent guidelines will be needed if this proposal were to be implemented, such that customers could reasonably assess whether their request were likely to be granted and in what timescales.</p>
9.4	Would like to better understand the requirements in this clause.
9.9	This section indicates a degree of certainty with respect to the shape of the interruption regime under the sale scenario. Whilst appreciating this document is only an initial draft of the business rules, we are of the view it would be helpful to delay completing this section until some fundamental decisions have been made in the CIWG and DISG.
10.4	This paragraph in detailing provisions around non-compliant gas, seeks to cap the NTS exposure, but does not make it clear whether the DN exposure is capped or uncapped. If the DN exposure is uncapped, then the NTS exposure needs to reflect the position. This is a further area where consistency of approach to all Networks is essential.
11	We are of the view that it is inappropriate to set charges to zero where different parts of the network are in separate ownership. In order to ensure a level playing field, non zero charges will also need to apply to retained DNs on the same basis as IDNs.
14.4	The provisions in this section also need to apply to the invoiced party, otherwise the effect may be inequitable.
14.7	Whilst not strictly required for the development of DN Sale proposals, industry experience would indicate that a provision to aggregate payments of de-minimis invoices would be advantageous.
14.11	Interest should apply to credit adjustments in respect of erroneous invoices. It is proposed that this be asymmetric to incentivised accurate billing. (Difficulties caused by reduced cashflows would be sufficient to address the risk of undercharging).
15.1	We would welcome clarity on the actual collection of DM reads and whether this obligation will also be delegated to the DNs
16.2	Please see 4.2, plus no new unmetered interfaces should be permitted.
17.2	In respect of NGT's proposals to auction entry capacity at LDZ direct input points, before expressing a view we would wish to better understand the revenue and incentive flows this would generate under the GT Price control.
18	In respect of the standing committee, we believe it would be helpful to include an elected shipper representative to advise on shipper facing issues. We would suggest the seat should be non-voting.
18	We are also unsure of the rationale behind the assignment provisions, whereby a DN would need to obtain consent to assignment from NTS but not from other DNs. We would welcome further explanation of this point.
Annexes	We have not, as yet, commented on the annexes, believing that further development will be needed.