Initial Modification Report
Re Modification Proposal No.11

Introduction

Premier Transmission Limited (PTL) has prepared this report in accordance with section 3 of its Transportation Code Modification Rules.

PTL has received, from Phoenix Natural Gas Ltd, (PNGL), modification proposals to change various sections of the PTL Transportation Code (The Code). PNGL proposes an amendment to the method in which Exit Point Tolerances, (EPT), are calculated under the Code. The proposed modification was issued on the 1st Nov 2005 and is available on www.premier-transmission.com (Code Modifications).

PTL’s Opinion

PTL agrees with the modification proposal made by Phoenix Distribution. A Shippers EPT defines the limit upon which the Shippers Code Charges moves to a penal rate. The EPT provides an incentive for Shippers to make accurate nominations to match their forecast take. By remaining within tolerance, penal Code Charges are avoided. The incentive for Shippers to remain within tolerance is in place so that PTL can maintain pipeline balance and reduce the likelihood for balancing actions on SNIP. Therefore PTL agrees that a Shippers EPT should be accurate and be based upon a shippers individual downstream load.

PNGL proposes that new shippers requesting an EPT and tolerance are awarded the existing tolerance at an exit point until the Mid Year date or the end of the Gas Year, whichever is earlier. The new shippers EPT would then be recalculated at the Mid Year or Gas Year End via the shippers revised Downstream Load Statement.

With the advent of new market opening, future market opening and market growth at distribution exit points, Shippers supplying downstream distribution loads may have an ever changing portfolio of end users and subsequently an ever changing EPT. PTL requires the most accurate Downstream Load Statement from Shippers to ensure system balance. Therefore PTL intends to amend PNGLs proposal to include the following;

1. Before PTL issues an EPT to a new Shipper, that Shipper shall provide a Downstream Load Statement to PTL upon which their individual EPT shall be calculated.
2. PTL shall require all Shippers at the distribution exit points, Phoenix Exit Point 1, Phoenix Exit Point 2 and Stranraer to submit a revised Downstream Load Statements bi-annually, i.e. before the Mid year date and before the start of the new Gas Year.
3. PTL shall inform a new shipper whether or not they are required to submit a revised Downstream Load Statement at the Mid Year date or before the start of
the new Gas Year, immediately preceding the date of their initial Downstream Load Statement submission.

As a shippers Downstream Load Statement is made up of existing and forecast loads, PTL shall have the right to request a shipper to submit to PTL details of their actual downstream load for a given time period.

Proposed Text Amendments

Clause 4.2.1

4.2.1 Premier Transmission shall, within 10 Business Days of receiving a Downstream Load Statement in respect of an Exit Point in accordance with section 17.7, calculate a tolerance, expressed as a percentage, at that Exit Point for a Shipper or Prospective Shipper using the information contained in the Downstream Load Statement as set out below (a Shippers “Exit Point Tolerance”):

Clause 17.7

17.7.1 A Shipper shall be required to provide Premier Transmission with a statement in the Prescribed Form (a “Downstream Load Statement”) in respect of an Exit Point before it may obtain an Exit Point Registration in respect of that Exit Point.

17.7.2 A Shipper at Phoenix Exit Point 1, Phoenix Exit Point 2 or Stranraer Exit Point shall provide PTL with a revised Downstream Load Statement 15 Business Days before each Mid Year date and 15 Business Days before the end of the Gas Year. PTL shall inform any new Shipper whether or not they are required to submit a revised Downstream Load Statement in accordance with this clause 17.7.2 immediately preceding the date of their initial Downstream Load Statement submission.

17.7.3 A Shipper or a Prospective Shipper wishing to become a Shipper shall, if it becomes aware that any information in a Downstream Load Statement is incorrect, provide Premier Transmission on 10 Business Days notice with a revised Downstream Load Statement which is accurate. References in this Code to a Downstream Load Statement are to the latest revised Downstream Load Statement from time to time.

17.7.4 A Downstream Load Statement, shall contain the End User’s statement of the maximum quantity in MWh/day which may reasonably be required to supply the relevant Downstream Load Category.

17.7.5 A Shipper shall, if requested by PTL, provide to PTL any information relating to their actual Downstream Load, over a given period of time.
Likely Implementation Date

PTL has sought an initial opinion from its software developer with regard to issuing individual exit point tolerances to Shippers. These will need to be formalised before agreeing an implementation date.

Conclusion

PTL agrees that a Shipper should have an exit point tolerance reflecting their individual downstream load. Although PTL has amended PNGLs proposal, there is no change to the underlying principal that a shipper should have an individual EPT. This combined with obtaining distribution Down Stream Load statements on a more regular basis provides for system balance, reduces the likelihood of balancing actions and therefore achieves the Relevant Objective.

Currently the drafting in PTLs Code regarding EPT and Downstream Load Statements is similar to BGE(NI)s. The modification proposals above do not impact directly on BGE(NI) as an operator but BGE(NI) may implement similar proposals to their Code.